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Item No. 10.1.5

**Halifax Regional Council
August 11, 2009**

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 

Wayne Anstey, Acting Chief Administrative Officer

DATE: July 31, 2009

SUBJECT: UNSM Resolutions

ORIGIN

Union of Nova Scotia Municipalities (UNSM) request for resolutions. The deadline for submitting resolutions to UNSM is August 17, 2009.

RECOMMENDATION

It is recommended that HRM forward resolutions, as set out in the Discussion section of this report, on the following four topics to UNSM for consideration and endorsement at its annual conference in November:

- Pension Legislation Review
- Public Utilities Act legislation request (geothermal exemptions)
- Provincial support and/or funding for public transit
- Soft tissue injury insurance cap

BACKGROUND

Each year at its annual conference, UNSM debates a number of resolutions submitted by its 55 member municipalities. Those that are passed are forwarded to the Provincial government as requests for changes in policy, legislation, financing, etc. These resolutions have the benefit of UNSM's collective voice, and may be considered to have the support of all municipalities in Nova Scotia. A formal resolution passed by UNSM in support of the initiative(s) may assist the municipality in securing support for those items.

HRM is represented in the Regional Caucus of UNSM. The role of the Caucus is to elect members to serve on the Board and to make recommendations to the Board on matters of interest and concern to the caucus. In advance of each annual conference, Municipalities, Caucuses, the Board and the Resolutions Committee can submit resolutions for debate at the Fall Conference. To be properly received, the resolution must include whether the resolution was considered and passed by the municipal unit.

The deadline for submitting resolutions to UNSM is August 17, 2009, so that they may be reviewed by the Resolutions Committee. The UNSM Annual Conference is being held November 4th to 7th in Halifax.

DISCUSSION

Staff are recommending Council forward four resolutions to UNSM for debate. These are issues which HRM has raised in some way with the Province, either through a formal request or discussions at the political level. They are also issues which impact other municipalities in Nova Scotia. Generally speaking the issues are of a significant nature and will have a major impact on the functions or policies of the municipality. Examples of resolutions submitted in the past are requests for support for HRMbyDesign and the HRM Charter.

Below is an overview of each of the four requests recommended for submission to UNSM.

1) Pension Legislation Review

In 2007 the Province created a panel to review its current pension legislative framework. The Pension Review Panel, chaired by Bill Black, submitted its report to the Premier in January 2009. The report has a number of recommendations which are of concern to HRM and could have a significant negative impact on both municipal Pension Plans and budgets. While the previous Provincial government felt public consultations on the Panel's recommendations were not necessary, members of both the NDP and Liberal parties have indicated that they now support holding public consultations. HRM strongly supports this plan so that it and other interested stakeholders will have the opportunity to outline the impact of the Panel's recommendations on budgets and business processes.

There are two main issues at stake:

- a) Solvency Valuation Requirement - solvency valuation is one method of measuring the soundness of a pension plan. It measures whether the current amount in a pension plan is sufficient to provide a pension to all current plan members to the extent they are entitled

now. Solvency valuation is a much more rigorous measurement than a Going Concern Valuation, which measures whether the expected stream of payments and investment results of a pension plan are sufficient to provide future payouts.

Solvency Valuation is generally required in order to protect pension plan members in cases where an organization may cease doing business. Most public sector plans (CPP, Federal Government Pension Plan, Nova Scotia Pension Plan) are not subject to Solvency Valuation, as they are not likely to cease operations at any time in the future. However municipal pension plans remain subject to this measurement, despite the fact that they are just as unlikely to cease operations. The Provinces of BC, Alberta and Quebec all exempt municipalities from Solvency Valuation in some form, and the Ontario Expert Commission on Pensions is also recommending this. In comparison, municipal employees in Nova Scotia are treated in a disadvantageous manner.

The HRM Pension Committee has no issue with the solvency valuation measurement itself, as the Committee wishes to be open and transparent about the state of the Pension Plan. However, funding the solvency valuation deficit is an unreasonable and unnecessary burden on both employees and municipalities. If municipalities are required to continue to fund the deficits, contribution rates will have to rise significantly in the short term or benefit plans may have to be revisited. Neither option is desirable since in the long term this may be unnecessary, therefore HRM is requesting that UNSM endorse a resolution asking for all public sector employers to be exempt from funding pension plan solvency valuation deficits.

b) Funding Rules - the Provincial Pension Review Panel is recommending new funding rules for Nova Scotia. The rules are significantly different from the way in which all other North American jurisdictions value their pension plans. These recommendations would also severely limit the ability of pension plans to control their benefit structure and contribution amounts. The Canadian Institute of Actuaries, the Pension Investment Association of Canada, the Association of Canadian Pension Management, and the HRM Pension Committee have all voiced concerns about the Panel's recommended funding rules, especially without the benefit of robust testing and input from the pension community. HRM is requesting that UNSM endorse a resolution asking that the Provincial government discard the Panel's recommendations and consider the models in use in BC, Alberta and Ontario instead.

Together both the above issues have serious ramifications for municipal budgets. It is important that municipalities make their concerns heard before any new legislation is passed.

Proposed Resolution:

WHEREAS the *Pension Benefits Act* of the Province of Nova Scotia requires all registered defined benefit pension plans to periodically carry out solvency valuation measurements and to fund solvency valuation deficits;

AND WHEREAS solvency valuations are designed to protect pension plan members in cases where an organization may cease doing business and as a result its pension plan is wound up;

AND WHEREAS most public sector pension plans are not subject to solvency valuations because they are they are not likely to cease operations at any time in the future;

AND WHEREAS, unlike the Province of Nova Scotia, the Provinces of British Columbia, Alberta and Quebec all exempt municipalities from solvency valuation in some form, and the Ontario Expert Commission on Pensions is also recommending that municipalities in that province be exempted;

AND WHEREAS the Province of Nova Scotia has before it for consideration a number of recommendations from the Pension Review Panel related to pension legislation, which among other things would continue the requirement for municipalities to fund solvency deficits and funding rules which would lead to significant negative consequences for municipalities and for members of municipal defined benefit pension plans;

WHEREAS the Province has indicated it may hold public consultations on the pension legislation recommendations;

THEREFORE BE IT RESOLVED THAT the Union of Nova Scotia Municipalities supports making a formal request to the Province to

- a) Hold public consultations on the pension legislation recommendations,
- b) Amend the Pension Benefits Act to exempt municipal defined benefit pension plans from the requirement to fund solvency valuation deficits; and
- c) Discard the recommended funding rules and consider the funding rule models in use in other Canadian jurisdictions in their stead.

2) Public Utilities Act

HRM has requested an amendment to the Public Utilities Act that would exempt projects that provide energy to 10 or fewer customers from UARB oversight. This amendment request was formally submitted to the Province in April 2009, but has been discussed extensively prior to that, both in HRM's submission to the Nova Scotia Energy Strategy in December 2007 and in advocacy efforts around legislative amendments since. The benefits of exempting small projects from UARB oversight are:

- Customers in small projects are in a strong bargaining position re: the cost of service and are not in need of UARB oversight;
- The relative cost of UARB oversight is burdensome for small projects; and
- An exemption would reduce project delays that might otherwise be occasioned by a UARB oversight process.

This amendment would be of direct benefit to HRM's Alderney 5 project, and would also assist any other municipalities with small energy projects operating. It is also consistent with the Province's commitment to facilitate sustainable energy projects, and the NDP's statement that government should apply a "green lens" to policy-making.

Proposed Resolution:

WHEREAS the Nova Scotia *Public Utilities Act* subject all energy public utilities in the Province to UARB oversight;

AND WHEREAS UARB oversight is financial burdensome for small energy projects and results in delays in such projects coming to fruition;

AND WHEREAS UARB oversight for small energy projects is unnecessary because customers of such projects are in a strong bargaining position with respect to choice and the cost of service;

AND WHEREAS on April 21, 2009, Halifax Regional Council approved the request for an amendment to the Public Utilities Act that would exempt thermal and geothermal utilities with 10 or fewer customers from UARB oversight;

THEREFORE BE IT RESOLVED THAT the Union of Nova Scotia Municipalities requests that the Province of Nova Scotia adopt an amendment to the Public Utilities Act that would exempt thermal and geothermal utilities with 10 or fewer customers from UARB oversight.

3) Public Transit

Nova Scotia currently provides one of the lowest levels of provincial funding for public transit in Canada (the three territories provide the same amount or less). NS funds approx \$3 per person per year, while the average among Canadian provinces is \$19 per person per year. This dearth of funding has a huge impact on the ability of HRM's public transit system to undertake much-needed expansion.

In the past the Province has not invested in operating funding for transit. However in recent years public expectations around transit and greener methods of transportation have changed markedly. The Province has acknowledged this by funding the Transit Operating Incentive which provides \$2 million for municipalities to create transit systems, although the focus is on rural areas. With a new government in office there may be an opportunity to revisit this issue. Increased funding for public transit would support sustainable transportation options as well as attracting people and businesses to the region. It should be noted that although HRM's public transit system is the largest in Nova Scotia, its is not the only one: Cape Breton Regional Municipality and Kings County also operate bus systems. UNSM support would be useful in re-opening discussions on transit funding with the Province.

Proposed Resolution:

WHEREAS public transit systems have significant environmental benefits for municipalities and the Province as a whole;

AND WHEREAS demand for public transit is growing;

AND WHEREAS the Province has developed a fund for municipalities to access in order to assist with public transit operating funds;

AND WHEREAS Nova Scotia has one of the lowest levels of public transit funding in Canada;

THEREFORE BE IT RESOLVED THAT the Union of Nova Scotia Municipalities request the government of the Province of Nova Scotia to enter into discussions with the Union of Nova Scotia Municipalities and municipalities operating transit systems concerning the possibility of increased operating funding for public transit within the Province.

4) Soft Tissue Injury Insurance Cap

In 2003 the Provincial government instituted a \$2500 cap on insurance payments for minor soft-tissue automobile injuries. The cap does not apply to serious injuries (unofficially considered injuries that are not resolved within one year) and does not limit compensation victims can receive from their own insurance for work missed due to injuries.

The NDP has declared its intention to withdraw the \$2500 cap. The suggested alternative would see it replaced with a deductible set high enough so that only those with major injuries would proceed with a claim - in the range of \$10,000 to \$15,000. The intent is to ensure people injured in accidents receive fair compensation.

The cap has had a positive impact on insurance claims against HRM. It is worth noting that overall auto insurance rates in Nova Scotia have decreased by approx 27% in the last 5 years since the cap was introduced, so it may be fair to say the soft tissue injury insurance cap is achieving its goal of maintaining more affordable insurance rates for the public. If the cap is eliminated HRM can expect to pay increased premiums, as well as see an increase in the number of claims - a scenario which is also likely to happen with the proposed alternative of increasing the deductible. While other municipalities in Nova Scotia do not receive as many insurance claims as HRM, they do pay higher premiums than HRM and further increases would create difficulties for everyone. Tax dollars would have to go towards both the cost of increased premiums and resolving the higher number of minor injury claims.

UNSM's support in keeping the insurance cap for soft tissue injuries, or alternatively arriving at a solution that addresses both municipal and Provincial concerns, would be of great assistance.

Proposed Resolution:

WHEREAS the current soft tissue injury insurance cap appears to have led to a decrease in the overall costs of personal injury insurance to municipalities and to the cost of claims paid by municipalities;

AND WHEREAS any elimination of the insurance cap would likely lead to an increase in the number of claims against municipalities as well as increased insurance premiums and costs of claims paid;

THEREFORE BE IT RESOLVED THAT the Union of Nova Scotia Municipalities request that the Government of the Province of Nova Scotia keep in place the current insurance cap for soft tissue injuries.

BUDGET IMPLICATIONS

None.

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

Council could choose to forward only one or some of the above resolutions to the UNSM Fall Conference.

Council could choose to forward other issues as resolutions to UNSM.

Council could choose not to forward a resolution to the UNSM Fall Conference.

ATTACHMENTS

N/a

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.

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