

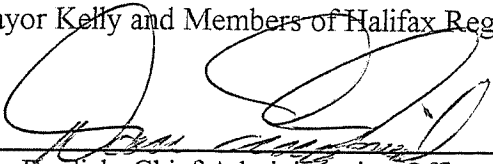


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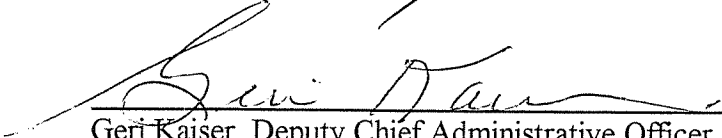
Halifax Regional Council
November 20, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Geri Kaiser, Deputy Chief Administrative Officer,
Corporate Services & Strategy

DATE: November 13, 2007

SUBJECT: Amendments to the Halifax Regional Municipality Pension Plan

ORIGIN

Halifax Regional Municipality Pension Committee

RECOMMENDATIONS

It is recommended that Halifax Regional Council:

1. Approve the plan amendments respecting:
 - a. The removal of the current cap on the amount of pension a member can accrue per year of service which is stated in the Pension Plan text (\$1,722.22.), replacing it with the maximum provided for under the Income Tax Act within the Halifax Regional Municipality Pension Plan, the Prior Halifax County Municipality Full-Time Retirement Pension Plan, the Prior Metropolitan Authority Employees' Pension Plan and the City of Dartmouth Employees' Retirement Pension Plan.
 - b. A 2% increase to pension income for pensioners in the Halifax Regional Municipality Pension Plan and the Prior City of Halifax Superannuation Plan.
2. Approve funding from HRM to cost share at 50% retroactive contributions to HRM pension plans for employees whose pensionable earnings exceeded \$86,111 in the years 2004, 2005, 2006, 2007.

BACKGROUND

The Halifax Regional Municipality Pension Plan (“HRM Pension Plan”) became effective 1 April 1998 as an amalgamation of prior defined benefit pension plans for the City of Dartmouth, City of Halifax, Halifax County Municipality (full-time pension plan), and the Metropolitan Authority. It is a defined benefit pension plan with a small defined contribution component and administered by the Halifax Regional Municipality Pension Committee (“Pension Committee”). The Pension Committee has joint representation from management, union/non-union, retired members and fifteen participating employers. The Halifax Regional Municipality (“HRM”) is the largest of the participating employers. It is a registered Pension Plan with the Province of Nova Scotia and the Canada Revenue Agency.

Maximum Pension Provisions

The maximum pension under the HRM Pension Plan is fixed at \$1,722.22 per year of service. This level is reached when a Member earns \$86,111. Until December 2003, the Income Tax Act did not allow a pension plan to fund a higher amount. Since January 2004, the Income Tax Act provides for increases to the maximum pension that can be paid from a pension plan, as follows:

Year	Income Tax Act maximum pension Per year of service
2003 and before	\$1,722.22
2004	\$1,833.33
2005	\$2,000.00
2006	\$2,111.11
2007	\$2,222.22
2008	\$2,333.33
2009	\$2,444.44
2010	indexed to the industrial wage index

The HRM Pension Plan Text and all prior amalgamated Pension Plans Text, with the exception of the Prior City of Halifax Superannuation Plan, do not allow these increases. As a result, present and future Members, do not and will not accrue pension service on their earnings in excess of \$86,111.

Pensioner Increases

The language in the HRM Pension Plan Text provides that the amount of pensioner increases shall be provided by actual investment returns (net of expenses) in excess of 7.5% or such other rate as may be amended from time to time. This result will be determined cumulatively since the Effective Date of the Plan. It will be net of any previously granted pensioner increases and net of any changes in liability associated with amendments of this language.

The interpretation of this section has always been that the Committee could not grant an increase when the formula does not provide for such increases.

This is in contrast to the terms of:

- two of the prior plans (Prior City of Dartmouth Employees' Retirement Pension Plan and the Prior Halifax County Municipality Full-Time Retirement Pension Plan) for which ad-hoc increases could be granted by the Committee;
and
- the Prior City of Halifax Superannuation Plan Text (amendment D3.12) for which ad-hoc increases can be granted by the Committee provided the Pension Fund is in a surplus funding position;
and
- the Prior Metropolitan Authority Employees' Pension Plan which has a pensioner increase formula based on an excess rate of 5.5% as opposed to the 7.5% of the current HRM Pension Plan.

The two amendments provided in this Council Report have been approved by the Pension Committee and each of the bargaining units who are participants in the HRM and Prior Pension Plans.

DISCUSSION

There is some urgency to apply to the Province to get approval for the proposed amendments. The last date to apply is December 22, 2007. This is because of special municipal solvency funding relief provisions in the Provincial Pension Regulations. While these regulations are in effect, until December 31, 2016, there may be no benefit improvements in the Pension Plan unless the cost of the improvements are paid in full at the time of regulatory approval (\$28.1 million cost for the current amendments being considered). Therefore, unless the proposed amendments are approved by HRM at this time, it would be ten years before these amendments may be considered again.

Maximum Pension Provisions

The increase in maximum pension will only apply to members who retire or otherwise terminate their employment on or after December 31, 2006. Retiring or terminating members will be entitled to a pension based on the formula under the HRM and Prior Pension Plans, but using the amount that will be equal to the maximum pension allowed under the Income Tax Act for the year of retirement/termination, rather than the amount of \$1,722.22

Most pension plans that had restrictions to the maximum pension have removed those restrictions to the maximum allowed under the Income Tax Act. The removal of the restriction will add value to the HRM Pension Plan and assist in the recruitment of new employees and the retention of present employees.

Based on the December 31, 2006 year end data there were 70 active members in the HRM Pension Plan who earned in excess of \$86,111 in 2006 and from whom a retroactive contribution would apply. On a voluntary basis, these members will be asked to pay retroactive contributions, matched by HRM per Recommendation #2 of this Council Report.

Retirement Benefit Increases

Pensioners have been lobbying the Pension Committee for an increase. The last pension increase for pensioners in each of the Plans has been:

The current HRM Pension Plan -	1 January 2001 (2.8%)
The Prior Metro Authority Plan -	1 January 2004 (2.0%)
The Prior City of Dartmouth Plan -	1 January 2000 (1.3%)
The Prior City of Halifax Plan -	1 January 2000 (1.3%)
The Prior Halifax County Plan -	1 January 2000 (1.3%)

The Pension Committee feels that the current funding conditions of the Pension Plan allow for an increase to be granted. This is supported by the 2006 Actuarial Valuation. Pensioners were instrumental in helping the Pension Committee obtain improved regulatory provision changes that deal with the funding of solvency deficiencies for the HRM Pension Plan.

BUDGET IMPLICATIONS

The cost to fund the accrued liability for Maximum pension to the Income Tax Act limit is \$19.3 million. This will be funded by special payments of \$2.0 million over 15-years or 0.85% of payroll. The increase in the current service cost to fund this change is \$1.5 million, or 0.63% of payroll.

The cost to fund the 2.0% increase in the pension benefits for current pensioners is \$8.8 million. This will be funded by special payments of \$932,000 over 15-years, or 0.4% of payroll.

The HRM Pension Plan's Actuary has confirmed that the current level of Member and Employer contributions (shared 50/50 by employee/employer) is sufficient to fund these amendments to the HRM Pension Plan. Therefore, no increase in contribution rate is required. Also, it has been confirmed with HRM's Auditor that there is no requirement to recognize these liabilities in HRM's audited financial statements.

However, the Actuary has determined that \$201,000 in retroactive contributions would be required if all 70 members whose annual income exceeded \$86,111 in any of the calendar years from January 1, 2004 to December 31, 2006 elected to make retroactive contributions. Based on 50/50 cost sharing, HRM would be responsible for as much as \$100,500 of this total. Staff have determined that an additional \$112,000 in contributions would be required as HRM's share for

the period of January 1, 2007 to March 31, 2008. Therefore, HRM's total obligation would be \$212,500 with an equal amount also required from the affected employees. Payment plans will be arranged with those employees who elect to make retroactive contributions.

Although approval by the Superintendent of Pensions and communication to affected members is not expected to be completed before April 2008, PSAB regulations require that HRM recognize the full amount of the anticipated retroactive contributions in the 2007/08 fiscal year. Finance will therefore make provision at fiscal year-end to accrue the payroll liability, with business units being charged for the current year fiscal costs and the remainder of the \$212,500 that is related to prior years being charged to the over/under account. Should business units not be able to absorb the current year cost, the Variable Operating Stabilization Reserve (VOSR) is available to assist.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

The alternative is to remain with the current provisions of the HRM and Prior Pension Plans Text.

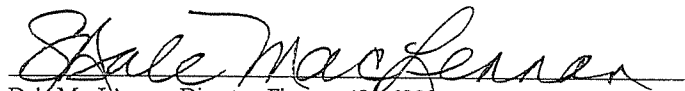
ATTACHMENTS

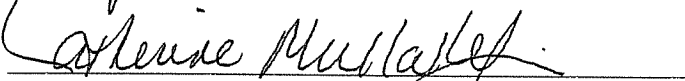
Amendment 2006-01 Maximum Pension Provisions
Amendment 2006-02 Increase in Pension Benefits
Resolution of the Halifax Regional Municipality Pension Committee

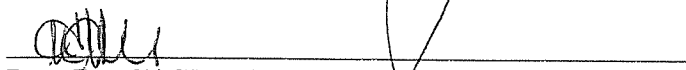
A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Glenn Hirschfeld, Director of Pensions, HRM Pension Plan, 490-6298

Report Approved by:


Dale MacLennan, Director, Finance 490-6308


Catherine Mullally, Director, Human Resources 490-7239


Teresa Troy, Chief Executive Officer, HRM Pension Plan Committee 490-3297

Amendment 2006-01
to the
Halifax Regional Municipality
Pension Plan

WHEREAS the Halifax Regional Municipality Pension Committee (“Committee”) administers the Halifax Regional Municipality Pension Plan (“Plan”); and

WHEREAS the Committee has reserved the right to amend the Plan and now wishes to do so;

NOW THEREFORE IT IS HEREBY RESOLVED that, effective December 31, 2006, the Plan is amended as set out below:

1. Section A3 – Appendix A Retirement Benefits, is amended by deleting Section A3.05, and replacing it as follows:

“A3.05 Maximum Pension Provisions

Notwithstanding any other provision of this Plan to the contrary, the annual lifetime pension payable to a Member under this Plan in the form of pension to be paid to the Member, including a pension payable under any other registered pension plan of the Municipality/Participating Employer and any portion of any pension payable to a Member’s Spouse or Common Law Partner or former Spouse or Common Law Partner pursuant to Section 10.02 of the Master Text, determined at the time of pension commencement, shall not exceed the years of pensionable service of the Member multiplied by the lesser of (a) and (b) where :

- (a) equals
 - (i) for Members who terminate Continuous Service on or before December 31, 2006 (or after December 31, 2006 and in respect of whom the requirements of Section A3.05.1 are

not met), \$1,722.22 or, for the portion of Credited Service that is purchased after June 7, 1990 with respect to a period prior to 1990 that was not pensionable service under a defined benefit provision of a registered pension plan, \$1,150; and

- (ii) for Members who terminate Continuous Service after December 31, 2006 and in respect of whom the requirements of Section A3.05.1 are met, the defined benefit limit as prescribed for such purpose under the Income Tax Act from time to time, or, for the portion of Credited Service that is purchased after June 7, 1990 with respect to a period prior to 1990 that was not pensionable service under a defined benefit provision of a registered pension plan, 2/3rd of the defined benefit limit as prescribed for such purpose under the Income Tax Act from time to time; and

- (b) equals 2% of the average of the Member's best 3 consecutive years' highest average compensation from the Municipality/Participating Employer,

reduced, if the pension commencement date precedes the earliest of the days described in the Prescribed Reduction (as defined in the Master Text), by the Prescribed Reduction.

This Section A3.05 shall not apply to additional benefits payable as a result of any Actuarial Equivalent increase due to deferral of pension commencement after age 65 nor shall it apply to that portion, if any, of the pension derived from a Member's excess contributions, or the Member's Account.

For the purpose of this Section A3.05, pensionable service, highest average compensation and defined benefit limit shall have the meanings assigned in the Income Tax Act.”

2. Section A3 – Appendix A Retirement Benefits, is amended by adding Section A3.05.1 after Section A3.05, as follows:

“A3.05.1 The limit described in Section A3.05(a)(ii) will only apply if additional contributions equal to the additional amounts that would have been required from the Member and the Municipality/Participating Employer under Section 4.01(1) if the defined benefit limit under the Income Tax Act had applied for the Plan Years 2004, 2005 and 2006 respectively, are deposited to the Fund. Such additional amounts may be paid either solely by the Member, solely by the Municipality/Participating Employer, or shared between them as they agree; otherwise, the limit described in Section A3.05(a)(i) will apply even if termination of Continuous Service occurs after December 31, 2006.”

3. Section B3 - Appendix B Retirement Benefits, is amended by deleting Section B3.05 and replacing it as follows:

“B3.05 **Maximum Pension**

Notwithstanding any other provision of this Plan to the contrary, the annual lifetime pension payable to a Member under this Plan in the form of pension to be paid to the Member, including a pension payable under any other registered pension plan of the Municipality/Participating Employer and any portion of any pension payable to a Member’s Spouse or Common Law Partner or former Spouse or Common Law Partner pursuant to Section 10.02 of the Master Text, determined at the time of pension commencement, shall not exceed the years of the Member’s pensionable service multiplied by the lesser of:

(a) \$1,722.22 or, for Members who terminate Continuous Service after December 31, 2006, such other amount prescribed for such purpose under the Income Tax Act from time to time; and

(b) 2% of the average of the Member's best three consecutive years of remuneration from the Municipality/Participating Employer;

reduced, if the pension commencement date precedes the earliest of the days described in the Prescribed Reduction (as defined in the Master Text), by the Prescribed Reduction.

This Section B3.05 shall not apply to additional benefits payable as a result of any Actuarial Equivalent increase due to deferral of pension commencement after age 65 nor shall it apply to that portion, if any, of the pension derived from a Member's excess contributions."

4. Section C3 - Appendix C Retirement Benefits, is amended by deleting Section C3.05 and replacing it as follows:

"C3.05 **Maximum Pension**

Notwithstanding any other provision of this Plan to the contrary, the annual lifetime pension payable to a Member under this Plan in the normal form of pension to be paid to the Member, including a pension payable under any other registered pension plan of the Municipality/Participating Employer and any portion of any pension payable to a Member's Spouse or Common Law Partner or former Spouse or Common Law Partner pursuant to Section 10.02 of the Master Text, determined at the time of pension commencement, shall not exceed the years of the Member's pensionable service multiplied by the lesser of:

- (a) \$1,722.22 or, for Members who terminate Continuous Service after December 31, 2006, such other amount as prescribed for such purpose under the Income Tax Act from time to time; and
- (b) 2% of the average of the Member's best three consecutive years of remuneration from the Municipality/Participating Employer,

reduced, if the pension commencement date precedes the earliest of the days described in the Prescribed Reduction (as defined in the Master Text), by the Prescribed Reduction.

This Section C3.05 shall not apply to additional benefits payable as a result of any Actuarial Equivalent increase due to deferral of pension commencement after age 65 nor shall it apply to that portion, if any, of the pension derived from a Member's excess contributions."

- 5. Section E1 - Appendix E Definitions, is amended by deleting Section E1.08 and replacing it as follows:

"E1.08 ***Maximum Pension***, means, in respect of the annual amount of the lifetime retirement benefits payable to the Member under this Plan in the normal form of pension to be paid to the Member, including a pension payable under any other registered pension plan of the Municipality/Participating Employer and any portion of any pension payable to a Member's Spouse or Common Law Partner or former Spouse or Common Law Partner pursuant to Section 10.02 of the Master Text, determined at the time of pension commencement, shall not exceed the years of the Member's Pensionable Service (subject to a maximum of 35 years) multiplied by the lesser of:

- (a) \$1,722.22 or, for Members who terminate Continuous Service after December 31, 2006, such other amount as prescribed for such purpose under the Income Tax Act from time to time; and
- (b) 2% of the average of the Member's best three consecutive years of remuneration from the Municipality/Participating Employer."

6. Section E3 - Appendix E Retirement Benefits, is amended by deleting Section E3.03(e) and replacing it as follows:

- "E3.03 (e) Notwithstanding the above, the amount of pension payable to a Member who retires prior to the earliest of:
- (i) attainment of age 60,
 - (ii) completion of thirty years of Service or Pensionable Service, if greater, or
 - (iii) the date upon which the Member's age plus years of Service or Credited Service, if greater, total 80,

shall not be greater than the lesser of:

- (A) the amount of pension accrued to the Member's actual Retirement Date reduced by 1/4 of 1% for each month prior to the date upon which the Member would have met one of (i), (ii), or (iii) above had the Member remained in employment with the Municipality/Participating Employer, or

(B) the Maximum Pension of the Member reduced by 1% of 1% for each month prior to the date upon which the Member would have met one of (i), (ii), or (iii) above had the Member remained in employment with the Municipality/Participating Employer.”

We, the undersigned, do hereby certify that the foregoing amendment is adopted on this 1 day of Nov, 2007.

[Signature]
Name

[Signature]
Name

Co-Chair
Title

Co-Chair
Title

Amendment 2006-02
to the
Halifax Regional Municipality
Pension Plan

WHEREAS the Halifax Regional Municipality Pension Committee (“Committee”) administers the Halifax Regional Municipality Pension Plan (“Plan”); and

WHEREAS the Committee has reserved the right to amend the Plan and now wishes to do so;

NOW THEREFORE IT IS HEREBY RESOLVED that, effective December 31, 2006, the Plan is amended as set out below:

1. Section A3 – Appendix A Retirement Benefits, is amended by adding the following paragraph at the end of Section A3.08, as follows:

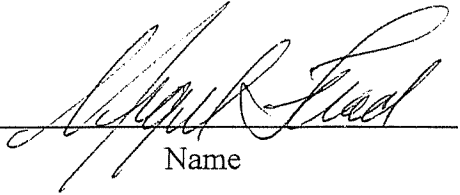
“Notwithstanding the above, pensions in the course of payment as at January 1, 2007 shall be increased by 2%, provided that this increase is in accordance with the general limitation on pension increases set out in Section 11.01 of the Master Text.”

2. Section D3.12 – Appendix D Service Benefits and Supplementary Grants, is amended by adding the following paragraph at the end of Section D3.12, as follows:

“Notwithstanding the above, pensions in the course of payment as at January 1, 2007 shall be increased by 2%, provided that this increase is in accordance with the general limitation on pension increases set out in Section 11.01 of the Master Text.”

We, the undersigned, do hereby certify that the foregoing amendment is adopted on this

1 day of Nov, 2007.


Name


Name

Co-Chair
Title

Co-Chair
Title

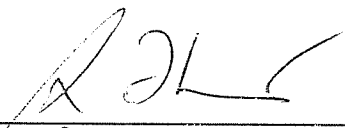
RESOLUTION OF THE HALIFAX REGIONAL MUNICIPALITY PENSION COMMITTEE

Whereas the Halifax Regional Municipality Pension Committee ("Committee") administers the Halifax Municipality Pension Plan ("Plan"); and

NOW THEREFORE IT IS HEREBY RESOLVED that,

Pensions in the course of payment as at January 1, 2007 for the prior City of Dartmouth Retirement Pension Plan, the Prior Halifax County Municipality full-time Retirement Pension Plan, and the Prior Metropolitan Authority Pension Plan shall be increased 2%

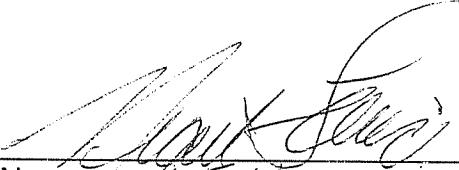
We, the undersigned, do hereby certify that the foregoing resolution is adopted on this 01 day of November, 2007



Name Paul Fleming

CO-chair

Title



Name Nigel Field, CO-Chair

CO-chair

Title

