**HRM
PENSION
PLAN**

December 13, 2011

Gordon Hebb, Q.C.
Legislative Counsel
PO Box 1116
Halifax, NS B3J 2X1

Dear Mr. Hebb:

Re: Bill 96 – Pension Benefits Act

We are writing to express our comments on Bill 96.

The Halifax Regional Municipality Pension Plan is a multi-employer pension plan that represents approximately 10,000 plan members from HRM and thirteen other participating employers. The Nova Scotia Government has recognized the HRM Pension Plan to be a Jointly Sponsored Pension Plan (JSPP) because of its joint governance model: shared decision-making amongst union, management, and retiree representatives. In addition, contributions, deficits, and surpluses are shared 50%/50% amongst plan members and employers. Represented unions are: Halifax Regional Police Association, International Association of Fire Fighters, CUPE, Amalgamated Transit Union, and Nova Scotia Union of Public Employees.

1. We do not agree with immediate vesting as this would be a "take-away" for our plan members. We currently offer <u>immediate membership</u> to our Plan for employees <u>with immediate vesting retroactive to the first day of employment pending completion of 2 years of employment.</u> To address concerns regarding turnover of "seasonal" plan members or those new employees who do not plan to remain employed with a participating employer for more than 2 years, we offer a full refund of contributions with interest. We wish to keep this model and encourage the Nova Scotia Government to grandfather this practice for the HRM Pension Plan or to allow JSPPs to choose a vesting design that works for the JSPP entity. The administrator of a JSPP, through joint representation of employee/union groups, reflects the wishes of the plan membership.

HRM PENSION PLAN

Immediate vesting as proposed in Bill 96 will result in higher costs for the Plan, from higher actuarial costs associated with calculating the termination benefit for employees who leave within 2 years, which impacts all plan members in the Plan because the Plan pays for this. In essence, the remaining plan members will be subsidizing those that terminate within 2 years. This is unfortunate since the objective of a defined benefit pension plan is to reward longer term members.

The Government advised us that we could delay offering membership in the Plan for 24 months in order to address the higher cost issue. While this is a partial solution, it is not ideal. An employee who ends up terminating after 2 years of employment, would not earn credited service for 2 years. We prefer our existing model.

2. We believe the concept of a "partial wind-up" should be eliminated since it is a theoretical wind-up of a plan for a certain number of plan members, where the number has not been defined. Under a partial wind-up scenario, remaining plan members would be subsidizing those plan members who terminate under a "partial wind-up" scenario. There is no definition of a partial wind-up nor are there any criteria for determining when a partial wind-up will occur other than when the Superintendent of Pensions says a partial wind-up has happened. For these reasons, the trend is towards the elimination of partial wind-ups across the country (e.g., Federal, Quebec, and Ontario). Alternatively, we encourage the Nova Scotia Government to allow JSPPs to be exempt from partial wind-ups.

3. We encourage the Nova Scotia Government to exempt JSPPs from providing advance notice for all planned amendments. JSPPs, by virtue of their shared governance model , obtain input from their constituents on planned amendments. Each union in the HRM Pension Plan or Council can veto an amendment that has cost implications. It has been our practice, that when the wording of draft amendments has been reviewed by the Superintendent of Pensions, changes are made a few times. Most changes are technical or administrative. We would not want to incur the unnecessary expense and/or create confusion amongst members for providing advance notice for these iterations.

HRM PENSION PLAN

4. We are extremely disappointed that the NS Government did not exempt the HRM Pension Plan from funding solvency deficits. Municipal pension plans are exempt from funding solvency deficits in B.C., Alberta, Manitoba, Quebec, and New Brunswick. Municipal pension plans are exempt from funding solvency deficits in Ontario if they are a JSPP. Saskatchewan has announced that it intends to adopt B.C./Alberta's proposed joint pension legislation which would continue to exempt municipal pension plans. PEI does not have pension legislation, so all pension plans are exempt from funding solvency deficits. Newfoundland has historically provided temporary relief from funding solvency deficits when required.

   Nova Scotia's proposed regulation for JSPPs to fund solvency deficits under 80% still requires the unnecessary use of plan member and taxpayers dollars at a time when long-term interest rates are at record lows. On August 24, 2010, the Ontario Government issued a press release recommending "that MEPPs and JSPPs should be allowed more flexibility in funding, citing joint governance, risk-sharing, the ability to reduce benefits and the absence of Pension Benefits Guarantee Fund (PBGF) coverage as legitimate reasons for different funding rules. " As a result, Ontario will exempt current JSPPs from solvency funding requirements, provided certain requirements are met, e.g., enhanced disclosure to members and retired members. In the draft regulations for Nova Scotia, the enhanced disclosure requirements are there but funding of solvency deficits remain. Because of the Financial Crisis and political events in Europe, long term interest rates remain extremely low, resulting in higher valuations for pension obligations. Mercer estimates that the median pension plan in Canada has a solvency deficit of 60% as at September 30, 2011.

5. It is not clear how Nova Scotia is handling the funding of plan amendments for JSPPs who happen to be municipal pension plans. Ontario does not require that plan amendments be pre-funded on a solvency basis because JSPPs are not required to fund solvency deficits. We encourage the Nova Scotia Government to adopt Ontario's regulations in this regard.

We are in the process of reviewing the draft regulations and will be making a submission before the deadline of January 31, 2012.

HRM PENSION PLAN

Teresa Troy
CEO, Halifax Regional Municipality Pension Plan

[illegible]