

IMPORTANT NOTICE TO HRM PENSION PLAN MEMBERS & EMPLOYERS

POTENTIAL CONTRIBUTION RATE INCREASE EFFECTIVE JANUARY 1, 2016

The HRM Pension Committee (“the Committee”) recently met with the Plan’s actuary to review the preliminary results of the December 31, 2014 actuarial valuation. The Plan is required under pension law to file an actuarial valuation report as at December 31, 2014 with the Nova Scotia Superintendent of Pensions by December 31, 2015. The valuation determines the financial position of the HRM Pension Plan (“Plan”) and the future contribution rates needed to ensure its long-term funding.

While the Plan experienced strong investment returns in 2014, the increase in the Plan’s liabilities outpaced the growth of the Plan’s assets. As a result, the Plan’s actuary identified that a minimum contribution rate increase of 0.5% (0.25% each employee/employer) will be needed to pay for the current level of benefits provided under the Plan. **This contribution rate increase will be effective January 1, 2016 if benefit reductions recommended by the Committee are not approved by HRM’s five unions (ATU Local 508, CUPE Local 108, HRP, IAFF Local 268 and NSUPE Local 13), Regional Council, and the Superintendent of Pensions.** A 0.25% increase for plan members currently contributing 11.96% of pensionable earnings will increase the contribution rate to 12.21% starting in January 2016.

The Committee is responsible for the long-term financial sustainability of the Plan and has to weigh the benefits of the Plan against the cost of providing those benefits. Instead of asking plan members and employers to contribute more when contribution levels are approximately 24% of pensionable earnings (12% each employee/employer), the Committee is recommending three benefit reductions that will reduce the Plan’s costs effective January 1, 2016. **The following recommended changes would only apply to service earned after the effective date of the plan amendments:**

1. Pension benefits will be based on the average of your pensionable earnings over the five highest-paid consecutive years. Pension benefits are currently based on the average of your pensionable earnings over the three highest-paid consecutive years.
2. For plan members who are not employed in a public safety occupation, a minimum continuous employment period of 10 years will be required for plan members to retire at age 60 with an unreduced pension. Currently, there is no minimum service requirement.
3. The maximum pension payable from the Plan will be frozen at the 2015 Income Tax Act limit. This will impact plan members who will have best average earnings above \$140,944.50 at termination or retirement.

The Plan Text, the overall governing document that outlines how the Plan is run, requires that any changes in benefits be unanimously approved by HRM’s five unions and Council. Detailed information on how the recommended benefit reductions will impact plan members will be provided shortly. If all five HRM unions and Council approve the changes, the Committee will file the plan amendments with the Nova Scotia Superintendent of Pensions for her review and approval. The Committee will provide plan members with at least 45 days’ notice in advance of filing the plan amendments. If the benefit reductions are not approved, contribution rates will increase effective January 1, 2016. If contribution rates increase, plan members and employers will receive a detailed communication with the new contribution rates for plan members in all categories (for example, members in Public Safety Occupations with the Rule of 75, members in prior plan divisions, etc.).

The Committee will keep plan members informed about this process as it moves forward.

Sincerely,

Bill Moore Dan White
Co-Chairs, HRM Pension Committee

1809 Barrington Street | Suite 804 | Halifax, NS | B3J 3K8

t: 902 490 6213 | tf: 1 888 490 6213 | f: 902 490 5597

www.hrmpensionplan.ca