

**HALIFAX REGIONAL MUNICIPALITY  
PENSION COMMITTEE MEETING  
Thursday, November 16, 2017  
Delta Hotels Barrington, Sackville Room  
1875 Barrington Street, Halifax, NS  
9:00 a.m. – 2:00 p.m.**

MEMBERS: Andrew Bone, NSUPE  
R. Scott MacDonald, HRP  
Louis de Montbrun, Management  
Raymond MacKenzie, ATU  
John Traves, Management, Co-Chair (*left at 12:30 p.m.*)  
Dan White, IAFF, Co-Chair  
Britt Wilson, Management  
Rick Dexter, NUMEA  
Mike Sampson, Management

ALTERNATES: Jerry Blackwood, Management (*acting for Amanda Whitewood*)  
Stephen Bussey, IAFF  
Cameron Deacoff, NSUPE  
Jack Dragatis, ATU  
Melanie Gerrior, NSUPE  
Sherry Hilchey, NUMEA  
Scott Lillington, CUPE 108 (*acting for Dwayne Tattrie*)  
Roxanne MacLaurin, Management  
Ted Moore, IAFF  
Gordon Roussel, Management  
Brian Leslie, Retiree (*acting for Mike Lawlor*)

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

STAFF: Terri Troy, CEO  
Matt Leonard, Director, Finance & Operations  
Lisa Tanner, Director, Plan Member Services  
Mark Whidden, Director, Pension Management

OBSERVERS: Kimberly Scheelar, NSUPE Local 14

OTHERS: Andrew Hawkins, Senior Managing Director, Intermediate Capital Group

REGRETS: Dwayne Tattrie, CUPE 108  
Michael Lawlor, Retiree

An In Camera meeting was held from 9:00 to 10:15 a.m.

**1. CALL TO ORDER**

The meeting was called to order at 10:15 a.m. by the Co-Chair, Mr. Dan White.

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

Mr. Deacoff requested an Added Item, "Update on Executive Search" to be discussed under "Other Business".

*Moved by Andrew Bone and Seconded by Rick Dexter to approve the agenda as amended. Motion Put and Passed.*

**3. APPROVAL OF MINUTES – September 21, 2017**

Mr. Deacoff noted one typo on page 9, no. 10. Change "Ms. Traves" to "Mr. Traves".

*Moved by Ray MacKenzie and Seconded by Andrew Bone to approve the September 21, 2017 minutes as amended. Motion Put and Passed.*

**4. Pension Office Update**

Ms. Tanner provided an update on Plan Member Services for Q3. Service standards compliance was 100% for the Pension Office. The Pension Office processed 154 calculations, while 4 of these calculations were processed jointly between the Pension Office and Aon. The implementation of the internal pension administration system is going very well. It is about 70% complete. Ms. Tanner then reviewed other initiatives and mentioned the Plan Text amendments that Mr. Whidden will present later in the meeting and that the December 31, 2016 actuarial valuation was finalized and filed by the September 30<sup>th</sup> deadline.

Mr. Leonard provided an update on investments. He reviewed some of the key investment activities for the 3<sup>rd</sup> quarter and their negotiated cost savings. From January to September 2017, investment negotiations have led to realized and unrealized cost savings of \$7.5 million primarily due to paying zero or low investment management and performance fees.

As of November 16, 2017, the year to date return of the Master Trust was 8.6%. Mr. Leonard then reviewed the asset mix, stress testing scenarios, liquidity and realized proceeds on private investments sections of the report.

**5. GOVERNANCE REVIEW**

**5.1 Committee Self-Monitoring (Committee)**

- Process
- Performance
- Governance Review Update

Mr. White provided an update on the Governance Review process. Kathy Bush from Blake, Cassels, Graydon LLP will provide a final draft version of the report which will be distributed to

the Committee shortly. There are two unions that still have concerns regarding the veto. Mr. White will be meeting with the union executives next week or early December to

discuss these concerns. Pending successful communication, a special meeting of the Pension Committee will be held in early to mid January to review the final document and approve it. Once approved by the Committee, it would go to the unions and council for approval. It would then move forward and legal documents would be drafted for the new structure.

Mr. T. Moore asked when does the Province get involved? Mr. White responded that the Province would not get involved until we have the proposed Plan Text changes drafted. We would then send them the proposed amendment to the Plan design.

Mr. White then provided the Committee with a summary of the main points of the proposed structure.

Mr. Wilson asked Mr. White to comment on the proposed contribution rate maximum. Mr. White said there will be a cap of 1% higher than the current contribution rate for both the employees and the employers. With not more than a 0.33% increase from each side in any one year. Mr. Roussel ask for clarification on this point. Can the 0.33% be rolled over to the following year if not used? Mr. Wilson commented that it cannot be rolled over as the language says only 0.33% per year. Mr. Roussel commented that this may restrict the Plan on the types of changes that can be made. Cumulative would give the Plan more flexibility.

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

### **(a) Global Governance Commitment**

Mr. Deacoff raised a concern about the use of the word “appropriate” in the policy. He felt this word was vague and not clear to the reader. Mr. S. MacDonald asked if “appropriate persons” could be changed to “members” or “plan members”. Mr. Traves liked “members” or “members we serve”. Ms. Tanner stated that the definition of “Member” per the Plan Text includes employees and former employees but does not include spouses or beneficiaries.

***Moved by John Traves to strike “appropriate persons” from the policy and replace it with “those we serve”. Seconded by Scott MacDonald.***

Britt Wilson and Mike Sampson opposed the motion.

***Motion put and passed.***

- (b) Governing Style**
- (c) Committee Job Description**
- (d) Agenda Planning**

***Moved by Britt Wilson and Seconded by John Traves to accept the above policies as amended. Motion Put and Passed.***

**5.3 Governance Policy Review – Committee-Management Delegation (Committee)****(a) Delegation of the CEO**

There were no changes to this policy.

*Moved by Rick Dexter and Seconded by Ray MacKenzie to accept the above policy as presented. Motion Put and Passed.*

**5.4 Governance Policy Review – Executive Limitations (Pension Office)****(a) Asset Protection**

The Pension Office is in compliance with the limitations associated with this policy. Ms. Tanner reviewed the key updates from the last report provided in June 2017. The audit of the Aon calculations processed in 2015 and the 1<sup>st</sup> quarter of 2016 has been completed. There are three overpayments to be collected from Limited Members.

Mr. de Montbrun asked how big are the amounts being collected as a percentage of the individual's pension payment? Ms. Tanner commented that they were not high. Overpayments would be collected via repayment schedules so as not to financially burden the member.

Mr. Sampson asked if these overpayments are the result of mistakes made by Aon? Ms. Tanner responded, yes. Mr. Sampson asked if Aon is reimbursing the Pension Plan for the Office's time to do the recalculations? Ms. Tanner responded, no.

Ms. Tanner then provided an update on the results of the December 2016 pensioner audit. There were 20 pensioners remaining that had not yet responded to an initial letter asking them to confirm their status. A follow up was conducted with each of the 20 pensioners and by October 2, 2017, all were confirmed active.

Ms. Tanner provided an update on an overpayment made to a Survivor who had passed away. Legal assistance has been requested but there has been difficulty in finding the individual related to this Survivor.

Mr. Deacoff asked if there are any other means to determine if a beneficiary has died besides the notification? Ms. Tanner mentioned that the pensioner audit is done annually for this reason. Unless a relative of that survivor notifies the Pension Office of the survivor's death, other than the payment being returned by the bank, there is no other way of knowing. The pensioners' bank is not obligated to report the death.

Mr. T. Moore asked about estate probate and the publishing in the Royal Gazette. Ms. Tanner said they are looking at this right now as an option. Mr. Blackwood asked about Vital Statistics and the sharing of information between the Pension Plan and the Province. Ms. Tanner replied that she would look into this.

Mr. Wilson asked about the pensioner audit process. Ms. Tanner provided a summary of the process. Mr. Dragatis asked how long the process takes? Ms. Tanner replied initial letters are first sent in March and the last registered letters were sent in September.

Mr. Dexter asked if this has been a big issue? Ms. Tanner replied, no. With Equifax search, typically we hear back from all members right away. The most recent search had 46 letters sent, 20 did not reply at first but they have recently replied.

Mr. de Montbrun asked why a portion of the audit could not be done monthly or quarterly? Is there a portion that could be done each month? Ms. Tanner replied that there is a cost associated with this process. It is a long process and it would be very time intensive if done each month.

Mr. Bussey asked if there is language included in any communications when the Plan member leaves or retires that says they will be contacted by the Pension Office periodically? Ms. Tanner replied that some wording could be added to the retirement statement stating this.

(b) Investment

The investment strategy was in compliance with the SIP&P as at September 30, 2017. Mr. Leonard provided an update.

Mr. Bussey asked if the Office is still doing quarterly audits of the Investment Managers. Ms. Troy replied, yes, they are all still being audited.

(c) Communication and Support to the Committee

The Pension Office is in compliance with the limitations associated with this policy. Ms. Tanner reviewed the updates that were highlighted in the report.

Regarding the 2016 annual member statements, as of the date of the report, the Oceanview statements were still outstanding but they have since all been mailed out as of November 1, 2017. There was one Schoolboard member statement that was outstanding but that was mailed on November 2, 2017. All statements have now been sent out.

Ms. Tanner provided a further update on the audit of the 2015/2016 calculations that were completed by Aon. One of the overpayments reported at the September meeting has been reduced after receiving subsequent details from Aon.

Mr. de Montbrun asked if the Pension Plan has received all contributions from all employers. Ms. Tanner confirmed there are no outstanding contributions.

***Moved by Britt Wilson and Seconded by Brian Leslie to approve the above policies as presented. Motion Put and Passed.***

**6. BUSINESS ARISING FROM THE MINUTES****6.1 Reports on Service Standards Q3 2017**

Ms. Tanner reported that 100% of the calculations processed by the Pension Office and Aon were in compliance for Q3 2017. The Office completed 97% of the calculations and are in the process of working on the specs for the remaining calculations to be transferred over.

There were no questions on this report. The Pension Committee responded with applause.

**6.2 Plan Text Amendment Draft Changes**

Mr. Whidden presented a report on the Plan Text amendments that were required to be made in accordance with the new NS Pension Benefits Act and Regulations that were effective June 1, 2015. Plans are responsible for administering their plan in accordance with the new regulations from that point. Plans have until June 1, 2018 to file the amendments.

Eckler drafted the amendment for the Pension Plan. The Pension Office met with Eckler to review the draft amendment. The final amendment is now ready to be signed by the Co-Chairs and sent to the Superintendent's Office and CRA.

Mr. Whidden then provided a summary of the changes. Mr. Whidden stated that there is no choice in making these amendments, they are required to be made.

The changes are:

1. Vesting - plans must now offer immediate vesting.
2. Small Benefit Test - the threshold for a commuted value to be payable in cash has been changed from 10% to 20% of the YMPE.
3. Pre-Retirement Benefit – Two changes made to strengthen this requirement. A spouse can now choose to take a commuted value payout or an immediate or deferred pension all with equivalent value. The second change is that the minimum death benefit for post 1988 service has been changed from 60% to 100% commuted value.
4. Interest Rates – the interest rate applied to updating commuted value payments will no longer be based on CANSIM rates but will be based on the interest rate that was used to determine the commuted value.
5. Definition of Spouse – the definition of common-law partner has been eliminated and non-married partners are now included under the definition of spouse. As a result, there is a lack of clarity surrounding death entitlements as it is now technically possible to have two spouses at the same time.

Mr. Sampson asked if this allows someone to name more than one person as a spouse? How is this dealt with administratively? Mr. Whidden replied that it hasn't

happened yet with our Plan. In the case of an event where a member technically had two spouses, the Pension Office would calculate the full entitlement that the member was entitled to prior to the event and then let the courts decide how to divide the benefit between the spouses. Ms. Tanner added that we would record two spouses if the member declared two spouses. There is a space on the Enrolment forms and the Beneficiary and Spouse Designation forms to declare the spouse but to date no member has declared two spouses and there has been no situation when a member has died where two spouses have come forward to collect a benefit.

Mr. Deacoff asked if the regulator is aware of the ambiguity? Mr. Whidden replied that they are aware of this.

Mr. Whidden added that a spouse can now waive their entitlement to a death benefit.

Mr. Traves commented that when a member files a separation agreement with the Pension Office, we need to make sure that the member's status is clarified with the Office before it becomes an issue. Ms. Tanner responded that this is currently being discussed at pension member information sessions. Mr. Traves asked what due diligence is done by the Pension Office before making payments? Do we wait a certain amount of time to see if there is a competing spouse? Ms. Tanner replied that a form is sent to the spouse on file where they have to declare they are the spouse and whether or not there is a division of pension with someone else. This could be an opportunity to strengthen the forms.

Mr. Whidden then continued his review of the changes and some of the other items that do not require Plan amendments such as solvency smoothing now being permitted, a 9 month filing deadline for valuations, the deferral of special payments for 12 months and the payment of full commuted values if total commuted values paid from the plan is less than 5% of the plan assets.

Mr. Whidden then reviewed the next steps which include the approval of the amendment, the signing of the amendments by the Co-Chairs and the filing of the amendments with CRA and the NS Superintendent of Pensions.

Mr. S. MacDonald asked in broad terms, what will the implications of these changes be for the Pension Office? Are there additional costs? Mr. Whidden replied that all the costs would have been reflected in the December 31, 2015 valuation that Aon did. Ms. Tanner added that one of the impacts to the Office is due to the change to the vesting rule. It use to be a simple calculation for any member that left the Plan within two years as the member was only entitled to a refund of their own contributions plus interest. Now a commuted value calculation has to be done for everyone. This takes more time to complete and more time to peer review.

Mr. Sampson asked if the Pension Committee, as the administrator of the DC Plan, is responsible for making any changes to that Plan Text as a result of the changes to the

regulations? Ms. Tanner responded that she will look into this and get back to the Committee with a response.

*Moved by Scott MacDonald and Seconded by Mike Sampson to approve the amendments and authorize the Co-Chairs to sign-off on the amendments. Motion Put and passed.*

### **6.3 Committee Education and Training Feedback and Budget**

Mr. Bone provided an update on the Committee education and training budget. To date two thirds of the budget has been spent. There are additional expenses coming up for Lancaster, Canadian Investment Institute and Rotman. The 2018 calendar is out and there is a new program being offered by the International Foundation of Employee Benefit Plans called the Master of Trust Management Standards Program. The training sub-committee will be meeting in early December to discuss this new offering and if there is any value to it.

## **7. NEW BUSINESS**

### **7.1 Term of Dan White as Co-Chair expires December 31, 2017**

Mr. S. MacDonald nominated Dan White to continue as co-chair. Mr. MacKenzie seconded that nomination. There were no other nominations. Mr. White accepted the nomination.

*Moved by Scott MacDonald and Seconded by Ray MacKenzie to appoint Dan White to continue as Co-Chair until December 31, 2018. Motion Put and passed.*

### **7.2 Annual Approval of DB SIPP**

Mr. Leonard referred to a change on page 5, no. 3.4. The going concern discount rate was changed from 6.50% to 6.40% as confirmed by the Committee in September 2017.

*Moved by Ray MacKenzie and Seconded by Britt Wilson to approve the DB SIPP as revised. Motion Put and Passed.*

### **7.3 Annual Approval of DC SIPP**

Mr. Leonard reported that there were no changes to the DC SIPP.

*Moved by Rick Dexter and Seconded by Mike Sampson to approve the DC SIPP as presented. Motion Put and Passed.*

## **8. EDUCATION SESSION**

Ms. Troy introduced Mr. Andrew Hawkins, Senior Managing Director, Head of Private Equity Solutions of Intermediate Capital Group who provided the Committee with an education session presentation on “A New Twist on Private Equity.”

## **9. OTHER BUSINESS**

### **9.1 Update on Executive Search**

Mr. White provided an update on the executive search. The search sub-committee did agree on a search company. The company has promised a 12 week process from start to finish. The

company will begin the search shortly. The company will be contacting Pension Committee members to discuss what each member thinks is needed.

Mr. T. Moore asked if the search company is involved during the hiring process, through the interviews, etc.? Mr. White replied, yes. They also have an onboarding process where they check back after the individual has been hired to see if it is a good fit.

Mr. White mentioned that this was Ms. Troy's last Pension Committee meeting before her upcoming retirement. He thanked Ms. Troy on behalf of the Pension Committee for her years of service to the Pension Plan and the Committee.

**10. DATE OF NEXT MEETING** – March 22, 2018

**11. ADJOURNMENT**

Moved by Britt Wilson and Seconded by Jerry Blackwood to adjourn the meeting at 2:00 p.m.

---

Dan White, Co-Chair