

**HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE
Thursday, October 9, 2014
Duke Tower, 5251 Duke Street, 4th Floor Training Room
9:00 a.m. – 3:00 p.m.**

MEMBERS: Sheldon Harper, CUPE
Michael Lawlor, Retiree
R. Scott MacDonald (HRPA), Co-Chair
Raymond MacKenzie, ATU
Roxanne MacLaurin, Management
Bill Moore, Management, Co-Chair
Gordon Roussel, Management
Mike Sampson, Management
Britt Wilson, Management
Dan White, IAFF

ALTERNATES: Jerry Blackwood, Management
Andrew Bone, NSUPE
Stephen Bussey, IAFF
Gerard Cottreau, Management
Rick Dexter, NUMEA
Jack Dragatis, ATU
Nigel Field, Retiree
Melanie Gerrior, NSUPE (*acting Voting Rep for Jennifer Purdy*)
Sherry Hilchey, NUMEA
Dwayne Hodgson, HRPA
Brian Leslie, Retiree
Ted Moore, IAFF
Peter Nixon, HRPA
Jordon Taylor, CUPE

STAFF: Terri Troy, CEO
Donna Bayers, Executive Assistant
Angela White, Manager, Pension Services
Matt Leonard, Manager, Finance & Operations

OTHERS: Anne Patterson, Halifax Regional School Board
Cheryl Little, Halifax Water (*for Cathie O'Toole*)
Gary McPherson, Halifax Water, Observer

REGRETS: Audra Abbott, NUMEA
Jennifer Purdy, NSUPE

1. CALL TO ORDER

The meeting was called to order at 9:00 a.m. by the Co-Chair, Mr. Scott MacDonald. An In-Camera meeting will be held at the end of the Pension Committee meeting to discuss CEO performance monitoring.

Melanie Gerrior will be the acting Voting Member for NSUPE for approximately three months replacing Jennifer Purdy who took a temporary non-union position.

Ms. Troy added that Jennifer Purdy was appointed to the Audit Subcommittee at the last Committee meeting which creates an open position on the subcommittee. Melanie Gerrior agreed to replace Jennifer Purdy on the Audit Subcommittee.

Moved by Gordon Roussel and Seconded by Bill Moore to appoint Melanie Gerrior to the Audit Subcommittee to replace Jennifer Purdy. Motion Put and passed.

Mr. Gary McPherson of Halifax Water attended today's meeting as an observer.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

An additional agenda item No. 6.4 under New Business was added to the agenda, "Measurement of Plan Member Satisfaction."

Moved by Mike Sampson and Seconded by Ray MacKenzie to approve the agenda as amended. Motion Put and Passed.

3. APPROVAL OF MINUTES – June 23, 2014

On Page 1 in the list of attendees, Mr. Dexter corrected that he is an Alternate Representative for NUMEA and not ATU.

On Page 7, Ms. Bayers noted under (b) "Asset Protection" (1st paragraph) "2102" should be "2012" and (4th paragraph) "pension audit" should read "pensioner audit."

Moved by Roxanne MacLaurin and Seconded by Dan White to approve the June 23, 2014 minutes as amended. Motion Put and Passed.

4. GOVERNANCE REVIEW**4.1 Committee Self-Monitoring STANDING ITEM (Committee)**

- Process
- Performance

Committee members who attended the ACPM conference in September provided an update.

4.2 Governance Policy Review – Committee –Management Delegation (Committee)

- (a) Global Governance-Management Connection
The Committee reviewed and made no changes to this policy.
- (b) Unity of Control
The Committee reviewed and made no changes to this policy.
- (c) Accountability of the CEO
The Committee reviewed and made no changes to this policy.

Moved by Gordon Roussel and Seconded by Ray MacKenzie to approve the above policies as presented. Motion Put and Passed.

4.3 Governance Policy Review – Executive Limitations – Monitoring Reports (T. Troy)

- (a) Financial Condition and Activities
The CEO is in compliance with the limitations associated with this policy. The CEO will not allow operating expenses (excluding Committee related expenses and investment management costs) to be higher than 0.28% of plan assets per year. As of July 31, 2014, unaudited operating expenses were 15 bp annualized. Unaudited total expenses were 40 bp annualized. Investment management expenses and custody expenses were 23 bp annualized and Committee expenses were 2 bp annualized.

Mr. Roussel commented that since the operating expenses are so low as a percentage of plan assets, should the limit be adjusted? Ms. Troy replied that it is better to keep the limit on operating expenses at 0.28% to provide flexibility in the event assets decline due to an equity market correction.

Mr. Roussel asked where did the 0.28% limit originate? Ms. Troy replied that the limit was established when the Governance Policies were set in 2007/2008. Mr. Roussel also added that since the Plan has grown, the 0.28% benchmark may no longer be appropriate.

Mr. B. Wilson added that the limit could be changed to a dollar amount rather than a basis point number.

Mr. B. Moore suggested looking at past experience using the basis point number and comparing the increase in plan assets to the change in costs.

Mr. Field added that to have total expenses below 50 bp is very good.

Ms. Troy will report on this again in six months at the March 2015 meeting. She added that she would like to keep the flexibility in case more systems are added or more work is brought in house from third party suppliers as this would cause costs to

fluctuate. Mr. Scott MacDonald asked Ms. Troy to also provide a summary of the increase in plan assets compared to the change in expenses for the last several years.

Ms. Troy next reported on the added value test. She reported that Active Management fees less Index Fees = 0.16% - 0.10% = 0.06%. Investment return of the Master Trust less the investment return of the Policy Benchmark = 9.90% - 7.53% = 2.37% annualized for the 4 year period ending July 31, 2014. Test Met: 0.06% < 2.37%. We are getting value from actively managing the Master Trust's pension assets since added value exceeds the cost of indexing.

Mr. Sampson asked why we are getting significant added value. Ms. Troy replied that this is largely due to the focus on private investments.

The contributions receivable at July 31, 2014 was \$1,164,020. All amounts were collected by September 16, 2014 except for those amounts owing from Harbour City Homes (HCH). Their contributions totalling \$2,988 for June and July are outstanding. The Pension Plan Office has followed up with HCH on these outstanding amounts and HCH has sent a cheque in the mail to Northern Trust. Contributions receivable are monitored by Northern Trust and the HRM Pension Plan Office.

Ms. MacLaurin asked if this is a recurring issue with HSH and is there a concern? Mr. Leonard replied that he spoke with Bob Thomson at HCH and Mr. Thomson said cash flow is sometimes an issue; however, they do send the cheque as soon as they can.

Mr. B. Moore asked if interest can be charged on late contributions? Mr. Leonard said that interest can be charged. Ms. Troy added that she does not believe an employer has been charged interest in the past.

(b) Service Providers

The CEO is in compliance with the limitations associated with this policy.

Ms. Troy asked the Committee if they had any questions regarding the list of new service providers. She added that over the last 12 months, negotiations have led to one-time realized cost savings of \$374,437, one-time estimated cost savings of \$12,878,198 and estimated annual cost savings of \$1,325,804.

Mr. Bussey asked Ms. Troy to review the Hedge Fund Mandate for November 2013 on Page 2. Mr. Bussey asked what does the \$15mm represent in terms of the overall commitment to hedge funds? Ms. Troy replied that this would be approximately 1% of the 3% limit on hedge funds imposed by the Committee.

Mr. Field asked Ms. Troy to review the Canadian Real Estate Mandate for March 2014 on Page 5.

(c) Investment

The CEO is in compliance with this Executive Limitation. The investment strategy was in compliance with the SIP&P as at June 30, 2014. The Asset Mix at the end of Q2 for Equities – 38.71%, Fixed Income – 37.06% and Minimum Target Return – 24.23%. The minimum target return reflects the private investments. Mr. Bussey asked if the minimum target return percentage was committed or invested. Ms. Troy replied, invested. The committed total is approximately 40%.

Ms. Troy reviewed the top 10 holdings by book value (excluding exempt Canadian Government Bonds).

Mr. Field asked if the fixed income exposure would decrease over time. Ms. Troy replied, yes. This will be discussed later in the meeting as part of the proposed changes to the SIP&P.

Ms. Troy reviewed the top three Canadian Government holdings by Book Value.

Average credit rating is A which is above investment grade.

All investment managers reported that they were in compliance with the Investment Management Agreements.

Mr. Scott MacDonald asked if the average credit rating of A has changed in recent years? Ms. Troy replied that the rating has remained fairly consistent due to the amount of government bonds and high quality corporate bonds.

(d) Communication and Support to the Committee

The CEO is in compliance with the limitations associated with this policy. Item under 1F remains outstanding. To be discussed In-Camera.

The Committee decided that the Duke Tower, 4th Floor Training Room was not large enough to hold Pension Committee meetings. Ms. Bayers will look into booking the Halifax Club for the November 20, 2014 meeting. Other possible locations might be the Fairbanks Center in Dartmouth, the Art Gallery of Nova Scotia, the Captain William Spry Centre and also the Committee suggested looking into space at the new library in Halifax when it becomes available.

All Committee members have signed the Code of Conduct except for one Alternate who does not attend Pension Committee meetings and is not active. The CEO contract is outstanding and will be discussed In Camera.

Ms. Troy added that since the solvency test is below 85%, the Plan is subject to annual valuations. Ms. Troy has a meeting scheduled on October 16, 2014 with Byron Rafuse, Associate Deputy Minister and Controller, Department of Finance and Treasury Board. She will discuss with Mr. Rafuse the fact that the Plan is no longer subject to solvency funding and therefore should not be subject to annual valuations based on the solvency funded ratio. Ms. Troy would like to see tri-annual valuations

as opposed to annual valuations if possible. Mr. B. Wilson added that this is consistent with other jurisdictions.

Moved by Dan White and Seconded by Ray MacKenzie to approve the above policies as presented. Motion Put and Passed.

5. BUSINESS ARISING FROM THE MINUTES

5.1 Amendment 2011-01 – Code of Conduct

A memo was distributed to the Committee outlining the timelines surrounding Amendment 2011-01.

Section 6.01 of the Plan Text was updated by Plan Amendment 2011-01 to include a provision requiring members of the Pension Committee to comply with the Committee's Code of Conduct. Amendment 2011-01 was discussed and adopted at the November 24, 2011 Committee meeting. The Amendment was signed by the two co-chairs at the time, Britt Wilson and Scott MacDonald, and subsequently filed with the pension regulator and a registration certificate was issued by the Superintendent of Pensions on February 15, 2012.

At the last Pension Committee meeting, Mr. Wilson raised the issue that the amendment may have required the consent of the Unions and HRM Council. Section 7.04 of the Plan Text states that the Committee may make amendments to the Plan with respect to the rights, responsibilities and indemnification of the Committee; however, no such amendment shall be effective unless it has been approved by the Municipality and each of the bargaining units.

Mr. Sampson asked when the Superintendent approved this amendment, did the Plan Members need to be immediately notified? Ms. Troy replied that amendments that are administrative in nature (those that do not impact plan members) usually don't need to be directly communicated to plan members. The Plan Text and any amendments are on the Plan's website for the plan members to view.

Mr. B. Wilson added that the amendment did not follow the procedure outlined in the Plan Text.

Ms. MacLaurin commented on a legal principle called "condition precedence." This is where you have a procedure and you do not follow the procedure. This can result in that action being null and void.

The Committee has now changed its view on the amendment and now believes that it should have gone to the unions and Council for approval. The Committee asked the Pension Office to draft a letter which will be signed by the Co-Chairs requesting approval of Amendment 2011-01 from the Unions and the Municipality. Each party has a veto. If one of the unions does not approve the amendment, it will not be brought to Council to avoid wasting Council meeting time. If one party does not approve the amendment, it will be revoked.

5.2 Draft Amendments

Ms. White reviewed several amendments to the HRM Pension Plan Text which are being proposed in order to clarify the Plan terms for ease of administration and legal interpretation.

Amendment 2014-01 – Annual General Meeting

The Plan Text states that the Committee will meet at least quarterly and will hold an annual general meeting (AGM) once each year. Quorum is required to make decisions at meetings. Typically, the only decisions made at the AGM are the approval of the minutes from the last AGM. If the Committee intends the AGM to be a meeting for the plan members and not a regular Committee meeting, it should be clarified in the Plan Text. Otherwise, plan members may have to be asked to come back another time if no quorum exists at the AGM.

The suggestion to the Committee is that the Annual General Meeting be an “information session” for Members with minutes to be taken and approved by the Committee at the next regularly scheduled quarterly meeting.

Mr. White suggested changing the wording to “approved by the Committee at the next regularly scheduled meeting” instead of “regularly scheduled quarterly meeting.”

Mr. Sampson noted that under the section “Annual General Meeting” of the Plan Text, 4th line down, “plan members” should be capitalized. Ms. White replied that this could be changed to just “Members.”

Mr. B. Moore asked what the purpose was of the Annual General Meeting? Ms. White replied that there are no requirements under the “Pension Benefits Act” to hold an Annual General Meeting.

Mr. B. Wilson asked Ms. MacLaurin if she believes this amendment to be a change in responsibility or just a clarification? Ms. MacLaurin replied that this is just an administrative change.

Mr. B. Moore added that the minutes of the Annual General Meeting do not have to be approved by the Committee if this is an information Session. Mr. Scott MacDonald suggested replacing the word “approved” in the 6th line of the suggested change under “Annual General Meeting” of the Plan Text to “reviewed.”

Moved by Mike Lawlor and Seconded by Roxanne MacLaurin to approve Amendment 2014-01 of the Plan Text as amended. Motion Put and Passed.

Amendment 2014-02 – Transfers from other Registered Pension Plans

The Plan Text states that a member may transfer funds from a former employer’s pension plan and, in the absence of a reciprocal transfer agreement; the transfer will be treated as an additional voluntary contribution. However, there are no Plan provisions stating what benefits would be provided by the additional voluntary contribution and whether interest would accumulate on the

transfer amount. Members under the current plan are permitted to purchase service which was credited under a former employer's pension plan. Linking the sections of the Plan Text relating to service and transfer of funds from a former employer's pension plan would resolve the issue.

Mr. B. Wilson added that it was his understanding that if an individual were to terminate employment prior to retirement at a future date, the service they had purchased for the additional voluntary contributions (AVCs) would be taken out of the commuted value calculation and they would receive the AVCs back with interest and receive the commuted value of their pension for service that they had accrued as an active member in the Plan. He asked if this was correct? If you link them, are you providing a commuted value on the total period of service? Is there a difference between the AVCs and the commuted value and is the Plan making up that differential? Ms. White replied that a Plan could exclude benefits from AVCs when calculating but there is nothing in the Plan Text that would allow the HRM Plan to do this.

Mr. Sampson asked is the purchase at the time the money comes in or at the time of an event such as death, termination or retirement? Ms. White replied that the only way members have been permitted to transfer funds into the Plan is through a reciprocal transfer or buyback of service while an active member of the Plan. If they do a buyback of service, they are paying the actuarial value of the pension that is being purchased. The amount goes into the Plan as a contribution and if the member later terminates employment, the benefits would be calculated including service that was purchased.

Mr. Sampson asked if there was any need to either define what AVCs are or in the contribution section mention what AVC's are? Ms. White replied that this is another alternative but it would not be consistent with past practice to provide a different benefit to members who used funds from a pension plan to buyback service as opposed to another method like an RRSP transfer.

Mr. B. Moore asked if additional voluntary contributions were matched by the employer? Ms. White replied, no. Mr. B. Moore also asked if someone does a buyback and then leaves the Plan early, is their buyback pension calculated separately from their pension for regular service? Ms. White replied, yes, in terms of their regular pension, there would be a 50% excess contributions test. The test is done on regular service but not on buyback service because the employee contributed the whole amount. Mr. B. Moore asked if the word "voluntary" was removed and this was just treated as a buyback, would this solve the issue? Ms. White replied, yes.

Mr. Field asked if anyone doing a buyback now would be treated differently than someone doing a buyback when the Plan was amalgamated? Ms. White replied that when talking about a purchase of service, it is all treated the same.

Mr. B. Wilson asked if Aon Hewitt has been consulted on this matter? Ms. White replied, yes, this is based on Aon's suggestion. He added that it might be a good idea to consult with the Superintendent of Pensions.

Mr. Field asked if any AVCs exist presently in the Plan? Ms. White replied, no, RPP transfers for buybacks are labelled simply as buyback contributions and not AVCs.

The Committee decided that more information is required before a decision is made. Ms. White will review the pension legislation as it pertains to AVCs and report to the Committee at the next meeting.

Amendment 2014-03 – Actuarial Equivalent Early Retirement Reduction

The Nova Scotia Pension Benefits Act requires that the commuted value of an early retirement pension be no less than the commuted value of the accrued (unreduced) pension. As such, many plans provide for an actuarial equivalent early retirement reduction, rather than a set percentage per month between the early and unreduced retirement dates. Since the HRM Pension Plan provides for a specified early retirement reduction (0.5% per month), it should also contain language to state that this reduction will not be greater than the actuarial equivalent reduction. This affects the current Plan and Prior Metropolitan Authority divisions. The other divisions provide for actuarial equivalent early retirement reductions.

Mr. B. Wilson asked if the Act referred to the commuted value of the benefit and not the actual monthly benefit and does the Plan convert and then pay? Ms. White replied that yes, the calculation is done by comparing the commuted values of the early reduced pension and the deferred pension but the result ends up being the same.

Mr. B. Wilson asked what the cost would be? Ms. White replied that there is no cost. The Plan has been administered in accordance with the legislation even though it is not expressed in the Plan Text. The amendment would make the Plan consistent with the legislation and past practice.

Moved by Mike Sampson and Seconded by Bill Moore to approve Amendment 2014-03 (which will be revised to 2014-02 because previous 02 proposed amendment did not pass) as presented. Motion Put and Passed.

Amendment 2014-04 – Beneficiary Designation

The Plan Text allows members to designate a beneficiary to receive any benefits payable to a beneficiary on the death of the Member. If a plan member dies and does not have an eligible spouse or common law partner, benefits could be paid to the member's beneficiary. The Plan Text states that benefits would be paid to the estate of the member if no beneficiary was designated. Some of the prior plan divisions only provide for the payment of death benefits to the member's estate. These sections can be updated to ensure that any members in those divisions of the plan can validly designate a beneficiary.

Ms. White is proposing that the Plan Text be amended to allow members of those prior plans to designate a beneficiary. The prior plans included would be the prior Halifax County Municipality Full-Time Plan, the prior City of Halifax Superannuation Plan and the prior Metropolitan Authority Plan. There are no estate payments under the current Plan or the Dartmouth Plan.

Ms. MacLaurin clarified that instead of the monies going to the member's estate and then distributed to all beneficiaries, it allows a beneficiary to be paid directly from the Plan.

Ms. MacLaurin asked for clarification on why section D4.04 (1) only says Beneficiary and not Beneficiary or estate. Ms. White replied, the Master Text states that if a member doesn't designate a beneficiary, benefits would automatically be paid to the estate. The Master Text only applies to Plan members. In some cases, there may still be benefits payable from the Plan if a member's surviving spouse passes away. In that case, the remaining monies are paid to the spouse's beneficiary or estate.

Moved by Gordon Roussel and Seconded by Ray MacKenzie to approve Amendment 2014-04(which will be revised to 03) as presented. Motion Put and Passed.

5.3 Committee Education and Training Budget

In the absence of Audra Abbott, Dan White reported that the total training budget spent to date is just under \$90,000. Ms. Hilchey added that some members are going over their training budget but some members are not using their training budgets. Mr. Field also added that he had been turned down by the Training and Education Subcommittee to attend a Wharton School training course because he did not have enough money in his training budget. Mr. White reported that each training request is reviewed on an individual basis. Each member's individual budget can be reviewed on the HRM Pension Plan website. The Training and Education Subcommittee will be having further discussions on these issues. The Lancaster House Pensions Conference will be taking place in Toronto in December. The CAIP West Conference will be taking place in Banff, Alberta in November.

6. NEW BUSINESS

Prior to reporting on the SIP&P, Ms. Troy added that there was one further item to highlight in the Service Provider Report.

In August 2014, Equifax was selected to provide "Deceased ID" services to the HRM Pension Plan. The service will replace the previous pensioner audit procedures which involved mailing forms to pensioners for completion. As a credit bureau, Equifax maintains an extensive database of deceased individuals and can identify HRM pensioners who have passed away.

An external legal review of the contract was performed to ensure pensioner privacy would be adequately protected.

The average annual cost of the pensioner audit is expected to remain the same; however, the audit will be completed annually instead of every five years. This increased frequency has the potential to substantially reduce pension overpayments. Also, pensioners will no longer have to complete forms confirming they are alive in order to continue receiving their pension payments.

Ms. Troy also referred to the Valuation Report which was included in the Pension Committee package and filed with the Superintendent of Pensions and Canada Revenue Agency. Ms. Troy noted that there was one change on Page 43 of Appendix E under "Increases to Pensions in Payment." The updated page was provided to the Committee. Ms. Troy confirmed the change was made before the Valuation Report was submitted to the pension regulator. When the

Superintendent of Pensions approves the Valuation Report, it will be posted on the HRM Pension Plan website.

6.1 Proposed changes to SIP&P

Ms. Troy presented the rationale on the changes to the SIP&P. Since the Plan has been exempted from funding on a solvency basis, the focus is now on going concern. Assuming there are no changes to liabilities, a minimum of 3.85% needs to be earned in 2014 to prevent contribution increases/benefit reductions in 2016. As of September 23, 2014, the estimated year to date return was 6.4%. As of October 8, 2014, the year to date return was 6%. Ms. Troy reviewed the Actual Asset Mix as of August 31, 2014. If the equity market declines by 5%, the Master Trust's (MT's) total return will decrease from 6.4% to 4.4%. If the equity market declines by 10%, the MT's total return will decrease from 6.4% to 2.3%. In 2014, the Plan can tolerate a 5% equity correction but not a 10% equity correction.

Mr. White asked if these stress test numbers take smoothing into account? Ms. Troy replied, yes, the stress test numbers have been adjusted for smoothing so it can be compared to market returns. .

If interest rates increase by 0.5%, the MT's total return will drop from 6.4% to 2.7% and the return on the MT's fixed income portfolio will drop by 1.2%.

If interest rates increase by 1.0%, the MT's total return will drop from 6.4% to -0.6% and the return on the MT's fixed income portfolio will drop by 2.4%. In 2014, the Plan can tolerate an approximate .5% increase in interest rates but not a 1% increase in interest rates.

Mr. White asked why there is such a large drop in total return when interest rates go up just a little bit? He found that surprising. Ms. Troy replied that most plans have at least 38% invested in bonds and some are more mature than others. A 30 year bond has a huge impact on the return because of its duration. The longer the duration, the larger the negative impact as interest rates increase.

Mr. Scott MacDonald asked what happens on a solvency calculation for a 1% interest rate change? Do we solve the problem by not having to provide annual valuations for solvency? Ms. Troy replied that solvency was approximately 70% at the last valuation. If rates go up by 1% next year, solvency would still be below 85%. Rates would have to go up approximately 200 bp to get to 85% solvency with no changes to liabilities.

Ms. MacLaurin asked if the value of long bonds go down because interest rates dropped, would our real estate investments benefit from this? Would you consider this in the going concern? Ms. Troy replied that in general, if interest rates go down, real estate prices go up. As interests rates go up, the real estate would be less negatively impacted than the bonds.

Mr. Roussel referred to the stress test scenario where it states that if interest rates increase by 0.5%, the MT's total return will drop to 2.7% which is below the 3.85%. How can this be tolerated? Ms. Troy replied that this is close to the 3.85% and that the private investments are

still valued conservatively as private investments have not been adjusted for the last quarter's valuations.

Ms. Troy reviewed the risk mitigants. Ms. Troy proposed to decrease the fixed income target by 10% and increase the allocation to the "Minimum Targeted Return" (MTR) portfolio by 10%. This would be done by continuing to invest in assets that display fixed income-like risk/returns and cash flows. This would increase the probability of achieving a 6.5% return in an environment of increasing interest rates. Ms. Troy reviewed the proposed SIP&P asset allocation and current bond-like assets within the MTR Portfolio.

Mr. Sampson referred to the charge on Page 9 of the presentation which shows a lot of B credit ratings. Since our average credit rating is presently A, are these investments considered a higher risk? Ms. Troy replied that the A credit rating takes into consideration the Canadian Government bonds which are AAA.

Ms. MacLaurin asked how do you go about getting out of long term bonds? What is the process? Ms. Troy replied that they are totally marketable.

Mr. Scott MacDonald asked how far off are we from being at 6.5%? Ms. Troy replied as of October 8, 2014, MTR is estimated to have a year to date return of 6.8% which does not include the last quarter's valuations. Fixed Income estimated return year to date is 4.8% and equities estimate year to date return is 7.1%.

Mr. B. Wilson asked in terms of the policy benchmark and these changes to the SIP&P, what would be the impact? Ms. Troy replied that for anything in MTR, the benchmark is the actuarial discount rate which is 6.5%.

Moved by Dan White and Seconded by Mike Sampson to decrease the fixed income target allocation by 10% and increase the allocation to the "Minimum Targeted Return" (MTR) portfolio by 10% and approve the SIPP as presented. Motion Put and Passed.

Ms. Troy referred to the tracked changes on Page 5 of the SIP&P. Under Policy Mix, Fixed Income decreases to 25% from 35% and the Minimum Targeted Return increases to 40% from 30%.

6.2 Cost of various plan features on a Going Concern basis

Ms. Troy reviewed the chart of the breakdown of contribution rates. On a going concern basis, the combined employee/employer contribution rate is 23.9% or 11.96% each. The core lifetime pension is defined as excluding the survivor benefit and the early retirement benefit and this accounts for 13.5%. The early retirement benefit is about 3.2%. The survivor benefit is 0.8%. The past service deficit of 6.4% is the part of the contributions that is going to pay past deficits and is amortized over 15 years.

Ms. Troy reviewed a list of possible benefit changes and asked the Committee if they would like the actuary to provide a cost for each. Previously a costing had been done on a solvency basis

but not on a going concern basis. Mr. B. Moore added that we are currently not making any benefit changes but that the Committee should be prepared for the future ahead.

Mr. Sampson asked if additional costs would be incurred later if we ask for a costing now? Ms. Troy replied that any changes in costs would be minimal.

Mr. White would like to see costs for benefit improvements as well. He added that the funding is based on what the actuary tells us the assumptions are. If people are working longer, perhaps the average retirement age is off. Can we ask the actuary to test some of the assumptions to see if they are current and accurate? The current corporate culture in HRM seems to be about cost savings and not replacing positions when people retire. Is this adding to the cost by not hiring new employees to replace old ones? Ms. Troy replied that the actuary looks at the assumptions relative to actuals every time a valuation is done.

Mr. White asked if our assumptions are changing in a negative way because of the current temporary corporate culture? Ms. White replied that the number of active plan members is still growing, although it was a small increase in 2013 over 2012.

Mr. B. Wilson added that the benefit costings should be updated each time a valuation is done since the costings are done at that time anyway. Ms. Troy replied that they are not costed by benefit type.

Moved by Britt Wilson and Seconded by Bill Moore to ask the actuary to provide a costing of the possible benefit changes presented to the Committee including the cost for a pensioner increase with the Consumer Price Index and a pensioner increase of 1%. Motion Put and Passed.

6.3 Q2 2014 Report on Service Standards

Ms. White reviewed the Service Standard Report for Q2 2014. There is an improvement over Q1 2014 but termination statements sent out by Aon Hewitt are still well below the standard. The Pension Office continues to work with Aon Hewitt to increase compliance with this standard to 100%. The HRM Pension Office has started to process termination statements and they are completed in a much shorter period of time. The more complicated transactions are still being done by Aon Hewitt.

Mr. Sampson expressed his concern in the delay of the one pre-retirement death statement and found this disappointing. Ms. White replied that follow ups are continually being done with Aon Hewitt but that these calculations are very complicated and the Pension Office does not have the tools to do these in house.

6.4 Measurement of Plan Member Satisfaction

Ms. White gave the Committee an update on the call log tool that was developed in part to track inquiries for the purpose of surveying members on their satisfaction with service provided by the Pension Office. The Pension Office received approximately 859 member calls over 6 months. The Committee reviewed a memo provided by Ms. White which broke down the calls into

various inquiry types and member groups. The majority of calls come from active members who are considering retirement.

The Pension Office has been surveying recently retired members for several years and the feedback has been valuable. Other members will be surveyed starting January 1, 2015 with results communicated to the Committee on an annual basis. The mailed surveys will be numbered to indicate the inquiry type so that responses can be categorized even if the member chooses to remain anonymous.

Information recorded in the call log and survey results will be used to identify any opportunity for improvement in services provided by the HRM Pension Office.

Mr. Bussey referred to the chart where it states 149 retirement question were received. He asked if some of these calls were from the same person? Ms. White replied yes, if the same member called regarding two separate matters, it would show as two calls. If follow up is being provided on one call, this would remain as one call.

Ms. MacLaurin asked if the Pension Office was keeping track of the number of people asking the same questions? Ms. White replied, no, not at this point but eventually this information will be provided. The tool is continuing to be developed to increase the level of detail that can be extracted.

7. OTHER BUSINESS

None

8. DATE OF NEXT MEETING – November 20, 2014.

Ms. Bayers will inform the Committee of the new location.

9. ADJOURNMENT

The meeting adjourned at 12:20 p.m.

R. Scott MacDonald, Co-Chair