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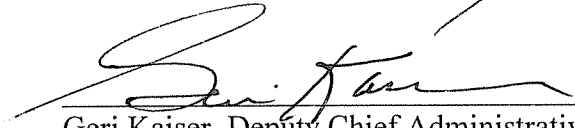
Item No. 10.1.6
Halifax Regional Council
September 22, 2009

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services
and Strategy

DATE: September 14, 2009

SUBJECT: The Defined Contribution Pension Plan for Certain Employees of Halifax
Regional Municipality

ORIGIN

Halifax Regional Municipality Pension Committee (“Committee”).

RECOMMENDATION

It is recommended that Halifax Regional Council continue the Defined Contribution Plan (“DC Plan”) as a closed Plan for those employees who have chosen to remain in it.

BACKGROUND

Halifax Regional Municipality originally sponsored two separate Defined Contribution Pension Plans. They were the Town of Bedford Employee Pension Plan and the Halifax County Municipality Part Time Retirement Pension Plan. Effective January 01, 2003, the former Town of Bedford Employee Pension Plan was merged with the Halifax County Municipality Part Time Retirement Pension Plan to form a single Defined Contribution Plan - The Defined Contribution Pension Plan for Certain Employees of The Halifax Regional Municipality, which is the DC Plan under discussion in this report .

As at May 31, 2009, the DC Plan had assets of approximately \$1.5 million. The DC Plan is closed to new members. The DC Plan has 111 members of which only 3 members are making contributions to the DC Plan. The 3 active members of the DC Plan are former employees of the Town of Bedford who elected to remain in that Plan when the new HRM Pension Defined Benefit Plan was offered to them. The contribution rate for these active members to the DC Plan is 1% of earnings (equally matched by HRM).

These members also contribute an additional 5.5% of earnings (equally matched by HRM) to a Group Registered Savings Plan (GRSP) sponsored by HRM and also administered by Manulife Financial.

On January 25, 2000, Halifax Regional Council approved a recommendation that the Halifax Regional Municipality Pension Committee be appointed Plan Administrator for the Defined Contribution Pension Plans sponsored by Halifax Regional Municipality. Although the HRM Pension Committee operated as Plan Administrator, the governing documents were not amended to reflect this change.

On April 24, 2007 Halifax Regional Council agreed to:

1. Approve the attached amendment to the DC Plan documentation to reflect that the Halifax Regional Municipality Pension Committee is the administrator of the DC Plan.
2. Agrees to indemnify Members, Alternates and Employees of the HRM Pension Committee in their role as Administrator for the Defined Contribution Pension Plan for Certain Employees of Halifax Regional Municipality (“The DC Plan”).
3. Approve that the Mayor and Municipal Clerk sign the required documents that establish the DC Plan through a policy issue by Manulife Financial; and
4. Direct the HRM Pension Committee to investigate the option of winding-up the DC Plan and reporting back to Council on this option.

DISCUSSION

The HRM Pension Committee met on June 10, 2009 and approved a recommendation that the DC Plan remain under the administration of Manulife Financial through a Plan Services Agreement.

The recommendation to remain with Manulife Financial is based on the following:

1. The DC Plan is currently administered by a national company, through a Plan Services Agreement, with expertise in Defined Contribution Plans, having communication tools, websites and resources for member services. This helps to mitigate any potential litigation against the Municipality and the HRM Pension Committee.
2. The DC Plan is a closed plan with only 3 active contributing members.
3. The mean age of the members of the DC Plan is 50, so there will be a natural wind-up as plan members retire.
4. The HRM Pension Committee Office will be contacting plan members to ensure awareness of the DC Plan, and have review meetings with Manulife on a recurring basis.

BUDGET IMPLICATIONS

There are on-going costs associated with the operation of the DC Plan. They include an annual registration fee with the Province of Nova Scotia (currently \$101.30). Other costs which may be incurred are member communication expenses and professional consulting advice on the operation of the DC Plan.

Currently, HRM does not budget for expenditures associated with the operation of the DC Plan. Staff has allocated the funds necessary to pay the annual registration fee from Operating cost centre A230 (Human Resources - Total Compensation). Other expenses would be managed within available budget capacity as determined by staff.

The budget availability has been confirmed by Financial Services.

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

Plan termination under the terms of the DC Plan Text and with prior approval of the Nova Scotia Superintendent of Pensions.

Members' rights, depending on eligibility, upon DC Plan termination is to purchase a life annuity, transfer to a locked-in Life Income Retirement Account, transfer to a Life Income Fund, or transfer to another registered pension plan that the member belongs to i.e., the HRM Pension Plan.


While DC Plan termination is a viable alternative, it would not appear to significantly benefit the DC Plan Members or HRM, the Sponsor of the DC Plan.

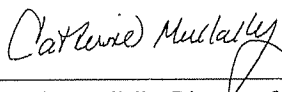
ATTACHMENTS

1. The Pension Document for Halifax Regional Municipality, Manulife Financial Policy # 500380.
2. Report to Mayor and Council dated April 24, 2007 (excluding the attachments 1 and 2 which can be obtained through the Municipal Clerk's office or online at <http://www.halifax.ca/council/agendasc/documents/070424ca1117.pdf>)

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.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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Report Approved by: 
Cathie O'Toole, CGA, Director of Finance, 490-6308

Report Approved by: 
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Report Approved by: **Original Signed**
Teresa Troy, CEO, HRM Pension Plan Committee, 490-3297

**THE PENSION PLAN DOCUMENT
FOR
Halifax Regional Municipality**

Manulife Financial Policy # 500380

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Section 1 - Definitions

1.1 All male terms include the female terms and the singular includes the plural unless stated otherwise.

1.2 Section headings herein are for convenient reference only. They are not a part of the substance of this Plan and do not in any way enlarge or limit the content of any Section.

1.3 The following words have the meanings given below:

"Active Member" means a Member in respect of whom contributions are being remitted.

"Applicable Legislation" means the Pension Benefits Act of Nova Scotia. For Members in a Designated Province, it means the pension legislation of the particular province. It also means the Income Tax Act (Canada), the administrative rules of Canada Customs and Revenue Agency, and any other legislation of Canada or a province or territory thereof, together with any rules, guidelines, regulations or conditions established or prescribed from time to time, affecting the Plan.

"Application" means the application, for the Plan, signed by the Employer, and attached to and forming part of the Plan.

"Compensation" means in respect of a Member's employment with the Employer in the year, any salary, wages and other amounts as defined in the Income Tax Act (Canada), and except for Members who are Connected Persons, includes any prescribed amounts of compensation determined in accordance with the regulations to the Income Tax Act (Canada).

Section 1 - Definitions

"Connected Person" means a person who owns, directly or indirectly, at least 10% of the issued shares of any class of the capital stock of the Employer or of a corporation related to the Employer, does not deal at arm's length with the Employer, or is deemed to be a specified shareholder as defined under the Income Tax Act (Canada).

"Continuous Service" means a continuous period of employment with the Employer without regard to periods of temporary suspension of employment, membership, or service and without regard to periods of lay-off from employment. However, where the continuous period of employment is interrupted by a period or periods of temporary suspension of employment exceeding 52 weeks, the period or periods will be deemed to be a break in continuous service. A continuous period of employment will include any leaves of absence authorized by the Employer or required by law that do not exceed 52 weeks. Notwithstanding the foregoing, Continuous Service will not include any period of unpaid leave of absence of a Connected Person.

"Designated Province" has the same meaning as described in Section 2(n) of the Nova Scotia Pension Benefits Act.

"Disability" means total and permanent disability which is certified as such by a licensed medical practitioner.

"Earnings" has the same meaning as Compensation.

"Effective Date" is as stated in Section 6 of the Application.

Section 1 - Definitions

"Employer" is as defined in Section 3 of the Application and includes any participating subsidiary or affiliated employers as specified in Section A.6 of the Application. Addition or deletion of subsidiary or affiliated Employers hereunder will be made upon written notification by the Applicant as defined in Section 3 of the Application. Any reference in the Plan to any action to be taken, consent, approval or opinion to be given, discretion or decision to be exercised or made refers only to the Applicant.

"Employee" means a person, who belongs to a class of employees in Section A.3 of the Application, employed by the Employer.

"Inactive Member" means a Member in respect of whom contributions to the Plan have ceased but to whom benefits are or will be payable.

"Member" means an Employee who has become a Member of the Plan in accordance with Section 3 below.

"Plan" is as defined in Section A.1 of the Application, as at the Effective Date of this Plan and any subsequent amendments to this Plan. The Plan will be a defined contribution plan funded through a Group Policy with The Manufacturers Life Insurance Company as defined in Section 1 of the Application.

"Plan Anniversary" is as specified in Section 6 of the Application.

"Plan Year" means the period beginning on the Effective Date or on a Plan Anniversary and ending on the day immediately before the next following Plan Anniversary and each 12 month period thereafter.

Section 1 - Definitions

"Spouse" means either of a man and a woman who,

- (a) are married to each other,
- (b) are married to each other by a marriage that is voidable and has not been annulled by a declaration of nullity, or
- (c) have gone through a form of marriage with each other, in good faith, that is void and are cohabiting or, if they have ceased to cohabit, have cohabited within the 12 month period immediately preceding the date of entitlement.

The definition of spouse will also include "common-law partner", which means another individual who has cohabited with the individual in a conjugal relationship for a period of at least two years, neither of them being a spouse.

The definition of spouse may also include a "domestic partner", registered under the Vital Statistics Act, subject to the requirements of the Income Tax Act (Canada).

Notwithstanding the foregoing, the definition of "common-law partner" in the Income Tax Act (Canada) will override the above definition of spouse, where applicable.

"Surplus" under a defined contribution provision of a plan at any time means such portion, if any, of the amount held in respect of the provision that has not been allocated to Members and is not reasonably attributable to

- (a) Employer withdrawal credit and attributable earnings under the provision, or
- (b) earnings of the Plan (other than earnings that are reasonably attributable to the surplus under the provision) that will be allocated to Members as part of the regular allocation of such earnings.

"Year's Maximum Pensionable Earnings" has the same meaning as described in the Canada Pension Plan.

Section 2 - Establishment of the Plan

- 2.1 This Plan Document, together with the Application, as may be amended from time to time, constitute the Plan text.
- 2.2 The purpose of the Plan is to provide certain pension and related benefits to Members and their beneficiaries.
- 2.3 The funding of the Plan will be in accordance with Section 62 of the Pension Benefits Act of Nova Scotia to meet funding requirements.

Contributions to the Plan will be invested in accordance with Section 67 of the Pension Benefits Act of Nova Scotia.

- 2.4 The Employer may delegate to a third party or parties, certain functions relating to the administration of the Plan, including but not restricted to, record keeping, payment of benefits and investment of contributions. In no way will this delegation diminish the responsibility or authority of the Employer. Any action taken by the third party will be as agreed to by the Employer and the third party and based on information or documentation supplied by the Employer. All matters, including expenses, relating to the administration, overall operation or application of the Plan will remain the sole responsibility of the Employer. For the purposes of Applicable Legislation, the Halifax Regional Municipality Pension Committee will be the Plan Administrator.

Section 2 - Establishment of the Plan

- 2.5 The adoption and maintenance of the Plan does not and will not constitute a contract of employment or otherwise between the Employer and any Member. The Plan will not (a) give any Member the right to be retained in the service of the Employer, or (b) interfere with the right of the Employer to terminate any Member's employment at any time.
- 2.6 If the Employer had a prior registered plan and this Plan is a continuing retirement plan, the details of the prior registered plan are provided in the Appendix to Section 7 of the Application.
- 2.7 If a Member's employment is terminated and the Member is thereafter re-employed, for all purposes of the Plan the Member will be considered a new Employee.
- 2.8 All contributions to and payments from the Plan will be in Canadian dollars.
- 2.9 The gender of a Member, Inactive Member or Spouse will not be used to determine:
- (i) Member required contributions for service on and after January 1, 1988, to the Plan as outlined in Section 4.2 below, or
 - (ii) the amount of any Plan benefit payable to a Member, Inactive Member, Spouse, or other beneficiary, on and after January 1, 1988, or
 - (iii) the eligibility conditions for Plan membership as outlined in Section 3 below, or
 - (iv) any ancillary benefits provided by the Plan for service on and after January 1, 1988.

Section 2 - Establishment of the Plan

- 2.10 The Employer will advise Canada Customs and Revenue Agency of any changes in name or address of the appointed administrator of the Plan within 30 days of such change.
- 2.11 The property held in connection with the Plan does not include
- (i) a prohibited investment under subsection 8514(1) of the regulations to the Income Tax Act (Canada),
 - (ii) at any time that the Plan is subject to the Nova Scotia Pension Benefits Act, an investment that is not permitted at that time under such laws as apply to the Plan, or
 - (iii) at any time other than a time referred to in subsection (ii) above, an investment that would not be permitted were the Plan subject to the Pension Benefits Standards Act, 1985.
- 2.12 Borrowing against the Plan is not permitted under any circumstances.

Section 3 - Eligibility for Membership

- 3.1 Any Employee is eligible to become an Active Member of the Plan on the first day of any calendar month, provided the Employee has then fulfilled the requirements outlined in Section A.3 of the Application. The Employer may require that an Employee join the Plan, as indicated in Section A.3 of the Application, on the first day of the calendar month immediately after the month in which the Employee has fulfilled the eligibility requirements. In no event will the requirements exceed the following or be subject to age requirements or limitations:
- (a) A full-time Employee may elect to become a Member at any time upon or after completing 24 months of Continuous Service.
 - (b) An Employee employed other than on a full-time basis who has completed 24 months of Continuous Service with the lesser of earnings of not less than 35% of the Year's Maximum Pensionable Earnings or 700 hours of employment with the Employer in each of 2 consecutive calendar years immediately prior to membership in the Plan may elect to become a Member at any time upon or after completing these requirements.
- 3.2 When an Employee becomes eligible or is required to join the Plan, the Employer will inform the Employee of this fact. To become an Active Member, such Employee will be asked to complete the forms provided by the Employer.
- 3.3 Within the time periods prescribed by Applicable Legislation, each eligible Employee will receive a written explanation of the pertinent provisions and conditions of the Plan and any amendments, and an explanation of the Employee's rights and duties with respect to the benefits available thereunder, together with any other prescribed disclosure information.

Section 3 - Eligibility for Membership

Such explanation and information will be for information only and will not affect the Member's or Employee's rights or duties under the Plan and may not be referred to in determining the meaning of any Plan provision. No liability will be incurred by the Employer for any loss or damage to any person by reason of any error or omission in such written explanation or information.

A copy of the Plan and any other documents prescribed by Applicable Legislation will be available for examination by any eligible Employee at a time and place mutually convenient to the Employee and Employer.

Section 4 - Contributions

- 4.1 Subject to Section 10 below, during each Plan Year the Employer will contribute an amount as defined in column 2, Section A.4(b) of the Application. No contribution to the Plan will be less than the minimum required under Applicable Legislation. Any such contribution will be made within the time periods and at such intervals as may be permitted under Applicable Legislation.

Employer contributions will commence on the day the Member becomes an Active Member and will continue until the Member's retirement or, if earlier, until the Member's death, termination of employment or becoming an Inactive Member. Employer contributions will be allocated to the account of the Member for whom the contributions are made.

- 4.2 During each Plan Year, each Active Member will contribute by payroll deduction, an amount as defined in column 1, Section A.4(b) of the Application.

Member required contributions will be payable during the same period as Employer contributions. Member contributions will be credited to the Member's account.

- 4.3 Each Active Member may elect to make voluntary contributions with respect to current service, by payroll deduction, if it is indicated in Section A.4(c) of the appendix to the Application that voluntary contributions are allowed.

- 4.4 All contributions will be payable at the frequency indicated in Section A.4(f) of the Application. Contributions payable monthly must be deposited to the investment vehicles established for the Plan within 15 days after the end of the month. Contributions payable annually in advance must be deposited to the investment vehicles within 15 days of the beginning of the year to which the contribution applies.

Section 4 - Contributions

- 4.5 Amounts available in cash to a Member from a registered pension plan, a registered retirement savings plan, a deferred profit sharing plan or from any other similar registered plan may, with the agreement of the Employer and in accordance with the Income Tax Act (Canada), be transferred into the Plan, and will be treated for administrative purposes as Member voluntary contributions.
- 4.6 Amounts, if any, transferred into the Plan from a previous registered pension plan of the Employer or of a former Employer in accordance with Section 7 of the Application will be treated as contributions of the type accumulated to provide those amounts. Where amounts transferred represent locked-in benefits under Applicable Legislation, such amounts will be treated as locked-in benefits under the Plan.
- 4.7 Interest will be earned on all contributions, from the date the contributions were deposited to the Plan to the date of withdrawal, at the rate of the gross return of the investment vehicle(s) selected by the Employer, less any applicable expenses.

Interest will be credited not less frequently than annually or for benefit payments on the day immediately preceding the date of payment.

- 4.8 (a) Beginning in 1991, and in each subsequent calendar year, for each Active Member the total of Employer contributions and any Member required and/or current service voluntary contributions, and any reallocations of Employer withdrawal credit to a Member, will not exceed the lesser of 18% of the Member's Compensation and the money purchase limit as defined under the Income Tax Act (Canada).

Any excess contribution will be returned to the contributor as determined by the Plan administrator, subject to Applicable Legislation.

Section 4 - Contributions

- (b) For any calendar year prior to 1991, (i) the Employer contribution under Section 4.1 above, and (ii) the total of Member required contributions under Section 4.2, and current service voluntary contributions, if applicable, will not exceed the maximums allowed as deductions for income tax purposes.
- 4.9 Surplus amounts transferred into the plan from a defined benefit registered pension plan, subject to Applicable Legislation and with Canada Customs and Revenue Agency approval, will be used to provide Employer required contributions. Regular Employer required contributions are not permitted to be made until such time as the Surplus is depleted.
- 4.10 If an Active Member is also a member of a deferred profit sharing plan, then the total of contributions to both plans may not exceed the money purchase limit as defined under the Income Tax Act (Canada).
- 4.11 Any contributions which would cause registration of the Plan to be revoked by the Minister of National Revenue, will be refunded to the contributor, subject to Applicable Legislation.
- 4.12 In the event that it is not possible for a Member contribution to be made by payroll deduction, the Member will contribute to the Plan by providing, to the Employer, a cheque, or such other method of payment as may be acceptable to the Employer.

Section 5 - Retirement Date

- 5.1 The normal retirement date for a Member will be the first day of the month coincident with or next following the Member's 65th birthday unless otherwise indicated in Section A.5(c) of the Application. In no event will the normal retirement date be earlier than age 60 or later than the Member's 66th birthday.

A Member will be fully vested at the normal retirement date.

- 5.2 An Active or Inactive Member may retire on the first day of any calendar month up to 10 years prior to the normal retirement date provided that termination of employment occurs if the Member is younger than age 65.

- 5.3 An Active or Inactive Member may elect to defer receiving retirement income beyond the normal retirement date under the Plan. However, pension payments for such Member will commence no later than the age or date prescribed by the regulations to the Income Tax Act (Canada) for commencement of retirement income.

Where an Active Member defers receiving retirement income beyond the normal retirement date and continues to be employed by the Employer, the Member and the Employer will continue to contribute in accordance with Section 4 above.

- 5.4 Upon the commencement of a Member's pension payments, no further contributions will be made to the Plan by or on behalf of that Member. A retired Member may not resume active participation in the Plan unless the pension payments are suspended.

Section 6 - Pension Benefits

- 6.1 The amount standing to the credit of the Member will, upon written application by the Member, be used to purchase a life annuity to be paid as a monthly pension at retirement in accordance with Section 5 above.
- (a) Such pension will be payable for the life of the Member in equal monthly instalments with a minimum period of 10 years. In the event of the Member's death before 120 monthly payments have been made, the balance of the payments will be paid to the Member's beneficiary.
 - (b) If the Member has a Spouse, and the member and Spouse are not living separate and apart on the date that the pension payments are due to begin, the monthly pension will be payable, as long as the Member and the Spouse both live. When the Member dies, the amount of continuing monthly payments may be reduced by not more than 40% and will be payable to the Spouse until the first day of the month in which the Spouse dies.
 - (c) The form of pension in (b) above may be waived by completion of the waiver form prescribed under Applicable Legislation.
- 6.2 If the annual benefit payable at the normal retirement date is not more than 4% of the Year's Maximum Pensionable Earnings in the year that the Member terminated employment or if the commuted value of a benefit is less than 10% of the Year's Maximum Pensionable Earnings in the year that the Member terminated employment, the amount available will be paid to the Member in cash.

Section 6 - Pension Benefits

- 6.3 Instead of the form of pension in 6.1 above, a Member may elect, in writing, to purchase a life income fund, meeting the terms and conditions of Applicable Legislation, provided the Member's Spouse has consented to the purchase. Alternately, subject to Section 6.1(c) above, instead of the form of pension in 6.1 above, a Member may elect, in writing, a pension in such optional form that may be made available, subject to any Applicable Legislation and to the rules and regulations of Canada Customs and Revenue Agency, Taxation in regard to the registration of employees' pension plans.
- 6.4 The amount of pension benefit payable under 6.1(b) and 6.3 above will be the actuarial equivalent of the pension benefit payable in the form in 6.1(a) above.
- 6.5 Pension benefits in the form of annuities must be provided by means of annuities purchased from a person licensed or otherwise authorized under Applicable Legislation to carry on in Canada an annuities business.

Section 7 - Death Benefits

7.1 If a Member dies before retirement, the amount standing to the credit of such Member in respect of contributions made prior to January 1, 1988, will:

- (i) be paid in a lump sum to the Member's designated beneficiary, or
- (ii) if the Member's Spouse or former Spouse is the designated beneficiary, be paid in a lump sum, or be used to provide an immediate or deferred life annuity for the Spouse, commencing no later than the later of 1 year after the death of the Member and the end of the calendar year in which the Spouse or former Spouse attains the age or date prescribed by the regulations to the Income Tax Act (Canada) for commencement of retirement income, and subject to Applicable Legislation, or
- (iii) if the Member does not have a designated beneficiary, be paid in a lump sum to the Member's estate.

If a Member dies before retirement, the amount standing to the credit of such Member in respect of contributions made on or after January 1, 1988, will:

- (a) be paid in a lump sum to the Member's Spouse, or
- (b) be used to provide an immediate or a deferred life annuity for the Spouse, commencing no later than the later of 1 year after the death of the Member and the end of the calendar year in which the Spouse attains the age or date prescribed by regulations to the Income Tax Act (Canada) for commencement of retirement income, and subject to Applicable Legislation, or
- (c) if the Member does not have a Spouse be paid in a lump sum to the Member's designated beneficiary, or

Section 7 - Death Benefits

- (d) if the Member does not have a Spouse or designated beneficiary, be paid in a lump sum to the Member's estate.

At the option of the Spouse or former spouse, the life annuity in (ii) and (b) above may include a guarantee period. Such guarantee period will not exceed 15 years.

- 7.2 Any death benefit payable after a pension has been purchased for a Member will be governed by the terms of the form of pension so purchased.
- 7.3 To the full extent allowed by Applicable Legislation, the death benefit will be exempt from execution, seizure or attachment.
- 7.4 Subject to any Applicable Legislation, by giving written notice, each Member can designate a primary and secondary beneficiary or beneficiaries to receive any benefit payable under the terms of this Plan after the Member's death and can similarly change the beneficiary designation from time to time. If there are multiple primary beneficiaries alive at the death of the Member, the death benefit will be divided equally among them, unless the Member has provided written instructions stating otherwise. If, on the Member's death, there are no surviving primary beneficiaries, the death benefit will be divided equally among the surviving secondary beneficiaries, unless the Member has provided written instructions stating otherwise.

However, if on the Member's death the Member has a Spouse the death benefit in respect of contributions made on or after January 1, 1988, will be payable to the Spouse in accordance with Applicable Legislation.

Section 8 - Benefits on Termination of Employment

8.1 Subject to the vesting provisions of the Plan and to the terms of Applicable Legislation, a Member whose employment with the Employer is terminated for any reason whatsoever other than death or retirement, will be entitled to receive a benefit as described below in the form of a lump sum payment in cash, a pension payable at retirement or a combination of these forms.

(1) Vested Benefits

The amount standing to the Member's credit will, in respect of Employer contributions, vest in the Member as defined in Section A.5 of the Application or if the Member is totally disabled. In no event will the requirements in Section A.5 of the Application exceed those of the Nova Scotia Pension Benefits Act as described in (3) below.

(2) Cash Benefits

Subject to (3) below, and subject to A.5(a) of the Application, an Inactive Member may elect to transfer or receive a lump sum cash payment of the amount standing to the Inactive Member's credit in respect of:

- (a) required and voluntary contributions paid by such Member, if any, plus interest, and
- (b) any vested Employer contributions paid on behalf of such Member, plus interest.

Section 8 - Benefits on Termination of Employment

(3) Government Vested and Cash Benefit

Vesting and cash availability of the amount standing to the Inactive Member's credit with respect to required Member contributions, if any, and Employer contributions will be as follows:

- (a) With respect to contributions made prior to January 1, 1988, if the Inactive Member has attained age 45 and has completed 10 years of Continuous Service or Plan membership, the Inactive Member will be fully vested.

The amount available in cash will not exceed 25% of the value of:

- (i) such Member's required contributions, if any, plus interest, and
 - (ii) the Employer's contributions on behalf of such Member, plus interest.
- (b) With respect to contributions made on or after January 1, 1988, if the Inactive Member has completed 2 years of Plan membership, the Inactive Member will be fully vested.

No cash option is available with respect to such contributions.

Section 8 - Benefits on Termination of Employment

(4) Portability

If a Member terminates employment with the Employer on or after January 1, 1988, and prior to retirement, such Member may elect to transfer, using the form prescribed under Applicable Legislation, the value of the deferred benefit (determined in accordance with Applicable Legislation), to:

- (a) a locked-in retirement account in the Inactive Member's name, subject to the conditions and terms of Applicable Legislation, or
- (b) another registered pension plan in which the Inactive Member is a member, provided such a plan accepts such transfers, or
- (c) an insurance company to purchase a life annuity, subject to the terms and conditions of Applicable Legislation, or
- (d) a life income fund, in the Inactive Member's name, subject to the conditions and terms of Applicable Legislation,

wherein the benefits so transferred will continue to be administered in accordance with Applicable Legislation.

Section 8 - Benefits on Termination of Employment

(5) Pension Payable at Retirement

The balance of any amounts standing to the credit of an Inactive Member which was not used to provide a cash benefit to the Inactive Member, or transferred in accordance with (4) above on behalf of the Inactive Member, or to provide an Employer withdrawal credit in accordance with Section 10 below, will remain in the Plan to provide a pension payable to the Inactive Member at retirement in accordance with Sections 5 and 6 above.

Prior to such retirement, the Inactive Member may elect to receive, in cash, that portion of such balance which the Inactive Member was entitled to receive in cash upon termination of employment.

- 8.2 A Member who is totally disabled will be entitled to a benefit using the amount standing to the credit of the Member. The benefit will be payable in the form of a pension subject to Section 6 above, or as a lump sum subject to 8.1(3) above. However, if a Member's life expectancy is likely to be shortened considerably by a mental or physical Disability, the Member may elect to receive a lump sum cash payment.

The Member will provide proof of Disability from a licensed medical practitioner to the Employer.

- 8.3 Pension benefits which are locked-in to provide an annuity at retirement in accordance with Section 8.1(3) above, or contributions which are locked-in in accordance with Section A.5 of the Application, will be subject to the minimum monthly annuity provision in Section 6.2 above.

Section 9 - Splitting of Pension Benefits on Marriage Break-up

- 9.1 In the event of marriage breakdown of a Member or Inactive Member and Spouse, the Member's or Inactive Member's pension or pension benefits may be divided in accordance with a court order or separation agreement. The separation agreement must be an agreement, in writing, made between Spouses, including a marriage contract that provides for a division of a pension or a pension benefit.

The entitlement date with respect to the Spouse shall be specified in the court order or separation agreement.

- 9.2 Notwithstanding Section 9.1, the Spouse of the Member or Inactive Member shall not receive more than 50% of the pension or pension benefit earned during the marriage or cohabitation.

- 9.3 A Spouse who becomes entitled to a pension or pension benefit in accordance with Sections 9.1 and 9.2 may choose:

- (a) to be designated a limited member of the Plan, by submitting to the Plan administrator the prescribed form and a copy of the court order or separation agreement that determines the division; or
- (b) to transfer, in the prescribed manner, the commuted value of the proportionate share of the pension benefit to which the Spouse is entitled out of the Plan to a locked-in retirement plan to the credit of the Spouse.

Section 9 - Splitting of Pension Benefits on Marriage Break-up

- 9.4 A Spouse who becomes a limited member of the Plan in accordance with Section 9.3(a) is entitled to the same rights and the same options on retirement as a Member or Inactive Member. A Spouse who is a limited member is not required to choose a form of pension that will provide a subsequent Spouse with a survivor pension.

A Spouse who becomes a limited member will have the option to transfer out of the Plan only upon reaching early retirement age or if the Plan winds up.

- 9.5 A Spouse who chooses to transfer an entitlement in accordance with Section 9.3(b) may elect to transfer, using the form prescribed under Applicable Legislation, the value of the benefit to:

- (a) a locked-in retirement account in the Spouse's name, subject to the conditions and terms of Applicable Legislation, or
- (b) another registered pension plan in which the Spouse is a member, provided such a plan accepts such transfers, or
- (c) an insurance company to purchase a life annuity, subject to the terms and conditions of Applicable Legislation, or
- (d) a life income fund, in the Spouse's name, subject to the conditions and terms of Applicable Legislation,

wherein the benefits so transferred will continue to be administered in accordance with Applicable Legislation.

Section 10 - Employer Credits in the Plan

- 10.1 (a) The sum available in respect of any unvested Employer contributions on behalf of a terminated Member will be used to provide an Employer withdrawal credit to be applied to the payment of future Employer contributions for other Active Members.
- (b) Alternatively, the Employer may direct in writing to apply the Employer withdrawal credit in (a) above
- (i) as an additional Employer contribution among the remaining Active Members. The credit will be apportioned as calculated by the Employer on a pro rata basis to the account of each such Member so that the amount allocated to each Member will equal the percentage that such Member's account bears in relation to the total funds in the Plan as at the immediately preceding year-end; or
 - (ii) As a refund to the Employer subject to prior written approval by the Nova Scotia Superintendent of Pensions and Canada Customs and Revenue Agency.
- 10.2 Any Employer withdrawal credits created before 1990 must be reallocated to the Active Members, or refunded to the Employer subject to Applicable Legislation, before regular Employer contributions may be made to the Plan. Any Employer withdrawal credits created on or after January 1, 1990, must be reallocated to the Active Members, or refunded to the Employer subject to Applicable Legislation, by the December 31 of the year following the year in which the Employer withdrawal credit was created.

Section 10 - Employer Credits in the Plan

The Employer may request that Canada Customs and Revenue Agency grant an extension to the deadlines imposed above, where (a) the aggregate of the Employer withdrawal credits arising in a calendar year is greater than normal because of unusual circumstances, and (b) the Employer withdrawal credits are to be reallocated on a reasonable basis to a majority of Plan Members.

Section 11 - Amendment or Termination of the Plan

- 11.1 The Employer intends that the Plan will be a permanent plan. However, the Employer may terminate the Plan in whole or in part at any time, or may amend or modify the Plan. No such amendment or modification will reduce any Member's then accrued benefit or any other benefit under the Plan.
- 11.2 In the event the Plan is terminated at any time or contributions thereunder discontinued, all amounts credited to a Member will vest immediately and fully. Benefits will then be paid as provided under the Plan and/or in accordance with Applicable Legislation, subject to prior approval from the Nova Scotia Superintendent of Pensions. A Member whose combination of age plus Continuous Service or Plan membership equals at least 55, at the effective date of the Plan termination, will have the right to receive a pension as outlined in Section 79 of the Pension Benefits Act of Nova Scotia. After all benefits have been credited to the Members, any available Employer withdrawal credit will be disbursed in accordance with Section 10.1(b) above and subject to prior approval from the Superintendent of Pensions of Nova Scotia and Canada Customs and Revenue Agency.
- 11.3 If, before discontinuance of contributions, the Employer establishes a continuing retirement plan which is a registered pension plan under Applicable Legislation, vesting will be in accordance with the terms of the Plan. Any available Employer withdrawal credits must be reallocated to the Active Members, or refunded to the Employer subject to Applicable Legislation. Such Employer withdrawal credits may not be transferred to the continuing plan.

Section 12 - No Assignment or Surrender

- 12.1 No benefits provided or which may be provided under this Plan are capable of being assigned, alienated, charged, anticipated or given as security or surrendered subject to 4.11 above, and any transaction purporting to do so will be void.
- 12.2 Section 12.1 above will not apply to
- (a) a division of a pension or pension benefit pursuant to Section 9, where such assignment is pursuant to a decree, order or judgement of a competent tribunal or a written agreement which meets the requirements of paragraph 8502(f) of the regulations to the Income Tax Act (Canada), or
 - (b) an assignment by a legal representative of a deceased Member on the distribution of such Member's estate, subject to Section 7 above.
- 12.3 Surrender or commutation of an immediate or deferred pension benefit, other than as provided in the Plan and under the terms of Applicable Legislation, will not be allowed under the terms of the Plan for any Member whose benefit is subject to the terms of any Applicable Legislation.



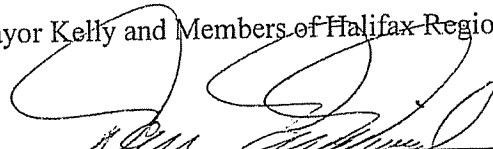
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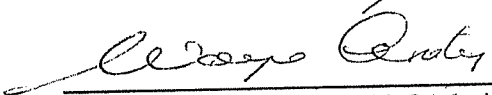
Halifax Regional Council
April 24, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: April 18, 2007

SUBJECT: The Defined Contribution Pension Plan For Certain Employees Of
Halifax Regional Municipality

ORIGIN

Halifax Regional Municipality Pension Committee

RECOMMENDATIONS

It is recommended that Halifax Regional Council:

1. Approve the attached amendment to the DC Plan documentation to reflect that the Halifax Regional Municipality Pension Committee is the administrator of the DC Plan,
2. Agrees to indemnify Members, Alternates and Employees of the HRM Pension Committee in their role as Administrator for the Defined Contribution Pension Plan for Certain Employees of Halifax Regional Municipality ("The DC Plan");
3. Approve that the Mayor and Municipal Clerk sign the required documents that establish the DC Plan through a policy issued by Manulife Financial; and
4. Direct the HRM Pension Committee to investigate the option of Winding-up the DC Plan and reporting back to Council on this option.

BACKGROUND

Halifax Regional Municipality originally sponsored two separate Defined Contribution Pension Plans. They were the Town of Bedford Employee Pension Plan and the Halifax County Municipality Part Time Retirement Pension Plan. Effective January 01, 2003, the former Town of Bedford Employee Pension Plan was merged with the Halifax County Municipality Part Time Retirement Pension Plan to form a single Defined Contribution Plan - The Defined Contribution Pension Plan for Certain Employees of The Halifax Regional Municipality, which is the DC Plan under discussion in this report .

On January 25, 2000, Halifax Regional Council approved a recommendation from CAO Ken Meech and Deputy CAO George McLellan that the Halifax Regional Municipality Pension Committee be appointed administrator for the Defined Contribution Pension Plans sponsored by Halifax Regional Municipality. Although the HRM Pension Committee have continued to operate under the assumption they are the administrator of the DC Plan, the pension plan documents have never been amended to confirm the appointment by Halifax Regional Council for the HRM Pension Committee to be the administrator of the DC Plan.

The DC Plan currently has 133 members of which only 6 are active members and the assets of the plan are approximately \$1,665,000. The 6 active members of the Plan are former employees of the Town of Bedford who elected to remain in that plan when the new HRM Pension Defined Benefit Plan was offered to them. The contribution rate for these active members to the DC Plan is only 1% of earnings (equally matched by HRM). Those members also contribute an additional 5.5% of earnings (equally matched by HRM) to a Group Registered Savings Plan (GRSP) sponsored by HRM.

There are currently no provision for indemnification for the members and alternates of the HRM Pension Committee or its employees in the role of administrator of the DC Plan. The DC Plan does not allow expenses to be charged to Plan members' accounts under the plan. Therefore, the Pension Committee cannot purchase liability insurance to provide indemnity coverage to the Pension Committee since premiums cannot be charged to the DC Plan or the Defined Benefit Plan (the other Plan administered by the Committee). HRM could purchase liability insurance to indemnify the Pension Committee. The premium for such coverage would be approximately \$3,000 per year for \$1,000,000 liability coverage with a \$10,000 deductible. The terms of the Defined Benefit Plan provides for an indemnity to the Committee members, alternates and employees in respect of its administrative responsibilities for that Plan. The Halifax Regional Municipality Pension Committee has taken the position that it requires this indemnification to continue as administrator on behalf of Halifax Regional Municipality.

Effective December 29, 2004 The Manufacturers Life Insurance Company (Manulife) assumed all duties, obligations and liabilities set out in the policy originally issued on the DC Plan by Maritime Life. As part of this process, Manulife was required to file updated plan documents with the

Superintendent of Pensions for the Province of Nova Scotia. The attached amendment includes the confirmation of the appointment by Halifax Regional Council for the HRM Pension Committee to be the administrator of the DC Plan as well as the other house keeping changes that were required by the Superintendent of Pensions. These changes do not affect the benefits provided by the pension plan. As the sponsor of the Plan, HRM is required to execute the required documents that establish the DC Plan.

DISCUSSION

Indemnification Issue:

The HRM Pension Committee has been doing a good job in administering the HRM DC Plan in an efficient and effective manner. HRM could not carry out the administration of the Plan directly without incurring costs which it could not recover. Therefore it is recommended that the Plan text be amended to continue the HRM Pension Committee as the administrator of the DC Plan.

There are currently no provisions of indemnification for the members of the Halifax Regional Municipality Pension Committee who act in the role of administrator for the DC Plan. Also, alternates to Committee members and employees of the Committee have no indemnification. The Halifax Regional Municipality Pension Committee requires this indemnification to continue as administrator on behalf of Halifax Regional Municipality. The HRM does provide indemnification to members of other Committees, Boards and Commissions appointed by HRM. There does not appear to be any factors which would distinguish this Committee from the others carrying out responsibilities for HRM, other than the fact that HRM does not appoint all of the members of the Committee. Therefore it is recommended that HRM extend its agreement to indemnify to the HRM Pension Committee in respect of its duties to administer the DC Plan.

The additional amendments to the Plan documents are administrative only and are recommended.

Given the small number of the active members in this plan, it is reasonable to have the Pension Committee investigate the option to discontinue this plan. Halifax Regional Municipality also operates a Group Registered Savings Plan (GRSP) for former employees of the Town of Bedford who elected to remain in that plan when the new HRM Pension Plan was offered to them. The GRSP is not a registered pension plan and the operation of that plan is the responsibility of HRM. It is an option to have the 6 active members in the DC Plan make additional contributions to the GRSP (with an equal matching of these contributions by HRM) at the same rate they currently contribute to the DC Plan if the DC Plan is discontinued.

BUDGET IMPLICATIONS

There are on-going costs associated with the operation of the DC Plan. They include an annual registration fee with the Province of Nova Scotia (currently \$100). Other costs which may be incurred

are member communication expenses and professional consulting advice on the operation of the plan.

In the event of legal action being commenced against the Municipality, costs will be incurred to defend the claim.

Currently, HRM does not budget for expenditures associated with the operation of the DC Plan. Staff within the finance division of HRM have allocated the funds necessary to pay the \$100 registration fee for the past two years. In the past, approximately \$10,000 in consulting fees related to the DC Plan have been incurred and paid by HRM. If recommendation #1 is not adopted, additional staff resources would be required on an annual basis to administer the DC Plan.

If recommendation # 2 is not adopted and instead alternative #2 is, the cost to purchase fiduciary liability insurance is estimated to be \$3,000 per year for \$1,000,000 liability coverage with a \$10,000 deductible.

Recommendation # 4 may include costs for consulting on the possible Wind-Up of the DC Plan. These costs would be the responsibility of Halifax Regional Municipality and would be identified in a subsequent report before expenditure commitments are made.

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

#1 - change the responsibility for the role of administrator from the HRM Pension Committee to HRM. This alternative is not recommended unless it is the intent of Council to change responsibility for the role of administrator for the DC Plan to HRM from the Pension Committee. This is not recommended since this would result in additional costs to HRM with no improvement in service.

#2 - purchase fiduciary liability insurance as protection for the Members and staff of the HRM Pension Committee. Options for funding this insurance are:

A) The fee for this could be paid by HRM as the DC Plan does not allow expenses to be charged to members' accounts under the plan. This alternative is not being recommended as it would not be cost effective to purchase the insurance.

**The Defined Contribution Pension Plan
For Certain Employees Of Halifax
Regional Municipality
Council Report**

- 5 -

April 24, 2007

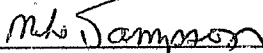
B) The DC Plan could be amended to provide that expenses of the plan be charged against the plan member individual accounts. This alternative is not recommended as this would not be consistent with industry practise and the fees would reduce or potentially wipe out member accounts over time depending on the investment returns of the plan.

ATTACHMENTS

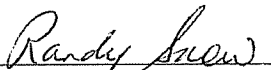
- (1) The Pension Plan Document for Halifax Regional Municipality, Manulife Financial Policy # 500380.
- (2) Amendments To The Defined Contribution Pension Plan for Certain Employees of the Halifax Regional Municipality effective January 05, 2005.

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:


Michael Sampson Mgr. Pension Operations, HRM Pension Plan, 490-6298

Report Approved by:


Randy Snow, MAPP Representative, HRM Pension Plan Committee, 490-5028

Further information regarding the contents of this report may be obtained by contacting Michael Sampson at 490-6298. Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.