

HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE
Thursday, March 12, 2015
The Halifax Club, 1682 Hollis Street, Halifax, NS, Morrow Room
9:00 a.m. – 2:30 p.m.

MEMBERS: Rick Dexter, NUMEA
Sheldon Harper, CUPE
Michael Lawlor, Retiree
R. Scott MacDonald (HRPA) *(9:15 a.m.)*
Raymond MacKenzie, ATU
Louis de Montbrun, Management *(non-voting for this meeting)*
Mike Sampson, Management
Britt Wilson, Management
Dan White, IAFF, Co-Chair

ALTERNATES: Jerry Blackwood, Management *(11:20 a.m.)*
Andrew Bone, NSUPE *(until 12:30 p.m.)*
Stephen Bussey, IAFF
Jack Dragatis, ATU
Nigel Field, Retiree
Melanie Gerrior, NSUPE *(acting for Jennifer Purdy)*
Sherry Hilchey, NUMEA
Dwayne Hodgson, HRP
Brian Leslie, Retiree
Greg MacKay, NUMEA
Ted Moore, IAFF
Peter Nixon, HRP
Gordon Roussel, Management *(acting for Louis de Montbrun)*
Jordon Taylor, CUPE
John Traves, Management *(acting for Roxanne MacLaurin)*

STAFF: Terri Troy, CEO
Donna Bayers, Executive Assistant
Angela White, Manager, Pension Services
Matt Leonard, Manager, Finance & Operations
Alex Longmire, Manager, Pension Investments *(accomplishments presentation)*
Abbie Sui, Senior Investment Associate *(accomplishments presentation)*

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

REGRETS: Bill Moore, Management, Co-Chair
Roxanne MacLaurin, Management

1. CALL TO ORDER

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

The Committee introduced Mr. Louis de Montbrun, new management voting representative and Mr. Greg MacKay, new alternate representative for NUMEA. Gordon Roussel acted for Mr. de Montbrun since he did not as yet have his introductory meeting with the Co-Chairs.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

Additional agenda items No. 8.1, "Plan Funding," No. 8.2, "Membership Requirements," No. 8.3, "New ASC Voting Member and Chair," and No. 8.4, "Electronic vs Paper Copies of the Annual Report" were added to the agenda.

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

3. APPROVAL OF MINUTES – November 20, 2014

Moved by John Traves and Seconded by Ray MacKenzie to approve the November 20, 2014 minutes as presented. Motion Put and Passed.

4. 2014 Accomplishments and 2015 Goals

Ms. Troy reported on the 2014 accomplishments in the areas of plan sustainability, improved risk-adjusted returns net of fees, governance and plan management; and 2015 goals in the areas of pension reform, improved risk-adjusted returns net of fees and plan management.

In 2014, the 2013 actuarial valuation was completed and filed with no changes to contribution rates as a result of the valuation. The Pension Committee also reviewed individual costs of various benefits under the pension plan on a going concern basis.

The Master Trust earned 9.27% in 2014, exceeding the benchmark by 2.03%. This represents approximately \$27 million in added value net of investment management fees and approximately \$22 million in added value after all plan expenses

The Minimum Target Return (MTR) portfolio earned 12.7% in 2014. The private investment program has been expanded, a new publicly traded emerging equity market mandate has been introduced, risk from rising interest rates has been reduced and defensive positioning has been retained.

MTR commitments and investments have continued in infrastructure, real estate, private equity and private debt. Commitments increased by \$142.2 million from \$526.3 million to \$668.5 million. Invested capital increased by \$103.0 million from \$342.3 million to \$445.3 million. The expected annualized net return from the new commitments made in 2014 is approximately 13.7%.

Mr. Bussey asked, when you are investing in both US and Euros, are you hedging the currency? Ms. Troy replied, yes. At the Master Trust level, US exposure is hedged 18% and Euro exposure is hedged approximately 50%. The hedge ratio for the USD was reduced to take advantage of a strengthening US currency.

Ms. Troy reviewed the exposure to emerging markets. \$21.7 million CAD was invested in an emerging market mandate which has been doing very well. Minimum Target Return mandates have been added to reduce plan volatility.

The fixed income portfolio duration which is a key measure of interest rate sensitivity has been reduced from 8.1 years in 2012, to 4.7 in 2013 and to 3.2 years at the end of 2014. However, if we take into account interest sensitive real estate, private debt, and infrastructure mandates in the MTR portfolio, interest rate sensitivity (duration) is approximately 5-6 years.

Ms. Troy reviewed stress test scenarios presented to the committee at the Q2 2014 Committee meeting. If interest rates were to increase by 0.5%, the Master Trust's total return was estimated to decrease from 6.4% to 2.7%. If interest rates were to increase by 1.0%, the Master Trust's total return was estimated to decrease from 6.4% to -0.6%. The Plan is subject to Going Concern funding which requires an estimated 6.5% annualized return over a rolling five year period. To minimize contribution increases and/or minimize benefit reductions, the Plan needs to manage its exposure to interest rate sensitivity in order to protect the downside in a rising interest rate environment.

Mr. T. Moore asked if there was any downside to alternatives? Ms. Troy replied, yes. Mr. T. Moore also asked if there was anything that would give a negative return on these alternatives and will we go back to investing more in bonds? Ms. Troy explained that a lot of alternatives are very expensive and are illiquid. If interest rates increase, we could invest more in bonds. This will be a discussion point for the Committee.

Mr. Traves asked if the difference in the expected return from alternatives is because there is more risk in alternatives? Ms. Troy replied that when Mark Wiseman, President of the Canada Pension Plan Investment Board visited, he discussed the attractiveness of private investments. CPPIB has approximately 50% of their assets invested in private investments. In addition to getting a premium for illiquidity risk, Mr. Wiseman cited academic research that showed that there is also a premium for governance. In general, private companies are better managed than public companies.

Mr. de Montbrun asked if there was a risk premium? Ms. Troy replied that the risk premium is the illiquidity premium. Mr. de Montbrun asked if you were invested in a New York City apartment building and the real estate in New York crashed, is that different than if you are invested with the Government of Canada? Ms. Troy replied, yes. That would be both a credit and an illiquidity risk premium versus bonds. If you are invested in public equities (stocks), you are expecting to get an equity risk premium over bonds, or you would not invest. The only difference between a private REIT and a public REIT is the illiquidity premium for similar assets. Everything is riskier relative to government bonds. Private debt would compare on the public side to corporate bonds. Mr. de Montbrun asked when you refer to private debt, is that a

fund that holds private debt? Ms. Troy replied, yes. Private debt can be in a fund or in a separate account. If you have a public corporate bond and private bond with the same credit rating, you will demand an extra premium for holding the private debt because of the illiquid nature of the investment. Pension plans have long term horizons and are a natural provider of liquidity.

Mr. Traves referred to slide 15 and asked what makes up the difference of management's best estimate and the actuarial assumption on global bonds? Ms. Troy explained that global bonds are mostly global government bonds (return from interest rate exposure) and our estimate is for a global corporate bond mandate (return from interest rate exposure and credit premium). Aon and other consulting firms do not have the same level of detail in terms of asset classes. For example, they tend to look at 30 years of history but some asset classes do not have a 30 year track record, for example, infrastructure. Mr. Traves asked if there was a breakout without the global credit and what the estimate would be on global bonds? Ms. Troy replied that it would be the difference between the actuarial assumption and management's best estimate.

For private investments, investors typically experience negative returns in the first 3 years of the investment because fees and expenses are incurred by investors while the manager is investing the money over 3-5 years. This is referred to "the J curve" in the industry. Our strategy has been to minimize the J curve by paying fees on invested capital instead of committed capital and investing in funds or direct investments where the assets already exist. This is another reason why our net returns would be significantly higher than what is assumed for the average investor investing in primary funds as per Aon's estimates.

Ms. Little referred to the previous minutes where the Plan's actuary provided an estimated solvency funded status for 2014 of 60-65% and asked for an update. Ms. Troy replied that the actuary will report on this at the June meeting after they obtain the 2014 plan member data.

The cost savings for 2014 were then reviewed. Total cost savings identified and implemented in 2014 were \$1,254,126 in annual savings and \$816,644 in one-time savings.

Under Plan Management, the Plan member satisfaction survey rating was "Excellent." Of the 177 surveys distributed, 104 completed surveys were returned, resulting in a response rate of 58.7% which is high by industry standards.

The pensioner audit was completed in December 2014 with the new automated process; no action was required for most pensioners. In-house administration services have increased and new member services staff have been hired. A new member phone call tracking system was implemented. Calls are being tracked for active members as well as retirees. Mr. Dragatis asked if there is an opportunity to respond electronically to the plan member survey? Ms. White replied, not presently but this is something she will be looking into.

Service standards have been implemented for member communications. 91.6% of the total number of plan member transactions measured (584) were processed by Aon Hewitt and/or the Pension Office within service standard time frames. 96.3% of plan member transactions (456) were processed by the Pension Office within service standard time frames. Seven pension information sessions and pre-retirement seminars were held. Ms. Troy thanked Ms. White and

her team for doing a phenomenal job. An Occupational Health and Safety Program was formalized in 2014 for the Pension Office.

The 2015 goals were then reviewed. Ms. Troy reported that there are new provincial pension regulations in the works and more information will be coming. The Plan Text needs to be compliant with the new Pension Benefits Act and Regulations.

The Plan needs to earn at least 3.60% in 2015 to prevent contribution increases in 2016 (assuming no adverse impact on liabilities).

Mr. Traves asked, when you source and bid on co-investment deals, what do we put on the table? Do we get reduced fees? Ms. Troy replied that there are usually no fees for co-investments. The bid is the price for the asset being sold. Sourcing is letting other large Canadian pension plans and investment managers know that we are willing and able to participate. If you cannot prove that you can execute, you will not be invited to participate in the transaction.

The optimal asset allocation for 2015 is 30% equity, 20% - 40% fixed income and 30% - 50% alternatives which gives the greatest probability of exceeding the minimum required 3.6% return to prevent a contribution increase, while giving us one of the highest probabilities of obtaining the 6.5% Going Concern Discount rate.

Ms. White's team will be issuing an RFP for Pension Administration Services this year. The Pension Office will also be investigating an electronic document management system.

Mr. Dexter asked if the Plan experienced any negative impact from the declining oil prices? Ms. Troy replied that the Canadian equity mandates would have suffered declines but gains by bank stocks have offset this. As of yesterday, the year to date return for the Master Trust was an estimated 4.4%.

Mr. Sampson asked how long the Pre-Retirement Seminars run and how well have they been attended? Ms. White replied that when HRM no longer held their Benefit Information Sessions, the Pension Office began holding its own Pre-Retirement Seminars. They are about 90 minutes in length and very well attended. The goal is to hold one every quarter, depending on the number of members interested who are within two years of retirement. The Pension Office keeps a list of those members interested in attending. The last two seminars were held in October and November 2014. Approximately 40 members attended each session. At the request of employers or business units within HRM, the Pension Office also holds pension information sessions open to all members, regardless if they are close to retirement.

Ms. Hilchey expressed concern that within two years of retirement is not enough time to be prepared to retire. Ms. White replied that if space is available, they would open it up to others. Mr. Roussel added that employees with more than 30 years of service should be contacted so that they are better informed. Ms. White will review the membership data.

Ms. Little referred to one of the goals which is to prevent contribution increases and asked how do you manage the sustainability/liability? Is there a way to get a more complete picture as to where things are going? Ms. Troy invited the HRM Management reps to comment on any

potential negative impact on employee data, for example, compensation, since this impacts going concern liabilities. Mr. Wilson replied that 85% of plan members are unionized and that most salaries are subject to collective bargaining. However, he stated that any compensation changes have been in line with salary assumptions assumed by the Committee for the actuarial valuation. Ms. Little asked if there were any negative impact from the private mortality tables? Ms. Troy replied that this was incorporated into the 2013 valuation report. From memory, she thought it was about a one-time 3% negative impact on the Going Concern funded status which was more than offset by good investment returns and updated assumptions. Ms. Troy would have to confirm the numbers after the meeting. The mortality adjustment was a one-time adjustment due to the actuaries updating the mortality tables after 20 years since the last update. Mr. Wilson feels the difference in the experience of the mortality tables seems to be the biggest problem. Ms. Troy reminded the Committee that actual experience vs assumed experience is reviewed by the Committee each June. To date, there has not been any material issues. At the next meeting, the Committee will review the 2014 plan membership data to see if there has been any negative impact on liabilities versus assumptions used in the actuarial valuation.

Mr. Bone asked if we are wrong to the good, based on the actuary's assumptions, does that correct itself? Ms. Troy replied that the valuation is a snapshot and in our case, it is done every year. Mr. Sampson added that actuarial gains and losses are shown on the valuation report.

Mr. White reminded the Committee that the pension calculator online shows the gross pension entitlement and members should contact the Pension Office if they would like an estimate of their net pension.

5. GOVERNANCE REVIEW

5.1 Committee Self-Monitoring STANDING ITEM (Committee)

- Process
- Performance

The Committee had no comments.

5.2 Governance Policy Review – Governance Process (Committee)

(a) Chief Governance Officer's Role

The Committee reviewed and made no changes to this policy.

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

The Committee will sign off on the Code of Conduct later in the meeting. Mr. B. Wilson referred to Paragraph 6 on Page 1 of the Code of Conduct and asked if there was ever any resolution as to whether this paragraph is in line with the Plan Text? Mr. Traves feels there is a disconnect between the policy and the Plan Text. The Plan Text states that a member shall be appointed by the appointing body but the Policy says that the Committee has absolute discretion to remove a member. Ms. Troy added that Mr. Ron Pink came to a previous meeting to review this with the Committee but unfortunately Mr. Traves was not present at this meeting. The

Committee decided to defer approval of this policy until the wording of this particular paragraph is resolved.

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

(a) Monitoring CEO Performance

The Committee reviewed and made no changes to this policy.

5.4 Ends (Committee)

➤ ENDS Statement

The Committee reviewed and made no changes to this policy.

Moved by Rick Dexter and Seconded by Ray MacKenzie to approve the above policies as presented except for the Code of Conduct. Motion Put and Passed.

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

(a) Global Executive Constraint

The CEO is in compliance with the limitations associated with this policy. Ms. Troy explained the governance policy review process for the benefit of the new committee members.

(b) Treatment of Plan Members

The CEO is in compliance with the limitations associated with this policy. Ms. Troy stressed the importance of privacy in the Pension Office to ensure plan member confidentiality and explained the procedures adhered to. Mr. Traves asked if there is any remote access to plan member information and how well is this protected? Ms. Troy stated that the Pension Office leverages off HRM's technology. In addition to this, Ms. White explained that Aon Hewitt's administration system also is very secure and there are procedures in place for remote access. Mr. B. Wilson added that the security measures in place for the HRM network are industry standard. Mr. Bone asked if Aon's contract speaks about security? Ms. Troy stated that the Pension Office will review and report back to the Committee at the June meeting.

(c) Treatment of Staff

The CEO is in compliance with the limitations associated with this policy. The HR policies were last updated in January 2015 to incorporate the new statutory holiday in February. Matt Leonard and Jeanette Huck of the Pension Office completed the Standard First Aid Training course in June 11-12, 2013. Training will be renewed in 2016. All managerial staff have access to the network remotely. The Pension Office closes its offices when HRM closes its offices. Matt Leonard receives email announcements from the HRM Communication Office and then emails all staff to inform them of the closure or delayed opening.

(d) Financial Condition and Activities

Ms. Troy referred to the two reports in the package. Mr. Roussel had asked a question about the operating cost threshold of 28 bps when this report was last reviewed six months ago. Ms. Troy will discuss this matter when reviewing an alternate approach for the Financial Conditions and Activities Report, subsequent to reporting on the current policy.

i. Monitoring Report

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. The average assets of the Plan for January 1, 2014 – December 31, 2014 were \$1,395,045,622 (unaudited). Unaudited operating costs (excluding investment management fees, custody expenses, and Committee expenses) were 15 bp annualized. This is below the maximum of 28 bp. Unaudited total expenses were 44 bp annualized. Investment management expenses and custody expenses were 28 bp annualized and Committee expenses were 1 bp annualized.

Active Management Fees less Index Fees = 0.15% - 0.13% = 0.02%. Investment return of the Master Trust less the investment return of the Policy Benchmark = 8.51% - 6.07% = 2.44% annualized for the four year period ending December 31, 2014. Test Met: 0.02% < 2.44%. We are getting value from actively managing the Master Trust's pension assets.

The Master Trust does not hold any real estate directly.

Contributions receivable are monitored by Northern Trust and the HRM Pension Plan Office. As of March 2, 2015, all contributions receivable at December 31, 2014 were collected.

Mr. de Montbrun asked if this information is available in an actual amount rather than basis points? Ms. Troy replied that totals are shown in the audited financial statements and the Annual Report.

ii. Proposed Changes for Financial Conditions and Activities Executive Limitation

Ms. Troy reviewed the history of the Committee's decision to allow operating expenses to not be higher than 28 bp of plan assets per year. Over time, actual operating expenses decreased to 15 bp annualized.

Ms. Troy presented another option for presenting financial limitations. There are three broad categories for costs: Committee, Investment, and pension administration costs (plan member service costs). Ms. Troy is responsible for investment and pension administration expenses. This option showed value added net of all investment related costs and showed HRMPP's pension administration cost per plan member compared to ten other pension plans that provided this information via their websites or Annual Reports. A summary chart showed that the HRM Pension Plan's pension administration expenses per member of approximately \$78 were extremely reasonable when compared to the

average pension administration expense per member of \$146 from the 10 other pension plans. We do not know if these other plans have allocated overhead in their expenses but all costs are included in the HRMPP calculation. Mr. Sampson commented that this is useful information but that we really do not know what costs are included in the other plans' calculations nor what services these other plans are providing. The Pension Office will reach out to these other plans to see what exactly they are including in their pension administration costs.

Moved by Mike Sampson and Seconded by R. Scott MacDonald to continue with the existing policy as is but amend it to add annual reporting comparisons to other plans on pension administration costs per member. Motion Put and Passed.

(e) Investment

The CEO is in compliance with this Executive Limitation. The investment strategy was in compliance with the SIP&P as at December 31, 2014. The Asset Mix was within min-max ranges. Ms. Troy reviewed the top 10 holdings by book value and the top three Canadian Government Holdings by book value. The average credit rating was A, above investment grade.

All investment managers reported that they were in compliance with the Investment Management Agreements excluding Alignvest Capital Management. They breached one of their Investment Guidelines which restricted them from having a negative USD or CAD cash balance. This was rectified in January by revising the Investment Guidelines. The previous guidelines assumed there were two separate bank accounts, one for CAD and one for USD. CAD and USD cash balances are in the same bank account so the combined CAD/USD cash balance always remained positive.

(f) Communication and Support to the Committee

The CEO is in compliance with the limitations associated with this policy. Updates were provided in 1F and 2B.

All Pension Office staff have signed the Code of Conduct for 2015. All Committee members and Alternate members signed the Code of Conduct in 2014. Ms. Bayers will distribute the Code of Conduct form to Committee members and Alternates today to get signatures for the annual update in 2015.

The Committee had asked Ms. Bayers to investigate the Halifax Library to hold Pension Committee meetings. There is no parking meter presently at the Halifax Library so you can only park for four hours. The library also does not open until 9:00 a.m. and you have to do your own set up. The Art Gallery of Nova Scotia has been booked for meetings for the remainder of the year. Ms. Bayers reported that the cost is approximately \$1,400 to hold a meeting at the Halifax Club. The Art Gallery charges \$325 for the room for the day and it would cost approximately \$500 for food. Mr. B. Wilson suggested going ahead with holding the next meeting at the Art Gallery and doing an assessment at a later date.

Moved by Ray MacKenzie and Seconded by R. Scott MacDonald to approve the above policies as presented. Motion Put and Passed.

6. BUSINESS ARISING FROM THE MINUTES

6.1 Reports on Service Standards

i. Q4 2014

Ms. White provided a Service Standards Report for Q4 2014. 100% was attained in all categories except one. Only one transaction out of 151 was not completed on time. More than twice as many termination statements were processed by the Pension Office in Q4 2014 vs. Q3 2014. Despite the high volume, the average turnaround time was almost the same (4.9 business days in Q4 vs 4.8 business days in Q3).

Mr. Bussey commented that the number of termination statements seems quite high. Ms. White replied, yes. This usually happens every year. The Halifax Regional School Board has a number of employees in contract positions. There is a deadline of October 16th for members to be hired back into their position. If this does not happen, the Pension Office would process their termination options from the pension plan. This is the first year that the Pension Office is handling all of these terminations.

Mr. de Montbrun asked why would the total service days show N/A in some cases? Ms. White replied that this means either Aon Hewitt or the Pension Office is not responsible for that particular transaction. For example, pension estimates have a 10 day business standard which applies to the Pension Office but Aon Hewitt does not process pension estimates. The 10 days means the total amount of time that the transaction would take to be completed. The Pension Office prepares most termination statements. Aon Hewitt prepares statements for non-automated/complex calculations.

ii. Calendar Year 2014

Ms. White provided a Service Standard Report for 2014. There was one correction to a pre-retirement death statement which was originally reported as being late. Aon Hewitt completed 75% of their transactions within service standards. The Pension Office completed 96.3% of their transactions within service standards.

Mr. Bussey asked if we are compensated when Aon Hewitt does not complete their transactions on time? Ms. White replied, yes, we would get a credit on our invoice as part of their contract.

6.2 Committee Education and Training Budget

Mr. White reported that the Voting Members have a budget of \$66,000 for 2015 and Alternates have a budget of \$48,000 for a total of \$114,000. To date, very little has been spent. Mr. Field added that he will be attending the Macquarie education session in April in New York and recommended it for other Committee members to attend.

7. NEW BUSINESS

7.1 Proposed Changes to SIPP

Ms. Troy reviewed the changes to the SIP&P in Section 3, Pages 5, 6, 7, 8 and 9. These are housekeeping items only to delete historical references that no longer apply. Section 3.2 was deleted because the next section reflects the policy mix approved in October 2014. Section 3.5 was updated to reflect the exemption of solvency deficits and tie in with defensive investment strategy. In the new section 3.4, the going concern discount rate was updated from 6.25% to 6.5%. Section 3.7 was deleted since this applied to solvency requirements. On Page 7, under the new 3.6, this has been revised so that 3.6 does not have to be updated each year. Section 3.10 and 3.11 were updated to be consistent with other changes made.

Mr. Traves asked about Section 3.9 and if the Committee approved a bank index in August of 2013 and where are we as to the selection of the index? Ms. Troy replied that it was decided not to implement at this stage. The approval for the benchmarks needs to be in place prior to the implementation of the mandate.

Moved by Scott MacDonald and Seconded by Melanie Gerrior to approve the SIP&P as amended. Motion Put and Passed.

7.2 Update – 2014 Plan Member Satisfaction Survey Results

Ms. White reviewed the Plan Member Satisfaction Survey results for 2014/2013. Plan members receive a survey from the Pension Office after they retire. The survey has been included in the package. Great feedback was received and Ms. White congratulated her staff. The overall results were excellent and the Pension Office will continue to strive for this. This year, the Pension Office will begin to survey other members who have received other packages or have requested different services. These will be reported to the Committee on an annual basis.

7.3 Status Update – Amendment 2011-01 Code of Conduct

This amendment was made to the Plan Text in Section 6.01. This was passed by the Committee in 2011 and later discussed with some concerns that this change should be approved by the Unions and HRM management before being implemented. A letter was prepared and sent out from the Committee Co-Chairs to the various HRM Unions. Ms. White advised that 4 of 5 union approvals have been received. The last approval should be received shortly. After that, the Co-Chairs will present to HRM Council.

Mr. White referred to paragraph 6 on page 1 of the Code of Conduct and asked the Committee for comments. Mr. B. Wilson explained that the issue with the Code of Conduct is that paragraph 6 states, “The Committee shall have the absolute discretion to refuse to accept the appointment of a new member...” The Plan Text does not have any stipulation but states that when an appointing body says someone is a member, they are a member. The amendment that Ms. White referred to is adding an additional condition that members must accept the Code of Conduct or step down.

Mr. Traves added that the Code of Conduct should be consistent with the Plan Text. He felt that there should be a consolidated Plan Text with all amendments. For today’s purposes, the Code

of Conduct could be signed with a comment beside the signature block that states the member will abide by the conditions as long as this is not contrary to the Plan Text and revisit at the next meeting. The Committee agreed.

Mr. Field asked how does the Committee deal with a nominating body that does not want to remove a member? Mr. Traves replied that if a nominating body refuses to remove the member, you can restrict their access to information and meetings.

Mr. Traves feels that there may have already been an amendment to the Plan Text that dealt with the issues that are being raised. He agreed to review this and propose a solution if required.

Mr. Traves requested that the Plan Text be consolidated to include all amendments. Ms. White replied that this will be done. Four new amendments were just made and others were pending the release of new regulations which would require additional changes to the Plan Text. Unfortunately, the NS Government has delayed release of the regulations a number of times.

Mr. Sampson referred to the Privacy Policy and asked if there was something more that can be done when members change their passwords on the website to ensure it is actually the member and not someone else with their personal information? Mr. B. Wilson replied that some private companies automatically issue an email to the email on file to say your password has been changed. Ms. White will discuss this with Aon Hewitt to determine whether any changes can be made.

A change was made on Page 2 of the Privacy Policy that reflects that Equifax and Deloitte have access to personal information for auditing purposes.

Moved by Mike Sampson and Seconded by Rick Dexter to approve the changes to the Privacy Policy as presented. Motion Put and Passed.

7.4 Appointment of new Management Voting Representative

Mr. B. Wilson reported that Mr. Louis de Montbrun has been appointed as management voting representative. A letter will be forthcoming stating that Mr. Traves will be appointed as management voting representative as well. Ms. MacLaurin and Mr. Roussel have both moved to the Alternate management representative position. Ms. Bayers has received the letter regarding Mr. de Montbrun.

7.5 Appointment of new NUMEA Alternate and Voting Representative

Mr. Dexter reported that Ms. Audra Abbot has resigned from the Pension Committee. Mr. Rick Dexter will take over the NUMEA voting representative position. Mr. Greg MacKay has been appointed as the new Alternate representative for NUMEA along with Ms. Sherry Hilchey.

The Committee recognized Ms. Abbott's contribution to the Pension Committee for many years. The Committee thanked Ms. Abbott for her many years of valuable service to the Committee.

7.6 Appointment of new member and new Chair for Training and Education Subcommittee

Ms. Abbott was the Chair of the Training and Education Subcommittee. Mr. Andrew Bone has agreed to step into this role. Mr. White agreed to stay on the subcommittee. The Training and Education Subcommittee requires four members either voting or alternate. There are usually 3-4 meetings per year. Mr. Jack Dragatis agreed to be a member of the Training and Education Subcommittee.

Moved by Melanie Gerrior and Seconded by Ray MacKenzie to approve Mr. Andrew Bone as the new chair of the Training and Education Subcommittee and Mr. Jack Dragatis as the new member. Motion Put and Passed.

Mr. White gave an update on the last Training and Education Subcommittee meeting. The Subcommittee discussed the Rotman School Board Effectiveness Program and recommended that this program should be attended by Co-Chairs and Co-Chair elects and paid for from the general education budget.

The Subcommittee would also like to amend the attendance requirement from 75% attendance at meetings to 3 of the previous 5 meetings to obtain an individual budget for training for the following year.

FTMS is presently required as core mandatory training. It was decided to add ATMS as core mandatory training as well. These would both come from the general training budget. Attending ATMS and FTMS is not a requirement to having the individual budget approved.

Mr. Bone will make the changes to the Training and Education Policy and forward to the Pension Office.

Moved by Andrew Bone and Seconded by Rick Dexter to approve the above changes to the Training and Education Policy as presented. Motion Put and Passed.

7.7 Rotman School of Management – Training Budget Funds

Discussed in 7.6.

8. OTHER BUSINESS

8.1 Plan Funding

Mr. B. Wilson presented a proposal on Pension Plan Funding which will later be distributed to the Committee. This item is for information purposes and discussion only.

Mr. B. Wilson commented that as both fiduciaries and plan governors, we need to be more strategic about the future of the plan and take steps to provide our plan members and ourselves more certainty. There needs to be a plan for the future. He feels that the Committee is being too passive with the future of the Plan.

One way that a pension plan can both build capacity is to have higher than expected investment returns. However, in our plan we have taken steps to invest our assets defensively due to the

need to file an annual valuation. This approach has protected the plan from the volatility of the market but it also means that we are not chasing the highest returns available from the market. Another problem is that the current low interest rate environment has meant that our solvency ratio remains below 85% which requires filing annual valuations.

Mr. B. Wilson recommended that the only way to get out of the cycle of uncertainty each valuation is to either; 1) increase contributions and accelerate the funding of our unfunded liabilities, or 2) keep contribution rates stable and reduce benefit levels. HRM as an employer is not financially willing or able to accept increased contribution rates. It is proposed that the Committee adopt the second strategy and recommend decreases in benefit levels but maintain contribution rates in order to accelerate the funding of our outstanding liabilities and build capacity against future unfunded liabilities or increased current service costs.

Mr. B. Wilson recommended to the Committee that we ask Aon Hewitt to present some numbers as to what contribution rates would look like if we reduced certain benefit levels. He suggested that the Committee be more proactive.

Mr. B. Wilson will bring a motion to the next meeting but asked for feedback on his proposal.

Mr. T. Moore expressed his concern that IAFF members will not be happy with this recommendation.

Mr. Bussey asked Ms. Troy, with the current contributions to the pension plan, are we cost flow neutral? Ms. Troy replied, no, we are cash flow positive.

Mr. Dexter asked what is the overall cost to the HRM Budget for the pension plan? Mr. White replied that it is 3%.

Mr. Traves commented that receiving the information is the start for discussion. We need to do the best for the plan members as well as the Plan.

This item will be placed on the agenda for the next Pension Committee meeting.

8.2 Membership Requirements

Mr. Traves reported that HRM would like to see more senior management on the Pension Committee. He referred to Greg Keefe's appointment but then removal when it was discovered that he was not a member of the Pension Plan. Mr. Traves would like to see the stipulation removed in the Plan Text that you need to be a member of the Plan to be on the Committee and move toward a more skills-based Committee. He feels that someone who is not in the Plan may have a different perspective.

Mr. White explained that this would require an amendment to the Plan Text.

Mr. Traves presented a notice of motion that a sponsor be allowed to nominate a person to the Committee who is not a plan member as long as they adhere to the Code of Conduct and act in the best interests of the Plan.

Mr. R. Scott MacDonald added that Mr. Pink discussed this issue with the Committee at a previous meeting.

This item will be brought forward to the next meeting.

8.3 Audit Subcommittee (ASC) Voting Member and Chair

Mr. Roussel is now an Alternate representative on the Pension Committee. The Pension Committee resolution states that the ASC be made up of at least three voting members. Mr. Roussel reported that he is resigning from the ASC to make way for a regular voting member. Mr. Roussel nominated Mr. Louis de Montbrun as a representative on the ASC. Mr. de Montbrun accepted this nomination.

Moved by Gordon Roussel and Seconded by Jerry Blackwood to appoint Louis de Montbrun as the new Voting Member of the Audit Subcommittee. Motion Put and Passed.

Mr. de Montbrun is the Manager of Financial Reporting for HRM and is also responsible for preparing the financial statements for HRM.

The Audit Subcommittee will appoint a new Chair and this will be ratified at the next Pension Committee meeting.

8.4 Electronic vs Paper Copies of the Annual Report

Ms. White reported that a hard copy of the Annual Report is distributed to all active members as well as retirees. The reports for active employees have been sent out with the Annual Pension Statements to save costs. With the increase in postal costs, it is becoming more expensive to do this. The cost of designing, printing and mailing the annual report is approximately \$1.65 per member. Ms. White suggested directing members to the website to view the Annual Report.

Mr. Bussey suggested adding a link for the Annual Report on the Annual Pension Statement and providing a hard copy on request.

Ms. Bayers suggested adding a link for the Annual Report on the Notice of the Annual General Meeting which is distributed to all active members and retirees.

The Committee decided that a link to the Annual Report be added to the Annual Pension Statement as well as the Notice of the Annual General Meeting. Hard copies will be provided upon request.

9. DATE OF NEXT MEETING – June 18, 2015.

10. ADJOURNMENT

Moved by R. Scott MacDonald to adjourn the meeting at 1:35 p.m.