

**HALIFAX REGIONAL MUNICIPALITY  
PENSION COMMITTEE  
Thursday, June 18, 2015  
Art Gallery of Nova Scotia, 1723 Hollis Street, NS  
9:00 a.m. – 2:30 p.m.**

MEMBERS: Rick Dexter, NUMEA  
Melanie Gerrior, NSUPE  
Sheldon Harper, CUPE  
Michael Lawlor, Retiree  
R. Scott MacDonald (HRPA) (*10:20 a.m.*)  
Raymond MacKenzie, ATU  
Bill Moore, Management, Co-Chair  
Louis de Montbrun, Management  
Mike Sampson, Management  
John Traves, Management  
Britt Wilson, Management  
Dan White, IAFF, Co-Chair

ALTERNATES: Jerry Blackwood, Management  
Jack Dragatis, ATU  
Sherry Hilchey, NUMEA  
Brian Leslie, Retiree  
Greg MacKay, NUMEA  
Roxanne MacLaurin, Management  
Ted Moore, IAFF  
Gordon Roussel, Management  
Jordon Taylor, CUPE

STAFF: Terri Troy, CEO  
Donna Bayers, Executive Assistant  
Angela White, Manager, Pension Services  
Matt Leonard, Manager, Finance & Operations  
Alex Longmire, Manager, Pension Investments (*after lunch*)

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

OBSERVERS: Audra Abbott, (*Former NUMEA Voting Representative*)  
John Hanrahan, NSUPE, Local 2 Vice-President

**1. CALL TO ORDER**

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

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

Additional agenda item No. 8.1, "School Board Voting Position" was added under "Other Business."

*Moved by Dan White and Seconded by Sheldon Harper to approve the agenda as amended. Motion Put and Passed.*

**3. APPROVAL OF MINUTES – March 12, 2015**

Mr. Sampson referred to Page 14, 2<sup>nd</sup> paragraph, of the minutes. In 1) change "start accelerating our unfunded liabilities" to "accelerate the funding of our unfunded liabilities."

*Moved by Ray MacKenzie and Seconded by Mike Sampson to approve the March 12, 2015 minutes as amended. Motion Put and Passed.*

**4. Q1 Executive Summary**

Ms. Troy provided a year to date update as at June 3, 2015. New Nova Scotia pension legislation came into effect June 1, 2015.

A Policy Governance Refresher Workshop was held on April 27, 2015. Mr. Dexter expressed his concerns as he felt more notification could have been given on the scheduling of this workshop. He would have liked the opportunity to attend. The Co-Chairs noted Mr. Dexter's concerns.

Ms. White will provide an update on the service standard compliance for Q1 2015 later in the meeting.

The year to date return of the Master Trust as at June 3, 2015 is 6.3%.

New cost savings year to date are \$5.1 million one-time and \$551,000 per year.

Mr. Sampson asked if the \$5.1 million is a savings on previous expenses? Ms. Troy replied that they are savings on expenses for new investments made this year.

Ms. Troy informed the Committee that the minimum investment return needed for 2015 is now 3.05% as a result of the updated 2014 valuation numbers, assuming no adverse changes to pension liabilities in 2015 versus assumed. Previously, we were using an estimated rate of return of 3.6%.

## 5. GOVERNANCE REVIEW

### 5.1 Committee Self-Monitoring STANDING ITEM (Committee)

- Process
- Performance

Mr. Moore referred to the documents contained in the package in follow up to the governance workshop on April 27, 2015. He asked for any comments/concerns from the Committee.

Mr. Dexter suggested having a Governance Training Meeting once per year possibly before the 3<sup>rd</sup> quarterly meeting.

Given the amount of information to discuss in Item 5.1 in the time period allotted, the Committee discussed having a Special Governance Meeting. The Committee would look at possibly bringing in a consultant every 2-3 years.

***Moved by Britt Wilson and Seconded by Rick Dexter to bring back Agenda Item No. 5.1 to discuss at a future special meeting. Motion Put and Passed.***

This meeting will be scheduled within the next two months. The Co-Chairs will put together an agenda for this meeting.

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

(a) Committee Principles

The Committee reviewed and made no changes to this policy.

(b) Committee Structure

The role of the Audit Subcommittee was discussed at the last Audit Subcommittee meeting on May 25, 2015. Mr. de Montbrun felt that the role of the Audit Subcommittee as described in this policy is a very narrow interpretation. He would like to make a request to the auditors to review the terms of reference. The Committee agreed. The findings would come back to the Pension Committee for approval.

***Moved by Louis de Montbrun and Seconded by Mike Sampson that the Audit Subcommittee review its terms of reference to see if they need to be updated. The findings will be brought back to the Pension Committee for approval. Motion Put and Passed.***

Mr. B. Moore asked that any HRM Out of Province Travel forms submitted to the CAO for approval include the anticipated costs and indicate that they are fully payable by the Pension Plan.

Mr. Sampson asked for clarification of the authority of the Training and Education Sub-Committee with regard to the approval of deviations from members' budgets. Mr. White replied that approval of budget deviations are at the discretion of the Co-Chairs.

Mr. B. Moore added each member is allotted a budget for training each year. The purpose of the deviation form is to request monies be reallocated from a member who has not spent their individual budget, not to request funds outside of the total budget.

Mr. White suggested another bullet be inserted in this policy to clarify the authority of the Training and Education Subcommittee with regards to deviations from budget.

The Committee decided to add an additional bullet under No. 2 of the Committee Structure Policy to clarify the role of the Training and Education Sub-Committee with regards to requests for deviations from budget.

***Moved by Mike Sampson and Seconded by Ray MacKenzie to add a bullet under No. 2 of the Committee Structure Policy stating that requests from members/alternates for additional funding or to deviate from the recommended guideline must be submitted to the Training & Education Sub-Committee for review and will be subject to the Committee Co-Chairs' approval. Motion Put and Passed.***

Ms. Hilchey added that there are some online courses through CEBS that members might be interested in. The Training and Education Subcommittee will discuss this at their next meeting.

(c) Cost of Governance

Mr. de Montbrun asked how the Committee knows if it is being prudent with regards to Committee costs? Where are the costs reported?

Mr. B. Wilson added that this is also discussed in Item 5.1 of the meeting agenda. The current budget for individual training is in the training policy. Other cost breakdowns are not shown except for total governance expenses reported in the notes to the financial statements.

The Committee asked the Pension Office to prepare a report on planned Committee expenses for 2015 and bring this back to the Special Governance Meeting to be scheduled.

***Moved by John Traves and Seconded by Dan White to approve the above policies as amended. Motion Put and Passed.***

### **5.3 Current Governance Policy Quarterly Review Timetable**

To be brought forward for discussion at the Special Governance Meeting.

***Moved by John Traves and Seconded by Dan White to continue with the current timetable as presented. Motion Put and Passed.***

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#### 5.4 Governance Policy Review – Executive Limitations – Monitoring Reports

(a) Interim CEO Succession

The Committee reviewed and made no changes to this policy.

(b) Asset Protection

Mr. B. Moore asked who is responsible for the Pension Plan's firewall security? Ms. Troy replied that the Pension Office uses HRM technology day to day but the HRM Pension Plan website is hosted by Bell Aliant.

Mr. White referred to the current insurance coverage and asked if the general aggregate limit has gone from \$2 million to \$5 million or \$25 million to \$5 million? Mr. Leonard clarified that the aggregate limit went down from \$25 million to \$5 million. This was a change made by the service provider to the Plan's policy. Mr. B. Wilson asked if the premium dropped with this decrease in coverage? Mr. Leonard replied, no, it did not. Mr. Traves was concerned with this drop in coverage and asked if there were any other service providers that the Plan could use? Mr. Leonard said he will look into other service providers prior to the renewal of the policy.

Ms. MacLaurin asked about Equifax's deceased ID service and if the information was provided annually or daily? Would they have knowledge of who the pensioners are? Ms. White replied that it is a one-time search. They will be doing an audit once per year.

Mr. Sampson asked if there were any long term overpayments to deceased pensioners discovered in the audit? Ms. White replied that she would look into this and bring it back to the Committee at the next meeting.

(c) Investment

The Committee reviewed and made no changes to this policy.

(d) Communication and Support to the Committee

The CEO is in compliance with the limitations associated with this policy. One alternate has not signed the Code of Conduct form to date. The Voting Member will follow up.

Mr. B. Wilson asked if a meeting space was booked for the 2016 Pension Committee meetings? Ms. Troy asked for feedback from the Committee. Ms. Hilchey suggested the Helen Creighton Room at the Alderney Library. The Committee is meeting there on June 25, 2015 and will provide comments after that meeting. Mr. Moore asked the Committee to make suggestions to the Pension Office for meeting spaces.

***Moved by Mike Lawlor and Seconded by Dan White to approve the above policies as presented. Motion Put and Passed.***

After the break, Mr. B. Moore introduced to the Committee Mr. John Hanrahan, NSUPE, Local 2 Vice-President who is attending the meeting as an observer.

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

### **6.1 Reports on Service Standards Q1 2015**

Ms. White reviewed the Q1 2015 Service Standard Report. Ms. White reported that Aon Hewitt's service was disappointing with only 63.2% of transactions completed within the service standard.

Mr. MacKenzie asked what was the issue? Ms. White replied that since the Pension Office processes the regular transactions, Aon Hewitt is left with the more complicated transactions. Some of the calculations are not automated and have a higher likelihood of human error and take longer to review. Credits are received when Aon is not meeting their service standards. Transactions done by the Pension Office were 97.3% completed within the standard. The combined volume-weighted average transactions completed within the service standard were 92.3%.

Mr. White referred to the termination statement column under Aon Hewitt. He asked why the percentage is so low and if the standard of 10 business days was not long enough? Ms. White replied that 10 business days is not unrealistic. While the calculations are not automated, Aon can streamline their process for calculations that are not in the system. Ms. White will provide more information in the next report on the standard business days for Aon Hewitt.

Mr. Sampson asked what is the quality of Aon's Hewitt's work? Ms. White replied that a number of errors have been experienced. Ms. White keeps a record of each of the errors. Mr. de Montbrun asked if a report could be provided with regard to quality? Ms. White replied that this can be done but at a high level so as not to disclose personal member information. Ms. Troy added that an RFP will be going out in the summer to explore options for pension administration services. The five year contract with Aon Hewitt will end in 2016.

Ms. MacLaurin asked if the Pension Office is catching the errors before the information goes to the members? Ms. White replied, yes, the vast majority of errors are caught by the Pension Office before members are impacted.

Mr. de Montbrun would like the three Service Purchase Statement transactions that are double counted in the chart removed. Both Aon and the Pension Office work on these transactions. Ms. White will look at doing this and adjust the total number completed for future reports.

Mr. de Montbrun asked if there was a clause in Aon's original contract that would allow the Plan to get out early if a certain quality standard was not met? Ms. Troy replied that the contract has a clause that if they do not meet the service standard, the Plan receives a credit of 5% of the applicable fee which is standard. There are no credits with regard to quality. The exit clause will be considered for the next contract.

## **6.2 Proposed Changes to Code of Conduct**

As discussed at the March 12, 2015 meeting, Mr. Traves reported that he and Ms. Troy met to discuss amending the Code of Conduct to be more consistent with the Plan Text. A copy of the amended Code of Conduct is included in the Committee package with the changes highlighted.

Any member that is appointed to the Committee must abide by the Code of Conduct. If they refuse to do so, the Co-Chairs will inform the appointing body. If they are not removed by the appointing body, they will not be permitted to actively participate or have a vote.

***Moved by Britt Wilson and Moved by R. Scott MacDonald to approved the Code of Conduct as amended. Motion Put and Passed.***

The amended Code of Conduct will be distributed for signature. Copies will also be available to sign at the June 25, 2015 Special Meeting.

Ms. Troy added that the amendment to the Plan Text that is related to the Code of Conduct has been approved by all 5 unions. The next step is approval by HRM Council. Mr. Traves will provide a report and take to Council.

## **6.3 Update – Membership Requirements**

As discussed at the March 12, 2015 meeting, Mr. Traves suggested that Sponsors be allowed to appoint members to the Committee that are not members of the Plan but have the appropriate skills and knowledge to better deal with the issues. He feels that an independent person would bring a different skill set to the table that the Committee may never attain even with training. He referred to the OMERS' Plan and the Nova Scotia Teachers' Pension Plan. Mr. Pink made a similar recommendation to the Committee in the past.

Some Committee members commented that allowing a person to sit on the Committee who is not a member of the Plan may lead to one side steering the Committee in a certain way which may not be in the best interest to all Plan Members. Someone who is an expert in a specific topic could be brought in to speak to the Committee and share their knowledge instead of being appointed to the Committee.

Mr. de Montbrun asked if an independent person would be a paid position? Mr. Traves replied that it does not have to be a paid position.

Mr. Traves suggested deferring the motion and invite Mr. Ron Pink back to speak to the Committee.

Mr. R. Scott MacDonald agreed that this issue should be brought forward with a broader governance discussion.

***Moved by John Traves and Seconded by R. Scott MacDonald that given the length of time this Plan has been established, a full governance review be initiated with the assistance of Mr. Ron Pink. Motion Put and Passed.***

The Co-Chairs will contact Mr. Pink.

Ms. Troy referred to Mr. Traves' examples of the OMERS' Plan with regard to an independent member. She advised that OMERS' has an independent chair.

#### **6.4 Update – Aon Contract – Security Requirements**

In follow up to the March 12, 2015 meeting, Mr. Leonard provided a memo to the Committee summarizing security controls in place at Aon Hewitt and other service providers.

Mr. B. Moore asked that the Pension Office look for a higher level of security in the next pension administration RFP.

#### **6.5 Committee Education and Training Budget**

Mr. White presented a report on the Committee training budget spent to date for Voting Members and Alternates. The total spent to date is \$32, 358.15.

Mr. Sampson asked if the general budget was also included? Ms. Bayers confirmed that the general budget is also included in this total.

Mr. B. Moore was concerned about the number of people meeting the competency profile expectations. Mr. White confirmed that the Training and Education Sub-Committee has a process for monitoring this and will look into this going forward.

Ms. Hilchey suggested that members going on training provide an update to the Committee at the following Committee meeting. Mr. White also suggested that a report be provided for the Pension Committee package.

### **7. NEW BUSINESS**

#### **7.1 Approval of new Chair Audit Sub-Committee**

Mr. Roussel did not attend the last Audit Sub-Committee meeting. He asked Mr. Sampson to provide an update on this item. Mr. Roussel recently resigned as Chair and voting member of the Audit Sub-Committee. This created an opening for the chair position. It was recommended that Mr. Louis de Montbrun be appointed as the Chair of the Audit Sub-Committee.

*Moved by Mike Sampson and seconded by Britt Wilson that the Pension Committee accept the appointment of Louis de Montbrun as the new Chair of the Audit Sub-Committee. Motion Put and Passed.*

#### **7.2.1 Resignation of Alternate/Appointment of New Alternate**

Mr. Gerard Cottreau resigned from the Pension Committee as Management Alternate on April 10, 2015. The Committee recognized and expressed thanks to Mr. Gerard Cottreau for his contributions to the Pension Committee over the past number of years. Mr. B. Moore will follow up on a new management representative to replace Mr. Cottreau.

#### **7.2.2 Appointment of New ASC Member**

Members of the Audit Sub-Committee now consist of Louis de Montbrun, Mike Sampson, Melanie Gerrior and Jerry Blackwood. Another member for the Sub-



Committee is required and can either be an Alternate or Voting Member. Mr. Gordon Roussel expressed interest in this position. The Committee accepted this request.

***Moved by Britt Wilson and Seconded by R. Scott MacDonald to accept the appointment of Gordon Roussel as the new member of the Audit Sub-Committee. Motion Put and Passed.***

### **7.3 Resignation of NSUPE Voting Member/Appointment of New Voting Member NSUPE**

Ms. Gerrior referred to the letter in the Committee package from Joe Kaiser, President NSUPE Local 13 regarding the resignation of Ms. Jennifer Purdy as Voting Member for NSUPE as of June 1, 2015. The Pension Committee thanked Ms. Purdy for all of her contributions to the Pension Committee.

NSUPE will be holding a meeting next week to select a new Voting Member. Ms. Gerrior will inform the Committee after that date. Ms. Gerrior will be acting in that position until NSUPE selects a new Voting Member.

### **7.4 Summary Review of 2014 Draft Audited Financial Statements**

Mr. Leonard introduced Mr. Brian Black, Manager with Deloitte as the auditor of the 2014 Financial Statements for the Master Trust and Pension Plan

Mr. Sampson informed the Committee that the Audit Sub-Committee met on May 25, 2015 to review the 2014 Draft Audited Financial Statements. The Audit Sub-Committee also discussed the mandate of the Audit Sub-Committee. The minutes of that meeting are being reviewed and have not yet been approved. The Audit Sub-Committee also met during that meeting with the Auditor without Pension Office staff present to discuss any concerns. No concerns were raised by the auditors.

Mr. de Montbrun asked if there was any reason why the 2014 Year-End Communication was not circulated to the Pension Committee? Mr. Black replied that it was just circulated to the Audit Subcommittee for purposes of the May 25, 2015 meeting but can also be circulated to the Pension Committee.

Mr. R. Scott MacDonald referred to the accounting standards mentioned by Mr. Black that are to be adhered to by the Master Trust and Pension Plan and added that HRM had indicated there were some changes coming to public sector accounting standards next year. Mr. Black replied that any upcoming changes to the accounting standards for the Master Trust and Pension Plan are discussed in Notes 1 and 2 of the respective financial statements and that these changes are not significant.

Mr. Dragatis referred to Page 6 of the Pension Plan financial statements and asked why there was such a large change in the deficit from 2013 to 2014? Ms. Troy replied that KPMG, the auditing firm used for the pre 2013 financial statement, used the going concern discount rate to value the pension obligations for accounting purposes. This is reflected in the opening deficit for January 1, 2013. Mr. Black clarified that for accounting purposes, management's best estimate of the asset return should be used when estimating the pension obligation for accounting purposes. . This is what led to the change in deficit year over year. Mr. Leonard also referred Mr. Dragatis

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to Note 4, Page 13 of the Pension Plan financial statements for further explanation regarding the assumptions used. Mr. B. Wilson emphasized that it is the fiduciary obligation of the Pension Committee to fund the Plan on an actuarial basis for the long term sustainability of the Plan.

Mr. R. Scott MacDonald asked if there was a liability being held on the HRM financial statements for the deficit of the HRM Pension Plan? Mr. de Montbrun replied, no.

#### **7.5 Recommendation to Approve 2014 Audited Financial Statements**

The Audit Sub-Committee recommended to the Pension Committee to approve the 2014 Draft Audited Financial Statements of the Master Trust and Pension Plan.

*Moved by Louis de Montbrun and Seconded by Mike Sampson to approve the draft audited financial statements for the HRM Pension Plan and the HRM Master Trust for the year ending December 31, 2014 as presented at the June 18, 2015 Pension Committee meeting. Motion Put and Passed.*

#### **7.6 Review of Policy with Respect to Plan Expenses**

Mr. Leonard asked the Committee if there were any questions regarding the HRM Pension Plan Expense Policy which was provided in the Pension Committee package. The Committee made no changes to the policy.

#### **7.7 Term of Bill Moore as Co-Chair expires September 1, 2015**

Mr. Moore expressed his interest in accepting another one year term as Management Co-Chair.

*Moved by Dan White and Seconded by Ray MacKenzie to reappoint Bill Moore for a Second One Year Term as Management Co-Chair. Motion Put and Passed.*

#### **7.8 Posting Pension Committee Meeting Dates on Website**

Mr. Moore brought forward a suggestion made from a plan member to post Pension Committee meeting dates on the HRM Pension Plan website in case a member would like to attend. He also added for discussion whether the Pension Committee meeting packages should be posted on the public part of the Plan's website to provide a level of transparency. Currently, the practice of the Committee is for a member to inform their Committee representative if they would like to attend a meeting and the representative would inform the Co-Chairs.

Mr. de Montbrun asked whether observers were allowed to speak at Committee meetings? Mr. Traves replied that the business of the Committee is for the Committee to discuss but that Union Presidents could be allowed to attend. Mr. John Hanrahan, NSUPE, Local 2 Vice-President, Observer, felt that those union groups that do not have representation on the Committee should be allowed to attend.

Mr. R. Scott MacDonald read from the HRM Committee of the Whole minutes dated July 7, 1998, Appendix 3 to Attachment A, No. 6 (i) Committee Representation, Page Appendix 3-iii. regarding HRM Pension Plan and Governance Structure:

*Participating Employers shall not have voting representatives on the Committee. While any plan member may attend meetings of the Committee, there shall be one designated Observer*

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*from each Participating Employer. In this capacity, the designated Observer shall receive notice of all meetings, and shall receive from the Secretary of the Committee, all Committee mailings. Any Observer may participate in Committee discussions on the permission of the Chairperson.*

Ms. Troy added that currently the minutes of the Committee that have been approved are posted on the HRM Pension Plan website. These can be viewed by the public including the media. The date of the next meeting is contained in those minutes but there is no agenda posted for the public to see. Ms. Troy also added that the Committee needs to be clear as to who is allowed to attend meetings.

The Committee decided to add this item to the agenda for discussion with Mr. Ron Pink at the Special Governance meeting.

### **7.9 CAO Approval of Travel by Committee Members**

Mr. White expressed his concerns regarding CAO approval for out of town travel while on Pension Committee training, which had not been required until approximately two years ago. He felt that permission could be given at a supervisory level.

Mr. B. Moore added that the CAO would also like the approximate costs included in the HRM Approval form.

Mr. Traves explained that as an HRM employee travelling out of Province, it should be documented that you are travelling for work so that you are covered for any employee benefits and are not subject to any risk. The CAO's concern is liability.

Mr. Dexter expressed his concerns about the delays of receiving the approval forms from the CAO's office.

Mr. B. Moore suggested modifying the form to streamline the process. It should include the time period you are away on Pension Committee business and a signature by the CAO to approve you being away from your workplace. Mr. Moore will ask that the costing requirement be removed. Appropriate training needs will be reviewed by the Training and Education Sub-Committee and approved by the Co-Chairs.

The Committee agreed that Mr. B. Moore will discuss this with the CAO and bring back a report to the Committee at the next meeting.

### **7.10 Possibility of Pensioners being paid Twice a Month**

Mr. White was approached by a retiree with a request to be paid twice a month as opposed to once a month. He asked the Committee to provide feedback. Mr. Sampson was concerned with any additional cost this might entail. Ms. White added that Northern Trust does not have any other clients that pay their retirees twice per month.

*Moved by Louis de Montbrun and Seconded by Ray MacKenzie to request the Pension Office to explore the cost and practicality of changing the issuing of pension payments to the 1<sup>st</sup> and 15<sup>th</sup> of each month instead of once monthly. Motion was defeated.*

Mr. T. Moore suggested that this question be asked in the next plan member survey.

## **8. OTHER BUSINESS**

### **8.1 School Board Voting Position**

Mr. White explained that the School Board non-teaching staff make up a large portion of the members of the Plan. He asked the Committee to consider if they should have a Voting Member on the Committee.

The Committee decided to defer this discussion until they meet with Mr. Ron Pink at the Special Governance Meeting in September. Ms. MacLaurin suggested providing a framework for discussion at that meeting in order for the Committee to make decisions. Mr. White asked the Committee to forward any suggestions for that meeting to the Co-Chairs.

**9. DATE OF NEXT MEETING** – September 24, 2015.

## **10. ADJOURNMENT**

*Moved by Britt Wilson and Seconded by Mike Sampson to adjourn the meeting at 2:10 p.m.*

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Bill Moore, Co-Chair