Halifax Water
Halifax Regional Water Commission

ITEM # 7-I
HRWC Board
March 26, 2020

TO: Craig MacMullin, MBA, CPA, CGA, Chair, and Members of the Halifax Regional Water Commission Board

SUBMITTED BY: Digitally signed by Louis de Montbrun Date: 2020.03.20 11:55:07 -03'00'

Louis de Montbrun, CPA, CA,
Director, Corporate Services / CFO

APPROVED: Cathie O'Toole Digitally signed by Cathie O'Toole DN: cn=Cathie O'Toole, o=Halifax Water, ou=General Manager, email=cathieo@halifaxwater.ca, c=CA Date: 2020.03.19 19:56:42 -03'00'

Cathie O'Toole, MBA, CPA, CGA, ICD.D
General Manager

DATE: March 13, 2020

SUBJECT: **Halifax Regional Water Commission Employees' Pension Plan Financial Report Fourth (4th) Quarter, 2019**

INFORMATION REPORT

ORIGIN

Financial reporting for the Halifax Regional Water Commission Employees' Pension Plan (hereinafter called the "Plan").

BACKGROUND

The Board is required to review the periodic (quarterly) financial results of the Plan throughout the year.

DISCUSSION

The attached statement of changes in net assets available for benefits (Appendix A) outlines the annual budget for the Plan and actual financial performance for the Fourth Quarter (January 1 to December 31, 2019). Favourable or unfavourable variances reported compare actual results to annual budget amounts, for the twelve (12) month period in 2019. Yearend audited results for 2017 and 2018 are shown for comparative purposes.

As shown on the statement of changes in net assets available for benefits, net assets available for benefits have increased by $14.8 million for the twelve (12) month period

ending December 31, 2019. The annual budget for 2019 forecasted an increase in net assets available of $6.1 million. Actual results for the period of $14.8 million compared to the budget of $6.1 million results in a favourable variance in the amount of $8.7 million.

The annual budget forecasted revenue of $4.4 million. Revenue for the period totaled $13.8 million, which when compared to the budget of $4.4 million results in a favourable variance of $9.4 million. Revenue is affected largely by the performance of the HRM Master Trust, and change tends to be more volatile compared to contributions and expenses of the Plan. This variance is attributed directly to the fact the actual increase in the fair value of the investment assets was higher than expected. The increase for the period totaled $10.3 million compared to the budget of $2.0 million, a difference of $8.3 million or 417%. Investment income for the period performed above expectations, showing a favorable variance of $1.1 million or 44%.

Contributions of $6.4 million are tracking lower than expected, down $0.2 million compared to the budget. This is attributed to the elimination of Plan Sponsor contributions associated with the unfunded liability, as described below. This reduction was partially offset by current service contributions for participants which showed an increase as a result of a reciprocal transfer of $0.4 million into the Plan during the year. An Actuarial Valuation was performed on the Plan as at January 1, 2019, which reported changes with respect to the funding policy for the Plan, effective January 1, 2019 as follows:

- The combined current service rates increased slightly to 20.68% from 20.50%. Participants' contributions in 2019 were 10.34% of pensionable earnings, which is matched by the Plan Sponsor. Prior to January 1, 2019 participants' contributions were 10.65%, with the Plan sponsor matching up to 9.85%.

- Required unfunded liability special payment of $0.8 million annually by the Plan Sponsor, identified in the January 1, 2016 Actuarial Valuation, are no longer required as a result of the Plan reporting an actuarial surplus on a going concern basis. This will remain in effect until the next scheduled actuarial valuation, January 1, 2022.

Expenses of $5.4 million for the period are higher than the annual budget of $4.9 million resulting in an unfavourable variance of $0.5 million or 11%. The main contributors to this unfavourable variance are benefit payments and termination payments, both of which are higher than the originally budgeted amounts.

SERVICE STANDARDS

Tracking of Regulatory Filing Requirements, Administrative Reporting Requirements and Service Standards for actuarial calculation requests is ongoing. The reports for Regulatory Filing Requirements and Administrative Reporting Requirements are attached as Appendix

B and Appendix C respectively, and document administrative compliance within the various levels of reporting for the period.

Service Standard results for the Fourth Quarter (October 1 to December 31st, 2019) have been attached as Appendix D. The intent of the service standards report is to set a standard number of days for which calculations can be provided to members when actuarial calculations are requested. The service standard includes both estimated number of days required by the current actuarial service provider, Eckler Partners Ltd., and estimated Halifax Water staff time.

The overall results outlined for the Fourth Quarter as reported in Appendix D show, out of 6 requests, none were delivered within the standard days proposed under the threshold limits. Response time of the actuary continues to improve compared to prior reports showing 5 of the 6 requests came in within the service standard. For the actuary, average service days for Retirement Estimates and Termination Estimates (standard) were 5 days and 8 days respectively. For the administrative staff, response time ranged from 13– 72 days compared to the service standard of 7 days for the categories reported, with an average response time of 27 days for Retirement Estimates, and 34 days for Termination Estimates (standard). It is important to note that the urgency of requests is considered by administrative staff resulting in some requests being set aside while other tasks take priority.

After reviewing results over the past 2 years, with regards to standards and administrative processes, changes will be implemented in 2020 to enhance service standard reporting considering types of requests and circumstances that may affect timing of responses. Discussions have already taken place with a focus on efficiency and process improvement. The response time from Eckler has shown great improvement over the last 8 months, showing their commitment to respond within the prescribed service standards set.

ATTACHMENTS

APPENDIX A – Financial Report:
Statement of changes in net assets available for benefits, for the twelve (12) month period ended December 31, 2019.

APPENDIX B – Regulatory Filing Requirements – 2019

APPENDIX C – Administrative Reporting Requirements – 2019

APPENDIX D – Service Standards Report – 2019

Report Prepared by: Digitally signed by Allan Campbell Date: 2020.03.19 13:20:30 -03'00'

Heather Britten, B.Comm, Quality Assurance Officer 902-490-1895
(Signed by Allan Campbell on behalf of Heather Britten)