HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, June 8, 2017
Casino Nova Scotia, Compass Room
1983 Upper Water Street, Halifax, NS
9:00 a.m. – 3:30 p.m.

MEMBERS: Andrew Bone, NSUPE
Dwayne Tattrie, CUPE 108
Rick Dexter, NUMEA
Michael Lawlor, Retiree *(left at 1:00 p.m.)*
R. Scott MacDonald, HRPA
Louis de Montbrun, Management
Dan White, IAFF, Co-Chair
Britt Wilson, Management
John Traves, Management, Co-Chair
Amanda Whitewood, Management

ALTERNATES: Jerry Blackwood, Management
Stephen Bussey, IAFF
Cameron Deacoff, NSUPE
Jack Dragatis, ATU *(acting for Ray MacKenzie)*
Nigel Field, Retiree *(left at 11:45 a.m.)*
Melanie Gerrior, NSUPE
Sherry Hilchey, NUMEA
Brian Leslie, Retiree *(acting for Mike Lawlor after 1:00 p.m.)*
Scott Lillington, CUPE 108
Greg MacKay, NUMEA
Roxanne MacLaurin, Management
Gordon Roussel, Management *(left at 1:45 p.m.)*
Mike Sampson, Management *(acting for Bill Moore)*
Jason Snow, HRPA

PARTICIPATING EMPLOYERS: Cathy Maddigan, Halifax Library
Anne Patterson, Halifax Regional School Board
Cathie O'Toole, Halifax Water
Allan Campbell, Halifax Water

STAFF: Terri Troy, CEO
Donna Bayers, Executive Assistant
Matt Leonard, Director, Finance & Operations
Lisa Tanner, Director, Plan Member Services
Angela Himmelman, Manager, Plan Member Services
Mark Whidden, Director, Pension Management
Vishnu Mohanan, Manager, Private Investments *(left after lunch)*
Andrew Walker, Manager, Public Investments *(left after lunch)*

OBSERVERS: John Hanrahan, NSUPE Local 2 Vice President
Claudia MacFarlane, NSUPE Local 14 President

REGRETS: Raymond MacKenzie, ATU

An In Camera meeting was held from 9:00 to 10:00 a.m. The In Camera meeting was reconvened during lunch and at the end of the regular meeting.

1. CALL TO ORDER

The meeting was called to order at 10:05 a.m. by the Co-Chair, Mr. Dan White.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

Mr. White added "appointment of new management representative to replace Bill Moore" to the agenda. Mr. Dexter suggested moving agenda item No. 7.4 to the first item of business.

Moved by Rick Dexter and Seconded by Mike Lawlor to approve the agenda as amended. Motion Put and Passed.

7.4 Appointment of New Management Co-Chair

Mr. White reported that during the In Camera meeting the Committee nominated Mr. John Traves as the new Management Co-Chair representative effective immediately. Mr. Traves accepted this nomination.

The remaining management voting member representative vacancy will be filled in due course.

Mr. Traves moved for a vote of thanks for Mr. Bill Moore's tremendous contribution to the HRM Pension Committee. Seconded by Rick Dexter. Motion Put and Passed.

3. APPROVAL OF MINUTES – March 23, 2017

Moved by Jack Dragatis and Seconded by Louis de Montbrun to approve the March 23, 2017 minutes as presented. Motion Put and Passed.

4. CEO Update

Ms. Troy provided an overview of the Q1 CEO Update which was distributed in the Pension Committee meeting package.

The combined service standard for Aon Hewitt and the Pension Office was 98.8%. The Pension Office processed 165 calculations while Aon processed five calculations.

For risk management purposes, the Pension Office is running the new and old pension administration systems in parallel until testing has been completed. The new system will be used to process the member annual statements.

Mr. Bussey asked if the Pension Office was on schedule for getting the member statements out on time. Ms. Tanner replied that the statements are on schedule to be distributed by the end of June.

As of May 23, 2017, the year to date return of the Master Trust was 6.4%. As of close of business, June 7, 2017, the rate of return had increased to 7.1%. The estimated minimum rate of return needed for 2017 is -2.0% net of expenses to maintain current contribution rate/current benefits assuming liabilities grow in line with 2015 assumptions. Ms. Troy reviewed the investment activity for 2017. As at May 23, 2017, the Plan's asset mix was 40.5% equities, 21.8% fixed income, and 37.7% private investments.

Ms. Troy reviewed the estimated liquidity chart for 2017. In Q1 2017, the private investment portfolio generated realized gains of $26 million CAD from private debt and private equity investments.

Ms. Troy reviewed the key US administration policies and outcomes and how they impact US and CAD interest rates. Ms. Troy also reviewed the possible risks of the recent and future European elections. Ms. Troy reviewed some of the asset allocation decisions made in 2016 and 2017 to address market conditions. The continued defensive positioning has reduced volatility in 2017 and improved returns year to date as at April 30, 2017 of 6.0% versus 4.7% for the policy benchmark.

5. GOVERANCE REVIEW

5.1 Committee Self-Monitoring STANDING ITEM (Committee)

- Process
- Performance
- Governance Review Update

Mr. White provided an update of the June 7, 2017 second Governance meeting facilitated by Kathryn Bush of Blake, Cassels & Graydon LLP. The Committee came to an agreement in principle on several of the items in Ron Pink's Governance Report as well as some items that were not in the report. The following is a summary:

The Committee agreed to move forward with the concept of two boards.

The Sponsor Board – to consist of 12 voting members categorizing NUMEA as an employee voting member representative. Management would get an additional sixth member representative. Retiree representative will no longer have a vote but will sit as an observer and provider of historical information and knowledge. The Committee also discussed the possibility of only one alternate per voting member and one observer or no alternates or observers. The Committee agreed that two alternates is too many.

The Committee discussed a possible new voting process to go from majority (50 percent plus one) to supermajority of two thirds (eight votes) of the voting members. This would be related to critical matters.

The Committee discussed the addition of a voting member from HRSB but due to the complexity of issues with respect to the Pension Benefits Act, HRM's Charter and the HRMPP's Plan Text, the Committee decided that this will be reviewed again in the future.

The Committee also agreed that a cap on contributions of 1% above the current contribution rate for PSO or Non-PSO members would be a prudent measure. There needs to be a limit on what employees/employers can afford.

Mr. Hanrahan asked if the 1% cap on contributions was a hard cap based on what contributions are now? Mr. White replied, yes, based on the current base contribution rates effective January 1, 2016. A list of preferred benefits reductions would be determined if cap is exceeded.

The Committee recognized that with the new board design and the supermajority, there would still be a form of veto in that you would need at least two unions, management or employee groups approving of a measure before it could move forward. Management will also be giving up their veto.

The Administrative and Investment Board would be made up of professionals with up to two members from each side. These professionals may or may not be members of the Plan.

Mr. Dexter asked if one of the union members could be replaced with a professional member? Mr. White replied, yes.

Mr. Traves added that this would all be based on improving information flow to the sponsor groups.

Mr. Dexter asked why the Committee is moving away from having two alternates? Where has this been a problem? Perhaps they could alternate their attendance at meetings. Mr. White replied that this model is unusual and is based on the size and manageability of the Committee.

Mr. Bussey added that the workload would no longer be there in the new structure for the sponsor board so this would lessen the need for two alternates.

Mr. Hanrahan asked if there would still be observers? Mr. White replied that a substitute to an alternate would be an observer who could attend and stand-in at meetings. Observers would be eligible for training and education.

Mr. Hanrahan asked what has been discussed about observers and Participating Employers who do not have a vote? Mr. White replied that this has been discussed but there are legal issues that need to be addressed.

Ms. O'Toole asked if there were any plans to remove Halifax Water from being included in the Master Trust? Mr. White replied, no, there are no plans to do this.

Mr. Field asked if the current policy governance model will continue? Mr. White replied that the Committee has not yet discussed this. Mr. Traves added that the Committee will decide going forward.

Mr. Deacoff referred to the cap on contributions. The Committee agreed in principle that there be a list of proposed benefit reductions, in the event the cap was exceeded, which could change based on the latest actuarial valuation report.

Mr. Hanrahan referred to the two boards and asked which board makes the decisions? Mr. White replied that the Sponsor Board would be like the Committee today, but more strategic and removing the day to day tasks of the Pension Office and the investments. The Administrative and Investment Board would be made up of professionals that would take care of the Plan assets. No final decisions have been made to date.

Mr. Bussey added that the Committee also discussed that contributions would not increase any more than 1/3% of 1% in any given year.

The Committee will address the above issues again in the fall. Ms. Bush will provide a summary of the June 7, 2017 meeting and how the Committee should progress further.

5.2 Governance Policy Review – Governance Process (Committee)

(a) Committee Principles
(b) Committee Structure
(c) Cost of Governance

There were no changes to these policies.

Moved by Britt Wilson and Seconded by Scott MacDonald to accept the above policies as presented. Motion Put and Passed.

5.3 Current Governance Policy Quarterly Review Timetable

There were no changes to this timetable.

Moved by Scott MacDonald and Seconded by Mike Sampson to accept the above timetable as presented. Motion Put and Passed.

5.4 Governance Policy Review – Executive Limitations

(a) Interim CEO Succession
The CEO is in compliance with the limitations associated with this policy. Ms. Troy listed the key contacts for the Pension Office.

(b) Asset Protection
The CEO is in compliance with the limitations associated with this policy. Ms. Troy reviewed the updates which were highlighted in the report.

(c) Investment
The investment strategy was in compliance with the SIP&P as at March 31, 2017. Ms. Troy reviewed the Asset Mix min-max ranges, the top 10 holdings by book value and the top three Canadian Government holdings by book value. Nova Scotia pension regulation requires that no single issuer can be more than 10% of the book value of the total investments, excluding securities issued or fully guaranteed by the Government of Canada, the government of a province, or an agency thereof.

Mr. White asked if this was 10% of the Master Trust or 10% of the income portfolio? Ms. Troy replied, 10% of the Master Trust.

Mr. Bussey asked if the minimum allowable range for fixed income should be lowered? Ms. Troy replied, no, this would not be prudent.

The average credit rating was A+, above investment grade. All investment managers reported that they were in compliance with the investment management agreements.

(d) Communication and Support to the Committee
The CEO is in compliance with the limitations associated with this policy. Ms. Troy reviewed the updates which were highlighted in the report.

An audit of commuted value/actuarial calculations performed by Aon during 2015 and the first quarter of 2016 is underway. A total of 208 calculations will be reviewed. The goal is to have the audit complete by the end of Q2 2017.

A breach of information occurred when Plan Member A received information for Plan Member B. Processes have been reviewed and in future all outgoing confidential mail will be peer reviewed.

Harbour City Homes will be providing an update at the In-Camera meeting in September 2017.

The updated regulatory check list was attached to the Communication and Support to the Committee report.

Moved by Rick Dexter and Seconded by Andrew Bone to approve the above policies as presented. Motion Put and Passed.

6. BUSINESS ARISING FROM THE MINUTES

6.1 Reports on Q1 2017 Service Standards

Ms. Tanner reported that in Q1, the Pension Office processed 165 calculations (97.0% of the total calculations) while Aon processed five calculations (3.0% of the total calculations). The Pension Office met the service standards in 163 of the 165 transactions processed or 98.8% of the 165 transactions processed. The one pension estimate that was late was one day past the service standard and the one marriage breakdown statement that was late was three days past the service standard. The average service days for all types of transactions have been well below the service standard. Ms. Tanner reported that overall this was a good quarter. Of the five calculations completed by Aon, all were completed on time.

6.2 Committee Education and Training Budget

Mr. Bone provided an update on the training budget to date. The total training and education budget spent to date is $28,045.56 of the $123,000 allotted. Mr. Bone encouraged members to take advantage of training opportunities.

6.3 2016 Preliminary Actuarial Valuation

Mr. White introduced Mr. Philip Churchill, Principal and Ms. Jennifer Urquhart, Principal, Eckler Ltd to present the Preliminary Actuarial Valuation Results as at December 31, 2016. Eckler's report was distributed at the meeting.

Mr. Churchill reviewed the following points in the report:

- Membership statistics
- Actuarial value of assets
- Going concern results
    - 31-Dec-2015 assumptions
    - Suggested assumption changes
        - Contribution sufficiency
- Best estimate results
- Next steps

Mr. Churchill reported that if the assumption changes suggested are implemented, the current contributions are sufficient to fund all the benefits.

Membership data is still being analyzed. As at December 31, 2016, there were approximately 10,438 members in the Plan. Lump sum payments in 2016 were $34,508,000 which is an increase from previous years primarily due to the number of members taking a lump sum transfer prior to the commuted value option being eliminated for retirement eligible members and other terminations.

Mr. Sampson asked if this amount was the actual payment or does it include the money being withheld? Mr. Churchill replied that this amount is the actual payment. The amount that is being held back is in the balance sheet as a liability.

The return on actuarial value of assets was 9.1%, exceeding the 6.5% discount, resulting in $53,847,000 in gains not yet recognized.

Mr. Churchill reviewed the going concern assumptions as at December 31, 2015. The going concern unfunded liability at December 31, 2015 was $176,093,000 compared to $134,211,000 at December 31, 2016 on the same basis. The funded ratio at December 31, 2015 was 89.6% and 92.4% at December 31, 2016 on the same assumption basis.

Mr. Bussey asked if the $134,211,000 unfunded liability included the smoothing of the $53,847,000 in the actuarial value of assets? Mr. Churchill replied, yes. If you removed this, the deficit would be approximately $80 million.

Mr. Churchill reviewed the preliminary reconciliation of the funded position. He concluded that the CPM Private table was adequate for the HRM Pension Plan. Compared to the previous actuary, Eckler's liabilities for the December 31, 2015 valuation came in $15,106,000 lower.

Mr. Churchill reviewed the preliminary service cost using 2015 assumptions. The total current service cost is 18.7% of payroll under the same assumptions as 2015.

Ms. Urquhart reviewed five proposed assumption changes:

- Decrease in the discount rate
- Decrease in the salary scale
- Impact of the credited interest rate
- Termination scale
- Lump sum take-up on termination

Ms. Urquhart proposed a decrease of the discount rate from 6.50% in 2015 to 6.40% in 2016. Ms. O'Toole asked is the time horizon for the best estimate for the long-term investment return 20 years? Ms. Urquhart replied, it is 30 years. Ms. O'Toole asked if there was a lot of upward bias for the longer range used? Ms. Urquhart replied, yes. Ms. O'Toole asked if 30 years would be the maximum to be used and was this typical? Mr. Churchill replied, between 20 and 30 years is typical.

Mr. Britt Wilson asked what is the sensitivity on the upward bias for the longer term? Ms. Urquhart replied about 20 bps every five years. Mr. Churchill added that this is mostly on the bond piece not the equities or the alternatives.

Ms. Whitewood asked Ms. Troy if the 30-year horizon has always been used? Ms. Troy replied, yes, the source being used is from J.P. Morgan which is the same that Eckler uses. Ms. O'Toole added that Halifax Water's plan uses a 20-year time horizon which produces a significant difference in the discount rate for the Halifax Water Plan than the HRM Plan even though both plans are invested in the Master Trust. Ms. Troy added that Aon considered the fact that there were no management fees paid for some of the assets. This savings can be added on to the return. Aon had conservatively estimated 40 bps which is not included in this report.

Ms. Urquhart reviewed the salary scale. The salary assumption has three components, inflation rate, general productivity and seniority/merit/promotion scale. The proposed inflation rate underlying the discount rate derivation is slightly lower at 2.1% per annum compared to the 2.25% used by AON in 2015. Bank of Canada targets about a 2% inflation target. Ms. Urquhart proposes a change in the underlying fixed components of salary scale from 3.0% per annum to 2.75% per annum.

Mr. Traves asked in terms of the inflation rate and expectation of the average industrial wage, have you looked at this in the context of Public Safety positions? Ms. Urquhart replied, no, they have not looked at the salary of PSO/Non-PSO workers separately. The only thing that varies in the current salary scale assumption is the age component. Mr. Traves asked if this is something that should be looked at since there is a large component of PSO members in the Plan? Mr. MacDonald added that the improvement showing up this year may not be the real industrial average as there may be retroactive pay increases coming. Ms. Urquhart replied that this is an interesting point which has not been looked at. There have consistently been gains on the salary increase assumption which was in line with bringing this assumption down.

Mr. Wilson asked if it was possible to do a sensitivity analysis on this basis? Ms. Urquhart replied it would be helpful to have a sense of what salaries have been frozen and what the salaries are expected to be to see if it is material to the liabilities. Retroactively, this could be something to consider. Mr. Wilson asked if this would produce a loss on an upcoming valuation? Mr. Churchill replied that it would be a one-time occurrence. Mr. White added that there was an issue with assuming low salaries in the past. If you look at a specific groups experience, you should also look at the demographics.

Ms. Urquhart reviewed the assumed credited interest rate on members' contributions. Interest is credited on member contributions at a rate based on the average five-year fixed term deposit rates which are around 1% now but have not been greater than 2% since 2008. The previous valuation had assumed a rate of 4.25% on contributions until the member retired, terminated or died. The proposal is to change this to 3% per annum. Mr. Churchill added that this is an important assumption due to the 50% cost sharing rule. When a member terminates employment, a test is done to make sure their contributions are not greater than 50% of their commuted value. In certain cases, the test triggered that the amount of contributions was greater than 50% of the commuted value of the benefit but the accumulation was being done at 4.25% per annum.

Mr. Sampson asked if this was an actuarial gain when this member leaves? Mr. Churchill replied, yes.

Ms. Whitewood asked what it would take to get a higher discount rate? Ms. Urquhart replied that she has not seen a higher discount rate. Mr. Churchill added that this could be achieved if the margin was reduced to get closer to best estimate. Ms. Troy added that the other way is considering some of the zero costs which would increase the returns, however, she is comfortable with the 6.4% discount rate.

Ms. Whitewood commented that after each set of assumptions is reviewed, we are always on the extremes. Mr. Traves asked if there is no discount rate higher, why are we the highest? Mr. Churchill replied that if the discount rate was lowered, this would have contribution rate implications.

Ms. Urquhart reviewed the termination scale and commuted value payout assumptions. The termination scale is based on an industry table with assumed terminations to age 60. Recently, the Plan terms were amended such that members cannot receive a lump sum payout if termination occurs after eligibility for an immediate pension. Currently, the termination benefit

being valued after eligibility for retirement understates the true benefit as it is based on a deferred pension payable from age 65 (60 for PSO). In reality, when termination occurs after eligibility for early retirement, the benefit is actually payable from age 60 for all. Ms. Urquhart suggests eliminating the termination scale when all members are eligible for an immediate pension (50 for PSO, 55 for others).

The current valuation assumption is that commuted values on terminations are calculated using going concern assumptions. This does not differentiate between terminating members who elect a deferred pension and those who elect a lump sum transfer. Eckler proposes adding the assumption that 50% of members elect lump sum transfers and the remainder elect a deferred pension. Lump sum settlements are based on mandated assumptions set in the PBA. Ms. Urquhart suggests that a 3.75% discount rate, compared to a 6.4% going concern assumption, be used to value the liability for members assumed to take a commuted value payout. Also, use the CPM "combined" table as this is the required table under the CIA standard.

After making all the proposed assumption changes, the change in liability from last year's assumption basis would be an increase in liabilities of $22.6 million as at December 31, 2016.

Ms. Urquhart reviewed the preliminary going concern assumptions as at December 31, 2016:

- Discount rate – 6.40%
- Inflation – 2.10%
- ITA limit & YMPE increases – 2.75%
- Earnings increases – 2.75% plus seniority/merit/promotional scale
- Member credited interest rate – 3.00%
- Mortality – 2014 Canadian Pensioners Mortality (Private Sector), projected with CPM Improvement Scale B
- Retirement Age – 60% at age first eligible for an unreduced pension (or in one year if immediately eligible), 40% at age 65
- Termination – Termination scale from 20-50/55, 3.75% discount rate for CV's, 50% lump sum take-up

Ms. Troy asked if the ITA rate was the actual rate? Mr. Churchill replied that it increases by the average industrial wage.

Mr. Bussey asked for clarification on the changes in the termination assumption. Ms. Urquhart replied when a member terminates from the pension plan, they have a choice to take a deferred pension at age 65 or take out their money now. The way that the valuation was done previously assumed members would take a deferred pension at age 65. When members take their commuted value, it results in a loss on a going concern basis. The liability that they take out is higher than what is being held in the plan. To account for this, an assumption was made that 50% would take the commuted value and 50% would take the deferred pension. A lower discount rate would be used to value the liabilities for members assumed to take a commuted value payout.

Mr. Sampson asked if this was before they were eligible for a pension? Mr. Churchill replied, yes.

Mr. Bussey asked if this was comparable to the Plan's actual history versus experience? Ms. Urquhart replied that it is closer to the Plan's actual history than the assumption used in the past.

Mr. Sampson asked what is the CPM combined table? Mr. Churchill replied when the CIA came out with the Canadian Pensioner Mortality table, there was a private sector table and a public sector table. For going concern purposes, the private sector table is being used because mortality in Atlantic Canada is not as great as across the country. This table has proven to be the right table for the HRMPP. The CIA put the two tables together and made a combined table. The CIA standard for commuted value says use the combined table.

Ms. O'Toole asked if the combined table was only used for the calculation of commuted value payouts? Mr. Churchill replied, yes. Ms. O'Toole commented that Halifax Water was advised that using the private sector table was inappropriate for that Plan. She asked why this would be different from the HRMPP? Mr. Churchill replied he was not sure but the private sector mortality table matches the experience for the HRM Plan in the past couple of valuations.

Mr. Churchill reviewed the best estimate results.

The 6.40% discount rate includes a margin for adverse deviation of 0.35% per annum. All other assumptions are considered best estimate. The Committee has a goal of a 10% margin in liabilities by 2028 and a 5% margin by 2018.

Ms. Troy asked what the margin would have been for best estimate liabilities using 2015 assumptions? Mr. Churchill replied that it should be about the same number.

Mr. Churchill reviewed the best estimate liabilities calculated using a 6.75% discount rate (Eckler's best estimate discount rate). This results in $1.71 billion in total actuarial liabilities and an unfunded liability of $86.8 million.

Mr. Bussey asked on top of the $86.8 million unfunded liability, if you add the $54 million in income smoothing, what would that number be? Mr. Churchill replied approximately $30 million. Mr. Bussey asked what is the percentage? Mr. Churchill replied 7% including the smoothing piece as a margin.

Mr. Churchill reviewed next steps:

- Confirm going concern actuarial assumptions
- Complete data reconciliations and checks
- Complete other valuation runs
- Complete actuarial valuation report and file by September 30, 2017

Mr. MacDonald commented that one of the areas that has been followed over the years has been increases to the current service cost. With all the proposed assumption changes, this has held at

18.6% - 18.7%. For the past few years, it seemed to be active aging that was driving this. He asked Mr. Churchill if he had any comments. Mr. Churchill replied that this past year may be an unusual year as there was an increase in older terminations to get the lump sum option. This may not be the year for a smooth progression because of this. All defined benefit plans are aging. The average age of the new entrant seems to be a little older. People are also working longer.

Mr. MacDonald commented that he expected the discount rate to be no higher than 6.25% this year. He asked Mr. Churchill if he felt the Superintendent would approve a 6.4% discount rate and what would a 6.25% discount rate look like? Mr. Churchill replied that a 6.5% discount rate down to 6.4% would increase liabilities by $20 million. A 6.4% discount rate down to a 6.25% discount rate would be another $30 million. This would use up the contribution buffer. Mr. Churchill replied that he is confident in getting approval from the Superintendent for a 6.4% discount rate.

Mr. Dexter asked if in the future, you could have a discount rate of 6.35%? Mr. Churchill replied that the goal would be to have a margin in the liabilities greater than it is today. Any chance there is to reduce your discount rate and increase the margin gives you more flexibility when there is a bad year. At 35 bps, there is not a lot of margin.

Mr. Bussey commented he is not against having multiple safety nets, but could there be too many at some point? Mr. Churchill replied, no, he did not think so.

Moved by Scott MacDonald and Second by Brian Leslie to accept the Preliminary Valuation Results as at December 31, 2016 as presented. Motion Put and Passed.

Ms. Troy added that the 2016 Annual Report is being finalized. Copies will be available at the Annual General Meeting. Since the numbers are not final, the 6.5% discount rate will be used but state that this could change.

Mr. White reminded the Committee of the upcoming Annual General Meeting on Monday, June 12, 2017.

More information will be communicated on governance next steps after a summary report on the June 7, 2017 meeting has been received from Kathy Bush.

7. <u>NEW BUSINESS</u>

7.1 Summary Review of 2016 Draft Audited Financial Statements

Mr. Louis de Montbrun introduced Mr. Carey Blair, Partner, KPMG LLP as the auditor of the 2016 Financial Statements for the Master Trust and Pension Plan. Mr. Blair met with the HRM Pension Plan Audit Sub-Committee on May 8, 2017 to discuss the audit findings. The audit of the financial statements for the HRM Pension Plan and Master Trust is complete except for obtaining evidence of the Committee's approval and obtaining the signed management representation letters. There were no deficiencies identified in internal controls.

Mr. Scott MacDonald asked if there were any concerns in the management letter? Mr. Blair replied, no.

7.2 Recommendation to Approve 2016 Audited Financial Statements

The Audit Sub-Committee recommended to the Pension Committee to approve the 2016 Draft Audited Financial Statements of the Master Trust and Pension Plan.

Moved by Louis de Montbrun and Seconded by Scott MacDonald to approve the draft audited financial statements for the HRM Pension Plan and the HRM Master Trust for the year ending December 31, 2016 as presented at the June 8, 2017 Pension Committee meeting. Motion Put and Passed.

7.3 Review of Policy with Respect to Plan Expenses

Mr. Leonard reviewed the changes which were highlighted in the policy. Updates were made to reflect changes to the Plan Text as well as the Nova Scotia Pension Benefits Act and Nova Scotia Pension Benefits Regulations. There were no changes to the appendices.

Moved by Jack Dragatis and Seconded by Dwayne Tattrie to accept the changes to this policy as presented. Motion Put and Passed.

8. OTHER BUSINESS

There was no other business.

9. DATE OF NEXT MEETING – September 21, 2017

10. ADJOURNMENT

The meeting was adjourned at 2:00 p.m.

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Dan White, Co-Chair