

**HALIFAX REGIONAL MUNICIPALITY  
PENSION COMMITTEE MEETING  
Thursday, March 10, 2016  
World Trade and Convention Centre  
Room 301, 1800 Argyle Street, Halifax, NS  
9:00 a.m. – 3:20 p.m.**

**MEMBERS:** Andrew Bone, NSUPE  
Rick Dexter, NUMEA  
Sheldon Harper, CUPE  
R. Scott MacDonald, HRP  
Raymond MacKenzie, ATU  
Louis de Montbrun, Management  
John Traves, Management  
Amanda Whitewood, Management  
Britt Wilson, Management  
Dan White, IAFF, Co-Chair

**ALTERNATES:** Jerry Blackwood, Management  
Stephen Bussey, IAFF  
Cameron Deacoff, NSUPE  
Jack Dragatis, ATU  
Melanie Gerrior, NSUPE  
Sherry Hilchey, NUMEA  
Brian Leslie, Retiree (*acting for Mike Lawlor*)  
Greg MacKay, NUMEA (*left at 11:00 a.m.*)  
Ted Moore, IAFF  
Peter Nixon, HRP  
Mike Sampson, Management  
Jason Snow, HRP  
Jordan Taylor, CUPE

**STAFF:** Terri Troy, CEO  
Donna Bayers, Executive Assistant  
Matt Leonard, Manager, Finance & Operations  
Lisa Tanner, Director, Plan Member Services  
Angela Himmelman, Manager, Plan Member Services  
Robert Kerr, Director, Actuarial Services

**OTHERS:** Margaret Barry, Halifax Library  
Anne Patterson, Halifax Regional School Board  
Sarah Ashmore Bradley, Partner, Kainos Capital  
James Koo, Partner, Aon Hewitt  
Deron Waldock, Partner, Aon Hewitt

REGRETS: Michael Lawlor, Retiree  
Bill Moore, Management, Co-Chair

OBSERVERS: Angela Martell, Administration, Compensation & Benefits, Halifax Regional School Board

**1. CALL TO ORDER**

The meeting was called to order at 9:00 a.m. by the Co-Chair, Dan White. Mr. D. White introduced and welcomed Jason Snow, new alternate representative for HRP. Ms. Troy introduced new members of the Pension Office, Angela Himmelman, Manager Plan Member Services and Robert Kerr, Director, Actuarial Services. Ms. Troy also welcomed Sarah Ashmore Bradley, Partner, Kainos Capital who will be providing a presentation for the Committee on Private Equity. James Koo and Deron Waldock of Aon Hewitt will also be joining the meeting after lunch to speak on the Draft Margin Funding Policy. The Committee gave introductions for the new members.

**2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS**

Robert Kerr added “Holdback Exceptions for Shortened Life Expectancy.” Mr. D. White added “Short Term Disability Problem.” These items will be discussed under “Other Business.”

*Moved by Ray MacKenzie and Seconded by Rick Dexter to approve the agenda as revised. Motion Put and Passed.*

**3. APPROVAL OF MINUTES – January 28, 2016**

*Moved by Andrew Bone and Seconded by Amanda Whitewood to approve the January 28, 2016 minutes as presented. Motion Put and Passed.*

**4. Education Session**

Ms. Troy introduced Sarah Ashmore Bradley, Partner, Kainos Capital. A copy of Ms. Bradley’s biography was provided for the Committee. Ms. Bradley provided a presentation for the Committee on Private Equity.

**5. 2015 Accomplishments and 2016 Goals**

Ms. Troy provided a brief overview of the 2015 Accomplishments and Goals for 2016 which was distributed in the Pension Committee meeting package. Highlights were:

The 2015 plan member satisfaction survey resulted in an “Excellent” rating of 4.4/5. 90.7% of plan member transactions were processed by Aon and the Pension Office within service standard times and 97.0% of plan member transactions were processed by the Pension Office within service standard times.

Mr. Sampson referred to slide 7 of the presentation regarding 2015 Service Standards – Plan Member Transactions and asked what is considered a transaction? Ms. Troy replied that the

types of transactions are listed in the quarterly Service Standards report provided to the Committee. This will be reviewed later on in agenda item 7.3 Reports on Service Standards. Mr. Sampson asked if some of the transactions overlapped? Ms. Troy replied that where both Aon and the Pension Office work on the same transaction, the transaction is only counted once and there is no duplication.

The Plan earned 10.6% in 2015 (10.2% net of all plan expenses) representing \$166 million (\$159 million net of all plan expenses).

Mr. D. White referred to slide 10 of the presentation and asked what is the benchmark for the minimum target return? Ms. Troy replied the going concern discount rate net of fees. In 2015, it was 6.55% net of fees.

Ms. Whitewood commented that the discount rate seems high and asked how do we compare to other plans? Ms. Troy responded that comparisons have been done with other plans and the Plan's discount rate is at the higher end of the range but within the range acceptable to the actuary who signs off on the rate. The discount rate is discussed and approved by the Committee when the preliminary actuarial valuation is reviewed by the Committee. The 2015 preliminary actuarial valuation is scheduled to be reviewed June 6, 2016.

Mr. D. White referred to slide 14 of the presentation and asked if equities go down by 5%, does this mean the total plan return drops by 2.51%? Ms. Troy replied that it decreases by 2.51%. Each scenario shows its estimated individual positive or negative impact on the Plan's return.

Mr. Deacoff asked if a stress test is done where you cumulate the different factors? Mr. Longmire replied that you can combine the different factors and their percentages and figure out what the impact on return will be.

Ms. Troy reviewed the investment activity for 2015. As at December 31, 2015, the Plan's asset mix was 37.7% Stocks, 24.6% Fixed Income, and 37.7% private investments. The allocation is approximately 47% Growth investments (publicly listed stocks and private equity) and 53% Defensive investments (fixed income, infrastructure, real estate).

Ms. Whitewood asked if in terms of the limits set out in the policy governance model for other asset classes, are private investments the only ones where the CEO acts without an intermediary? Ms. Troy replied that for all asset classes, she acts within the limits of the Statement of Investment Policies and Procedures (SIP&P) which are approved by the Committee. Ms. Whitewood referred to Ms. Bradley's comment about Ms. Troy picking co-investment winners on the private equity side and asked if this style was unique to the Plan's holdings? Ms. Troy replied that this could be done on the public side as well but the preference is to invest in market based index funds to lower the overall cost of the Plan in addition to selecting actively managed mandates for public markets. For private investments, investment managers are selective about who they provide co-investment opportunities to. But when co-investment opportunities are offered, there is a lot of information available to evaluate a proposed investment opportunity.

Mr. Bussey commented that the Plan has been investing in privates for a number of years. He asked have there been any private investments that the Plan has sold? Ms. Troy replied that there have been some sales. The investment manager decides when to sell. Mr. Bussey would like to see a list of sales included in the next report. Ms. Troy agreed to include this with the list of investment activity included in the quarterly investment report.

Annual cost savings of \$908,757 were realized in 2015 and \$21,483,599 in one-time savings, largely due to future performance fee savings identified in 2015. Ms. Troy provided an example of material fee savings associated with investing in a co-investment rather than investing in a fund. On a \$1 million co-investment, annual fee savings translate to \$100,000 per year and an estimated \$300,000 in performance fees are saved because we have negotiated zero investment management fees and zero performance fees on co-investments. Ms. Troy recapped the following cost savings: realized and contracted savings of \$22 million since 2006; estimated savings of \$74 million from the elimination of performance fees on private investments, and other savings from using in-house investment staff.

Ms. Troy reviewed a report by the Fraser Institute comparing the Costs of the Canada Pension Plan with Large Public Pension Plans in Ontario. Ms. Troy added that the HRM Pension Plan's total costs of .44% as a percentage of assets (2014) were the second lowest of the seven plans shown, in the range shown of .34% for Hospitals of Ontario Pension Plan and 1.07% for CPPIB.

Ms. Troy reviewed the 2016 goals.

Mr. Bussey referred to the requirement to pre-fund the pre-retirement death benefit and asked what would be the impact on the liabilities? Ms. Troy replied that James Koo of Aon Hewitt, who will be joining the meeting in the afternoon, would be able to answer this question. At a minimum, this information will be available in June when the Committee reviews the preliminary valuation.

Mr. Dragatis asked when the communication regarding the removal of the commuted value option for retirement eligible members was sent out? Ms. Himmelman replied that it was mailed on March 9, 2016, and it was posted on the HRM Pension Plan website as well as in the HRM Bulletin the previous week.

The Pension Office will be taking on a project to collect plan member email addresses and obtain member consent for electronic notices and pension statements. Mr. Bone commented that there is legislation concerning the use of email addresses. Ms. Troy has asked Ms. Tanner to look into what the legislative requirements are and ensure that they are being met.

The Pension Office is also looking at implementing an electronic document management system.

Mr. Bussey asked if there were any concerns regarding security with the use of electronic information? Ms. Troy replied that the preferred supplier identified for the electronic document management of pension administration information is a leader in this area. Security issues will be at reviewed during contract negotiations.

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Ms. Troy reviewed the optimal asset allocation and best estimate return assumptions for 2016. She also reviewed a compelling investment opportunity in the private fixed income asset class relative to the publicly listed corporate bond asset class which many pension plans are taking advantage of to increase the yield from approximately 2-3% to 4-5% without increasing either credit risk or duration risk. The yield pick-up is due to the ability of long term investors, such as pension plans, to take advantage of the illiquidity premium as traditional providers of credit, such as banks, are scaling back.

Mr. Wilson referred to the Liquidity table on slide 37. He asked when the capital calls come in, what form of liquidity is used, bonds or equity? Ms. Troy replied that it depends on the situation. For example, all things being equal, funding of private equity investments would likely come from public equity mandates and funding for private fixed income would likely come from publicly traded fixed income. But sometimes we receive incoming cash from managers that we use to fund capital calls. We constantly get updates from our managers about projected capital calls and income cash for the next 12 months. Mr. Wilson also asked if the costs to liquidate are factored into the projected investment return? Ms. Troy replied yes. Mr. Wilson would like to see the projected liquidity profile for the year to include where liquidity would be pulled from to fund capital calls.

Mr. Bone asked if there was an accepted level of liquidity? A certain percentage? Ms. Troy replied that it is dependent on a plan by plan basis. For example, if a plan is net cash flow positive, there are no liquidity concerns. But if a plan's benefit payments exceed contributions, then it needs to be careful about liquidity.

Mr. Sampson referred back to the section on the Plan Management and Member Services Section (slide 32). He asked if there was any legal exposure for the Committee if one of the Participating Employers does not abide to the rules of the Plan? Should a certification be obtained every year from employers? Ms. Tanner is looking into getting more information as well as a legal opinion on this. Mr. Kerr also added that wording could be included when updating the Participating Employer agreements to deal with this obligation.

## **6. GOVERNANCE REVIEW**

### **6.1 Committee Self-Monitoring STANDING ITEM (Committee)**

- Process
- Performance

Mr. D. White proposed that In Camera items be reviewed at the beginning of the meeting for an hour at 9:00 a.m. instead of at the end. If more time is needed, this could be done at the end of the regular meeting. Mr. Traves suggested a separate break out room for the In Camera meeting. The Committee agreed and decided to implement this at the June meeting.

### **6.2 Governance Policy Review – Governance Process (Committee)**

- (a) Chief Governance Officer's Role

The Committee agreed and made no changes to this policy.

- (b) Committee Members' Code of Conduct/Privacy Policy

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The Committee agreed and made no changes to this policy. The Committee will be required to sign the Code of Conduct for 2016. An administration change was made to the name of the Privacy Officer at the bottom of Page 1 of the Privacy Policy. This will now be the Director, Plan Member Services. Mr. R. Scott MacDonald asked if Observers are bound by the Privacy Policy? Mr. Traves suggested that this question be included in Ron Pink's governance review. Mr. MacDonald further added that the Plan Text states Observers are indemnified from the Pension Fund. Mr. D. White will add this to Mr. Pink's review.

***Moved by John Traves and Seconded by Ray MacKenzie to approve the above policies as presented. Motion Put and Passed.***

### **6.3 Governance Policy Review – Committee-Management Delegation (Committee)**

➤ Monitoring CEO Performance

The Committee reviewed and made no changes to this policy. Mr. de Montbrun referred to page 2 of this report under the Method column. It states under Actual Financial Conditions and Asset Protection that the method is internal + auditor (annual). He asked if this refers to the auditor who audits the financial statements? Ms. Troy confirmed that the external auditor does not audit the monitoring reports. The asset and expense numbers shown on these reports are interim unaudited numbers. The external auditor would audit the year-end numbers as part of the external audit of the year-end financial statements. Mr. de Montbrun added that this may not be an effective method. Mr. Wilson would like this clarified with the external auditor.

***Moved by Britt Wilson and Seconded by R. Scott MacDonald to approve the above policy as presented. Motion Put and Passed.***

### **6.4 Ends (Committee)**

➤ ENDS Statement

The Committee reviewed and made no changes to this policy.

***Moved by R. Scott MacDonald and Seconded by Rick Dexter to approve the above policy as presented. Motion Put and Passed.***

### **6.5 Governance Policy Review – Executive Limitations – Monitoring Reports (T. Troy)**

(a) Global Executive Constraint

The CEO is in compliance with this Executive Limitation. There are no updates since the last report dated March 12, 2015.

(b) Treatment of Plan Members

The CEO is in compliance with this Executive Limitation. The report was updated to include an attestation from the Director, Plan Member Services to confirm that procedures are adhered to for confidentiality.

## (c) Treatment of Staff

The CEO is in compliance with this Executive Limitation.

## (d) Financial Condition and Activities

The CEO is in compliance with these limitations.

A chart was added to this report to show the 2015 pension administration expense per member comparison. The Pension Plan's expense per plan member of \$85 was compared against 11 other Canadian pension plans. It was less than both the average (\$165) and median (\$156) expense per plan member.

## (e) Investment

The CEO is in compliance with this Executive Limitation.

Mr. Traves referred to the allowable asset mix ranges and commented that there seems to be a wide range. He would like more information on what is best practice. Mr. Wilson would also like to see more information on what the asset allocation has been over the last 10 years for the Plan. Ms. Troy replied that the Office will provide this information to the Committee.

Mr. Bussey asked if the 37.8% allocation to the Minimum Targeted Return portfolio was committed or invested? Ms. Troy replied, invested. Approximately 50% is committed assuming all future capital calls are made immediately and there are no distributions from interest, dividends, or sales of investments. Mr. Bussey referred to the 50% minimum target return. He asked if a higher limit was needed? Ms. Troy replied she would prefer 60% but the Committee would have to decide. The Committee deferred this discussion to the Other Business section of the meeting.

## (f) Communication and Support to the Committee

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

The Pension Office advised Aon Hewitt in October 2015 of an error with a member's 2014 statement (earliest unreduced retirement date was incorrect). After a review Aon found there were 34 annual member statements with the same error. The 34 annual statements have been revised and were mailed on February 5, 2016. Ms. Tanner added that 2 of the 34 members have called since the revised statements were mailed. The members indicated that the information on their statement was still incorrect. The Pension Office asked Aon to provide a committed date to review the 34 statements and send them to the Pension Office to review. An apology letter will also be written to the members involved. Ms. Troy added that Deron Waldock, Partner with Aon Hewitt, will be speaking to the issues that we are experiencing with Aon later in the meeting.

Ms. Whitewood asked who would be writing the apology letter? Ms. Tanner replied Aon would do this. The Pension Office does not calculate the information for the

annual statements. Ms. Whitewood questioned who the letter should come from since the Pension Office and the Committee is accountable.

Ms. Hilchey asked how do we know there are not more mistakes since many members do not understand their statements. Ms. Tanner added that the Office does its very best to make sure the members understand their statement. The annual statements have recently been updated to make it shorter in length with the hope that it would be easier for members to navigate through it and understand it more. As we get more feedback from members we can also revise them in the future. The Office will review the newly revised 34 annual statements when received from Aon. Ms. Tanner also added that the Pension Office is now peer reviewing every transactional calculation Aon does.

Mr. Deacoff referred to the quality assurance and quality control from Aon and what the Office is doing in terms of repairing these issues. Ms. Troy replied the Pension Office has regular meetings with Aon to address the issues but, unfortunately, our experience with Aon has not been improving. Mr. Kerr, our newly hired internal actuary, will assist with peer reviewing Aon's calculations going forward. Except for the maintenance of the system, everything else will be done in house with the appropriate peer review.

The CEO has asked the Pension Office to prepare a summary listing of all plan amendments since the 1998 inception of the Plan. All amendments are placed on the HRM Pension Plan website. Amendments resulting from the June 1, 2015 pension legislation do not need to be filed with the Superintendent of Pensions until June 1, 2018.

Mr. R. Scott MacDonald asked how many amendments are there with respect to the changes in legislation and what are they? Ms. Troy replied, immediate vesting, pre-retirement death and the small benefit rule. A complete list will be provided at the next meeting.

An independent review of the pension plans of Canadian Municipalities was circulated to the Committee on January 18, 2016. An overview was provided in the Committee package. Mr. Traves asked if this was shared with Mr. Pink? Ms. Troy will ensure that Mr. Pink receives this report.

The Pension Office became aware in December 2015 that Harbour City Homes (HCH) has full time employees who are not participating in the Plan and may have some part time employees who are eligible to join the Plan. A registered letter was sent to HCH on January 27, 2016 providing them with a copy of their Participating Employer Agreement with reference to Section 3, which outlines the terms of "Termination of Participation." A copy of the registered letter was distributed in the Committee package.

All Committee members and Alternates have signed the Code of Conduct for 2015. Ms. Bayers provided copies of the Code of Conduct to be signed for 2016.

A chart showing the Regulatory Check List requested by the Committee was distributed in the Committee package.

*Moved by Cameron Deacoff and Seconded by R. Scott MacDonald to approve the above monitoring reports as presented. Motion Put and Passed.*

## **7. BUSINESS ARISING FROM THE MINUTES**

### **7.1 Update – Removal of Commuted Value Option**

Ms. Tanner reviewed the memo provided in the Committee package regarding the removal of the commuted value option for retirement-eligible members. The communication was posted on the HRM Hub and the HRM Pension Plan website on March 2, 2016 and mailed to members on March 9, 2016. The plan is to have the amendment finalized and submitted to the Superintendent of Pensions by the end of June. The Pension Office has received 38 phone calls to date. Plan members have been satisfied with the explanation of the plan change during these calls. There have been 34 requests for commuted value and pension estimates. Twenty-three have been completed and mailed to date.

Mr. Dexter asked if any of the members who have called are leaving? Ms. Tanner believes that there are only 2 members who might seriously consider retiring before September 1, 2016 who may have otherwise considered working to their normal retirement date.

Mr. Dexter asked how many members took their commuted value the previous year? Ms. Tanner replied 6 members out of 225 took their commuted value in 2015, less than 3%.

### **7.2 Draft Margin Funding Policy**

Ms. Troy introduced Mr. Deron Waldock, Partner and Chief Legal Officer, Aon Hewitt and Mr. James Koo, Partner and Actuary, Aon Hewitt.

Mr. Waldock apologized to the Committee with regard to the difficulties and problems in dealing with Aon's level of performance and hoped a solution can be found.

Mr. T. Moore asked if the issues being experienced by this plan are an anomaly? Do other plans have the same problems? Mr. Waldock replied that he believes this is an anomaly.

Mr. Koo presented an update to the Committee on the draft Margin Policy. Mr. Koo will be taking over this file and expressed his sadness in the passing of the former actuary, Mr. Don Ireland.

Mr. Koo explained margin in the context of the measure of fund liability (implicit margin) and margin as excess reserve above minimum funding target (explicit margin). The HRM funding valuation as of December 31, 2014 included a relatively small implicit margin of 2.4% which is very thin. The requirement to file annual valuations increases volatility.

The Committee supports a long-term margin target of 10% by 2028 and a liability funding target to reflect 5% margin by the December 31, 2017 actuarial valuation. Additional contribution increases or equivalent benefit reductions will be required. Mr. Koo reviewed the sources of margin and the ways margins can increase or decrease.

Mr. Koo explained that the use of explicit margins is still a new trend. Most plans still use the implicit approach. He explained that it may be better to file with an implicit margin and convert to explicit margin when the margin level improves. However, if the margin improves above minimum levels, it may not be desirable to lock-in a higher level as the new minimum.

Mr. Wilson asked if the implicit margin in the discount rate might be more appropriate and acceptable to the regulator at the current time and then convert to explicit margin at the end of the amortization period? Mr. Koo replied, correct. Therefore, the only way to increase margin would be a contribution increase or a benefit reduction.

Mr. Dexter asked if you would increase the size of the smoothing account? Mr. Koo replied that the smoothing account is different from the concept of margin. The margin and the valuation should be looked at separately.

Mr. R. Scott MacDonald commented that the move from 6.5% to 6.55% was a temporary intention of the Committee last year. The hope would be to return to 6.5% this year. Mr. MacDonald asked how soon would the Committee know results for 2015? Mr. Koo replied that there would definitely be a gain from the asset side due to investment returns. Ms. Troy asked how soon could the Committee receive a preliminary report for the bulk of the members once Aon receives clean data? Mr. Koo replied approximately 4 weeks but clean data will be the challenge. Ms. Troy responded that the Pension Office has gotten involved this year to help speed up the process with the reconciliation between employers and Aon.

Mr. D. White referred to the legislative changes and what would need to be pre-funded? Mr. Koo replied that the biggest impact would be the pre-retirement death benefit going from 60% to 100% of the commuted value of a member's pension. Under Nova Scotia legislation, plans that have been granted solvency relief have to immediately fund any plan amendment. The HRM Pension Plan was granted solvency exemption which Mr. Koo believes is different from solvency relief. Since this is a legislative change and not a change that the Plan chose to make, it should not have to be pre-funded. Mr. Koo will look into this further and confirm.

Ms. Troy asked what would the estimated amount be if the Plan had to pre-fund? Mr. Koo replied that there are many different ways to value this change. He feels that this is not a huge impact item.

Mr. Wilson would like to see some reporting which shows what the margin looks like with an implicit discount rate and what are some of the options for building margin.

Mr. Traves asked if there could be some comparisons provided from other comparable plans as to where the discount rate is with the implicit margin. Mr. Koo replied that there are other large plans with a discount rate of 6.5%.

Ms. Troy suggested that once the preliminary valuation is received, the Committee discuss the appropriate going concern discount rate that builds in the margin instead of adopting the draft margin policy.

Mr. R. Scott MacDonald added that the deadline of a 5% margin by 2018 and goal of 10% margin by 2028 has been approved by the Committee and remains the same.

The Committee discussed deferring the margin policy.

***Moved by John Traves and Seconded by Rick Dexter to defer the adoption of the draft Funding Margin Policy until a future date. Motion Put and Passed.***

The Committee asked Mr. Waldock to pass along condolences to Mr. Ireland's family. The family is asking for donations to the Leukemia and Lymphoma Society of Canada or to the Alberta Children's Hospital Foundation.

Mr. Koo and Mr. Waldock remained for the review of the reports on service standards.

### **7.3 Reports on Service Standards**

Ms. Tanner presented the Service Standard reports for Q4 2015, the Calendar Year 2015 and a revised report for Q3 2015.

Mr. Bone asked what was the reason for the 3% of the transactions not being completed by the Pension Office on time? Ms. Tanner replied that there were some complex transactions. There was also some additional staff that needed to be trained. Mr. Kerr added that the legislative changes in June 2015 may have had some effect on this as well.

Mr. Bone asked which calculations are performed by the Pension Office versus Aon Hewitt? Ms. Tanner replied that calculations related to prior plans cannot be done by the Pension Office as they are not currently programmed into the Aon system and are done manually. Until Mr. Kerr was hired, commuted values could not be done in the office since this is an actuarial calculation. The Pension Office will be able to do these in the future.

### **7.4 Training Report and Budget**

Mr. Bone reviewed the Committee Education and Training Budget provided in the Committee package.

Mr. Dragatis and Mr. MacKenzie added that the union provides them a per diem for meals so this is not charged to the Pension Plan. Mr. D. White added that his flight to the Macquarie Infrastructure Partners meeting is being covered by his personal air miles.

### **7.5 Governance Update**

Mr. D. White and Mr. B. Moore met with Mr. Pink and an actuary on February 25, 2016 to discuss the schedule for the governance project. Mr. D. White reported that the process has started. Mr. Wilson asked who was the actuary? Mr. D. White replied Mr. Paul Chang of Morneau Shepell.

Mr. Bussey asked when would the report be received? Mr. D. White replied that a progress report is expected within 1 ½ months, a draft report in 2 ½ months, a tentative report in 4 months and a final report in 5 months assuming they receive all the information requested this month.

## **8. NEW BUSINESS**

### **8.1 Update – 2015 Plan Member Satisfaction Survey Results**

Reported in CEO update.

## **9. OTHER BUSINESS**

### **9.1 Holdback Exceptions for Shortened Life Expectancy**

Mr. Kerr referred to the minutes of the last meeting, 3<sup>rd</sup> paragraph from the bottom on Page 8. Mr. R. Scott MacDonald asked if there was any hold back for a person with a shortened life expectancy to transfer out. Ms. Tanner believed there would be no holdback and that the full amount could be paid out similar to a small benefit. When Mr. Kerr and Ms. Tanner looked into this further, the shortened life expectancy is not one of the exceptions to the hold back rule in the act and regulations. There is a blanket exception under the Pension Benefits Act and Regulations which states you can pay transfer deficiencies up to 5% of assets. The Pension Office wishes to request that the Committee grant an exception to their hold back policy for shortened life expectancy should they arise.

Mr. Bussey would like more information on the cost. He also asked if this change would need to be voted on by all unions? Mr. D. White did not believe this was required since it is not a benefit change. Mr. Kerr believes it is not a benefit change but a change in how you receive this benefit.

Mr. T. Moore asked if someone takes a commuted value, can/does the hold back change in the future? Mr. Kerr replied that the only change in the hold back amount might be to the interest in the initial calculation.

Mr. Sampson asked if someone was already terminated and finds they have a shortened life expectancy, would the hold back be released? Mr. Kerr replied that he is not sure that this would apply. A doctor's certification is required to show that life expectancy is 2 years or less. There are separate commuted value rules put out by the CIA that apply in this situation. The commuted value is likely to be much less than it would be to someone who is normally terminating employment. If someone has already requested a commuted value, they would not fall into the category we are discussing today.

Mr. Sampson feels that if the Committee has the ability to allow the full pay out where there is a shortened life expectancy, the Committee should be making every effort to do so. Ms. Troy added that a policy could be drafted to instruct the Pension Office to do this.

Mr. Wilson asked if on the next valuation, the money has to be funded back in? Mr. Kerr replied, no.

Mr. R. Scott MacDonald asked if there is a hold back in pre-retirement death situations? Mr. Kerr replied, yes.

Mr. Bussey asked has this ever had to be implemented? Mr. Kerr replied, no, this is a new provision as of June 1, 2015 with the new Act and regulations.

The Committee decided to defer to the June meeting.

## **9.2 Short Term Disability Problem**

Mr. D. White would like more information on when you are no longer required to pay your pension contribution if you are disabled. The firefighters have an on the job injury program (OJI) with an insurance company. If a firefighter injures themselves, there is no requirement to pay a pension contribution in the next pay period. Therefore, the Plan is not taking in the contributions it might require. Mr. D. White will look into this further and bring it back to the next meeting.

Mr. Wilson explained that the Plan Text stipulates when a person qualifies for a disability income plan sponsored by the municipality, participating employer or a bargaining unit, Canada Pension Plan or Worker's Compensation Board, the disability waiver kicks in. The OJI program is part of the firefighter collective agreement. If a person qualifies and their net income less applicable taxes and deductions while on disability is less than their net income immediately prior to disability, they qualify for the waiver. The Plan does not clarify for how long. There is currently a configuration in the SAP program which breaks this down by bi-weekly pay, so if a member is on disability for 1 day, the waiver is applied for the whole pay period.

Mr. Bone asked if HRM still pays their half of the contribution? Mr. Wilson replied that HRM still pays their share of the contribution. The Plan Text does not provide any guidance. This was set up in the SAP system since 2003. Added complexity could occur when a member is working on modified duties. Ms. Patterson confirmed that the HRSB payroll system is able to apply the waiver only to the days that the member is on disability, and not to the entire pay period.

Mr. Bone asked if this is an issue with other bargaining units? Mr. Wilson replied that this is related to the OJI Program for firefighters and police and WCB for all other groups.

Mr. Traves explained that this is a discretionary item and something that SAP is doing. He asked when did this issue of contribution waivers come to the Committee and when was it implemented? Mr. Sampson replied it was the feature of the new plan on April 1, 1998.

Mr. Dexter asked if this would apply to unemployment and sick benefits? Mr. Wilson replied, no.

Mr. Deacoff asked what are the best practices in this situation? Mr. Wilson replied that this is specific to this Plan's language.

Mr. D. White read from 6.01 of the Plan Text which refers to a member who becomes totally disabled. Mr. D. White suggested sending the request he sent to Angela Himmelman and her response to the Committee.

Mr. Sampson would like to look at how much of a cost this is to the Plan.

The Committee decided to defer to the next meeting.

### **9.3 Asset Mix – Allowable Range**

Mr. Bussey asked the Committee if they would like to move the current asset mix allowable range for minimum target return from 20-50% to 20-60%? Ms. Troy added that within that range there is currently a private equity limit of 15%.

Ms. Whitewood suggested having a more comprehensive conversation prior to making this decision. Is there a time in the governance cycle when this is discussed?

Ms. Troy replied that changes are made to the SIP&P throughout the year when there is a recommendation from the Committee.

Mr. Wilson would like more information on the level of risk. Mr. Traves would not be supportive of taking this limit any higher at this point. Ms. Troy added that the private equity is capped at 15%. The other 3 asset classes are all in the defensive bucket.

The Committee decided to defer to a future meeting.

## **10. DATE OF NEXT MEETING – June 6, 2016**

## **11. ADJOURNMENT**

The meeting adjourned at 3:00 p.m.

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Dan White, Co-Chair