



HRM PENSION PLAN

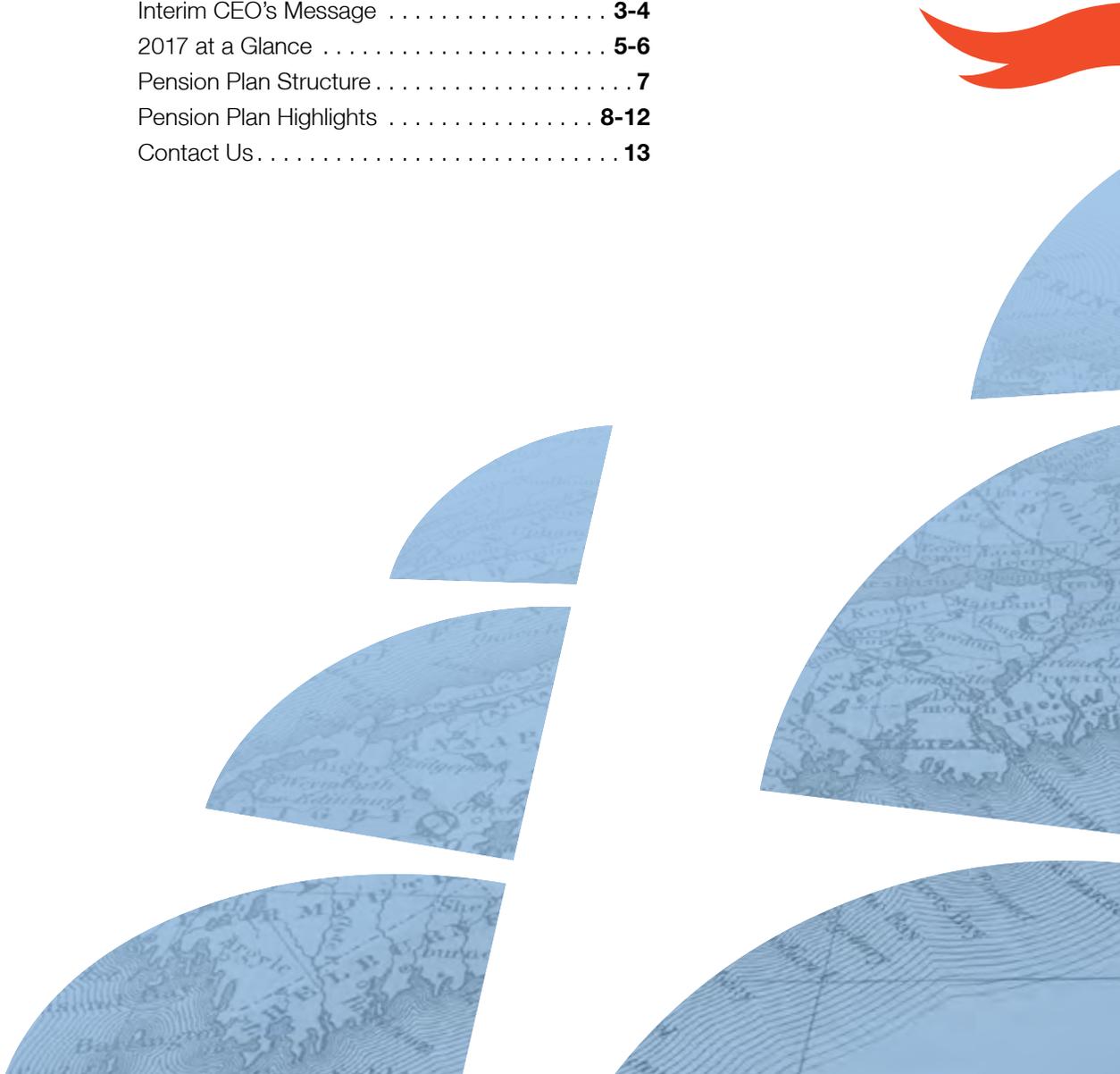
Annual Report 2017





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Preface

The HRM Pension Committee is pleased to provide you with the 2017 Annual Report which reflects the HRM Pension Plan's financial results. The Annual Report will help keep all plan members informed about the general operations of the HRM Pension Plan (the "Plan") on a yearly basis.

The Annual Report includes information on:

- how the Plan is governed;
- the funded position of the Plan;
- the performance of Plan assets and how Plan assets are invested; and
- the financial highlights of the Plan including pension contributions, pension payments, investment income, value of investments, and expenses.

Hopefully you will find the Annual Report informative.

Co-Chairs' Message

The Pension Committee has had a busy year, not only overseeing the Pension Plan through the hiring process for a new CEO, but also in undertaking a lengthy governance review process. We remain hopeful that these discussions, which include input from the sponsors, will ultimately improve the Pension Committee's governance structure and decision making for our Plan and ensure our members continue to get the best pensions possible.

Net investment returns for 2017 were 10.85%, which added \$169 million to the Plan net of all fees and expenses. This was an increase of \$74 million from 2016's return. The Plan had net assets of \$1.84 billion at December 31, 2017, quickly approaching the \$2 billion net asset mark. The Plan will also be celebrating its 20th anniversary in 2018.

CEO Terri Troy retired in December, 2017, and the Plan has been well served by Interim CEO Matt Leonard. The entire Pension Office staff have stepped up and ensured the seamless and continued operation of the Plan during this transition. Your Pension Committee could not succeed without them and we thank them for their efforts.

As always, we encourage our members to contact the Pension Office anytime they have a question about their pension plan, at (902) 490-6213 or toll free at 1(888) 490-6213. Don't forget to visit the website regularly for updates and information: www.hrm-pensionplan.ca

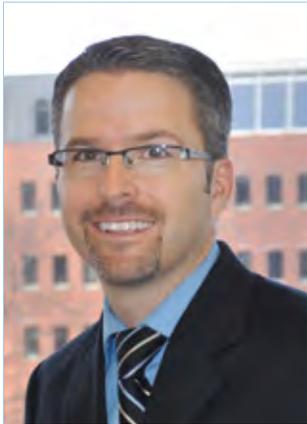
Dan White,
Co-Chair



John Traves Q.C.,
Co-Chair



Interim CEO's Message



Hello Fellow Plan Members,

As recently appointed Interim CEO, I am honoured to serve the Plan at this time, and to share with you what has been accomplished over the past year.

It was another successful year for your pension plan. The Plan earned 11.25% before expenses (10.85% after expenses) on its investments. This generated approximately \$176 million in income for the Plan before expenses and approximately \$169 million after expenses.

As you may or may not know, our CEO, Terri Troy retired at the end of 2017. Terri transformed the Plan's investments over the past 11 years from solely public investment mandates to the dynamic portfolio it is today, with a mixture of public and private investments that span the globe. A portfolio that maximizes returns, while taking moderate and prudent risks to grow the Plan's assets over the long-term. This shift provided the Plan with returns that consistently beat their benchmarks over the past 11 years.

Plan Member Service

2017 was a busy year for the Pension Office. The Pension Office processed over 600 pension calculations or approximately 97% of the total calculations processed for plan members. These calculations were for such things as pension estimates, termination benefits, service purchase estimates and final costings, pre and post retirement deaths, and marriage breakdowns. The goal for 2018 is to be in a position to do 100% of the calculations in-house. The Pension Office completed approximately 99% of pension transactions within their service standards.

Plan members again, rated the service they receive from the Pension Office as being "Excellent". The Pension Office has been rated excellent on their level of knowledge, courteousness and helpfulness since the surveys began in 2011. We survey all newly retired members, along with active and terminating members who contact our office by phone or email.

We continue to invest in staff and other resources, such as a new pension administration system to enhance plan member service. Member data was fully transitioned from our former pension administrator to our new system in early 2018. Bringing more and more work in-house allows the Pension Office to continue to improve the quality of information provided to plan members and reduce turnaround times for processing various pension calculations. A new retirement calculator was also launched on the Plan's website in 2018.

We benchmark ourselves against a number of Canadian pension plans that publish their pension administration costs. We are pleased to report that the Pension Office is again a lower cost provider of pension administration services compared to its peers. With an annual cost of \$135 per plan member in 2017, the Pension Office is lower than the average annual cost of approximately \$177 per plan member for the benchmarked group.

Investment Performance & Financial Health

As mentioned previously, it was a successful year for the Pension Plan and its investments.

The Plan's equity, fixed income, and private investment portfolios earned 16.3%, 2.9%, and 12.3% respectively. Private investments include infrastructure, real estate, private debt and private equity. At December 31, 2017, the Plan had an allocation of approximately 38.1% in equities, 26.0% in fixed income and 35.9% in private investments. The asset mix is relatively defensive to help minimize any potential negative returns from future equity market corrections.

Since pension plans invest for the long-term, it is important to consider longer term performance. The Plan earned an annualized return of 8.8%, 9.3%, and 7.2% for the three-year, five-year, and since-inception¹ periods ending December 31, 2017, after expenses, outperforming the Plan's long-term annualized return objective of 6.4%².

On a going concern basis, the Plan is estimated to be 94% funded³. This means there is 94 cents of pension assets supporting every \$1 of pension obligations.

We continually strive to reduce unnecessary costs and invest in areas that improve plan member service and improve risk-adjusted returns. In 2017, total plan expenses represented 0.36% of Plan assets, as compared to 0.39% in 2016. We identified new annual cost savings of approximately \$2 million per year mainly through successfully negotiating lower fees with our investment managers.

I would like to thank the staff of the Pension Office for all their hard work and dedication over the past year. It was definitely a team effort. 2018 will be an exciting year as we welcome a new CEO to the Pension Office and we celebrate the 20th anniversary of the Pension Plan.

Sincerely,

Matt Leonard, Interim CEO

¹ October 1999

² The long-term objective of 6.4% is currently under review by the Pension Committee and may decrease due to lower expected returns in the future.

³ The funded status is an estimate provided by Eckler Ltd., the Plan's actuary, based on an extrapolation of the December 31, 2016 valuation using assumptions in effect at that date. The actual funded status will be available after the publication date of the 2017 Annual Report once Eckler completes a formal actuarial valuation of the Plan's assets and pension obligations. The actuarial valuation must be filed no later than September 30, 2018.

2017 at a Glance

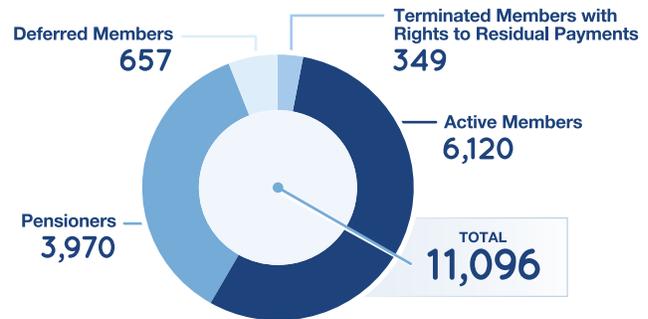
As at December 31, 2017



Active plan member average age is **47**

Retired plan member average age is **70**

Average retirement age for members who retired in 2017 is **63**



Member Service Highlights

- Received approximately **2,141** member phone calls from January 1 to December 31, 2017
- Plan member survey overall rating was **4.34/5** or 'Excellent'
- Enrolled approximately **605** new plan members
- Processed pension estimates for **143** plan members considering retirement and cost estimates for **71** plan members considering purchasing past service
- Provided final costs to **21** plan members for past service purchases
- Provided benefit statements for **204** retirements, **278** terminations and **115** deaths
- Provided pension information for **20** marriage breakdowns
- Completed **17** reciprocal transfers in/out and **9** past service purchases
- Presented **9** general pension information sessions
- Processed payments for **103** terminations



The Plan has **13** participating employers.

Of the **6,120** active members:

3,904 are employed by HRM and other participating employers⁴

1,884 by Halifax Regional School Board

155 by Ocean View Continuing Care Centre

78 by Halifax Water

85 by Quest

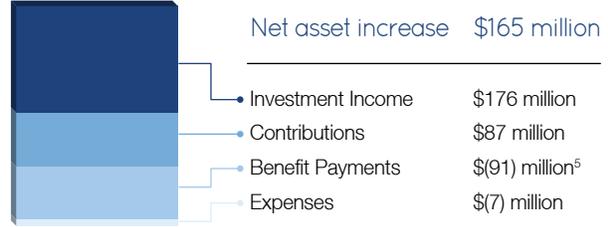
13 by HRM Pension Office

1 by Lake District Recreation Association

⁴ Includes the remaining participating employers on page 7 not listed here



Net assets increased
by \$165 million to \$1.84 billion



The Plan earned 11.25%
before expenses, exceeding its benchmark
of 8.91% by 2.34%



The Plan is funded:
94%⁶ on a going-concern basis and
68%⁷ on a solvency basis

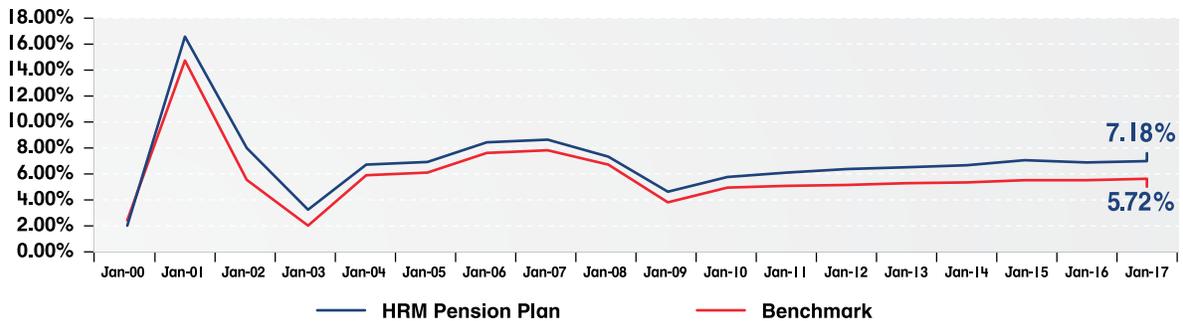


Average pension
administration cost per
member is **\$135**

Annual operating
cost savings of
\$2 million in 2017

Cumulative operating
cost savings of
\$30 million since 2006

Since Inception Performance



The 7.18% annualized return since inception (October 1999) represents approximately \$1.4 billion from investment returns net of plan expenses and \$591 million in value added net of plan expenses in excess returns over benchmark returns.

⁵ \$80 million in monthly pension payments to retirees, and \$11 million in lump sum termination payments

⁶ Based on an extrapolation of the December 31, 2016 valuation prepared by Eckler, the Plan's actuary, using assumptions in effect at that date.

⁷ The Nova Scotia Pension Benefits Regulations also require the determination of a "transfer ratio". This transfer ratio is used to determine whether transfers of commuted values to terminating members can be made in full, immediately. Based on an extrapolation of the December 31, 2016 valuation prepared by Eckler and using assumptions in effect at that time, the transfer ratio of the Plan is estimated to be 64% as at December 31, 2017.

Pension Plan Structure

As at May 1, 2018

Halifax Regional Municipality

Pension Committee (Joint representation consisting of 12 voting members)

5 Management

Jerry Blackwood (acting)
Louis de Montbrun
Mike Sampson
John Traves
Britt Wilson

5 Union

Andrew Bone
Nova Scotia Union of Public and Private Employees (NSUPE)

R. Scott MacDonald
Halifax Regional Police Association (HRPA)

Ray MacKenzie
Amalgamated Transit Union (ATU), Local 508

Dwayne Tattrie
Canadian Union of Public Employees (CUPE), Local 108

Dan White
International Association of Fire Fighters (IAFF Local 268)

1 Non-Union

Rick Dexter
Non-Union Municipal Employees Association (NUMEA)

1 Retired Member

Mike Lawlor

Co-Chairs: 1 union representative and 1 management or non-union representative

John Traves
Dan White

Management
Union

Each voting member may have two alternates; an alternate can vote in the absence of the voting member. There are 12 non-voting participating Employer representatives.

Participating Employer Representatives:

Katie Brown
Cole Harbour Place

Max Chauvin
Dartmouth Sportsplex

Al Driscoll
Halifax Forum Community Association

John MacMillan
QUEST

Cathy Maddigan
Halifax Public Libraries

Cathie O'Toole
Halifax Water

Anne Patterson
Halifax Regional School Board

Stuart Poteri
Centennial Arena

Robert Rines
Lake District Recreation Association

Steve Vincent
Ocean View Continuing Care Centre

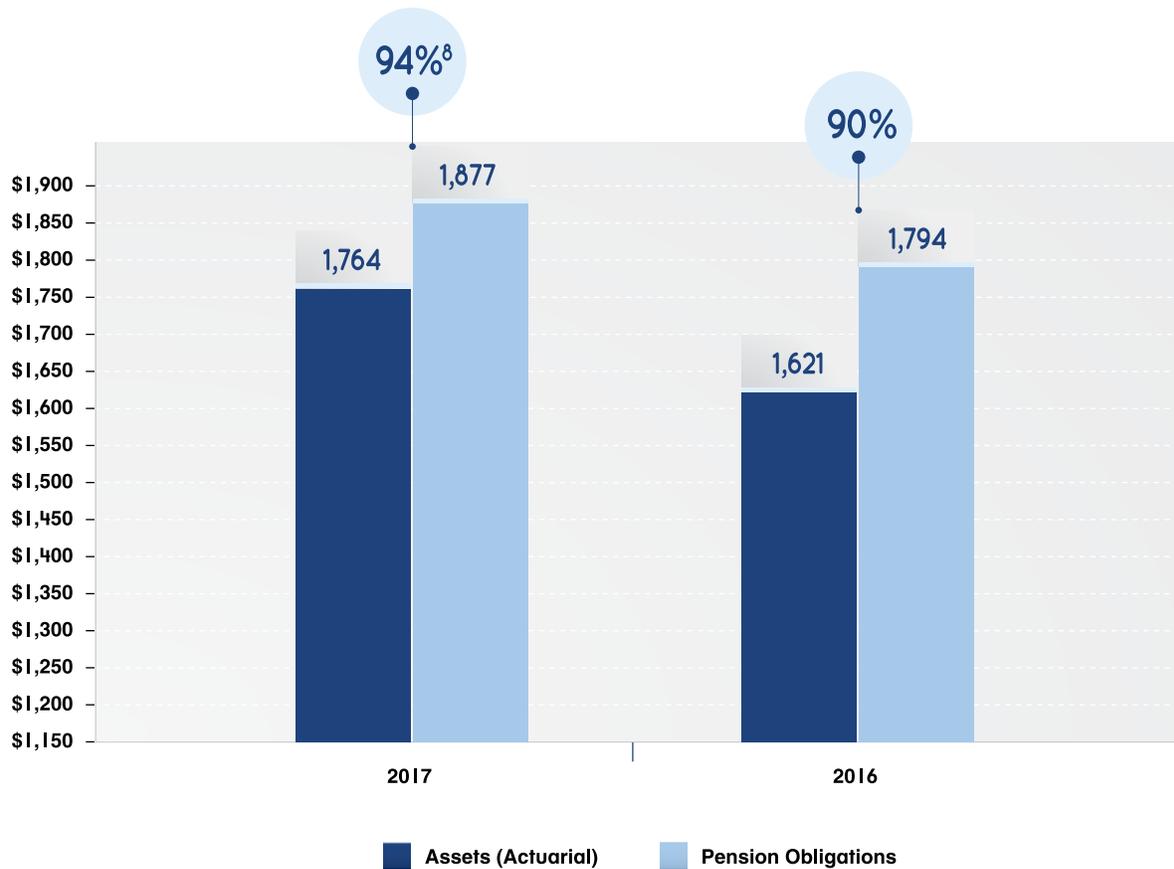
Dartmouth Heritage Museum Society

Harbour City Homes

Pension Plan Highlights

As at December 31, 2017

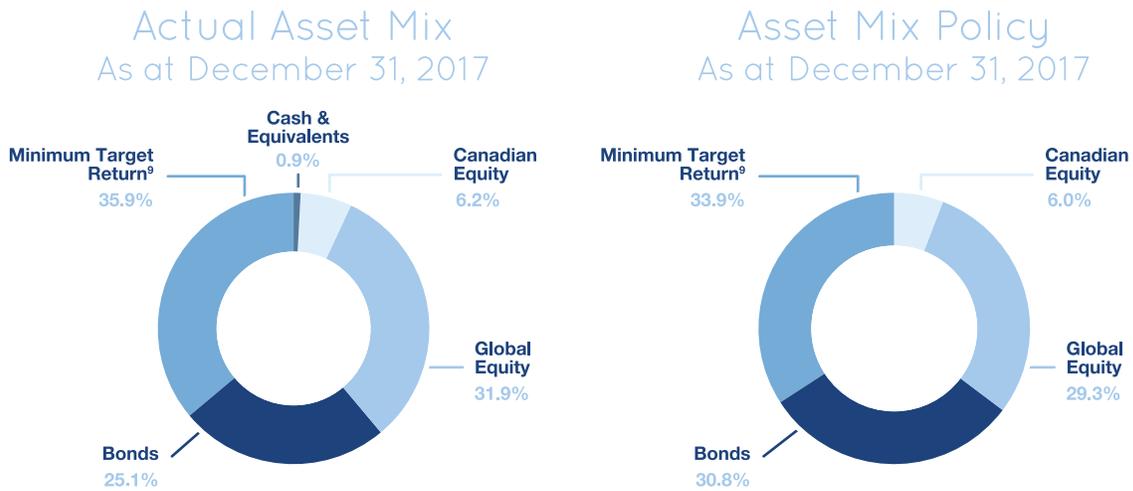
Halifax Regional Municipality Pension Plan Financial Position (\$millions)



This chart shows the funded position of the Plan at the end of 2017 and 2016 on a going concern basis. It compares the actuarial value of the Plan's assets to the value of the pension obligations, which are both valued by Eckler, the Plan's actuary.

The Plan's funded position has improved year over year.

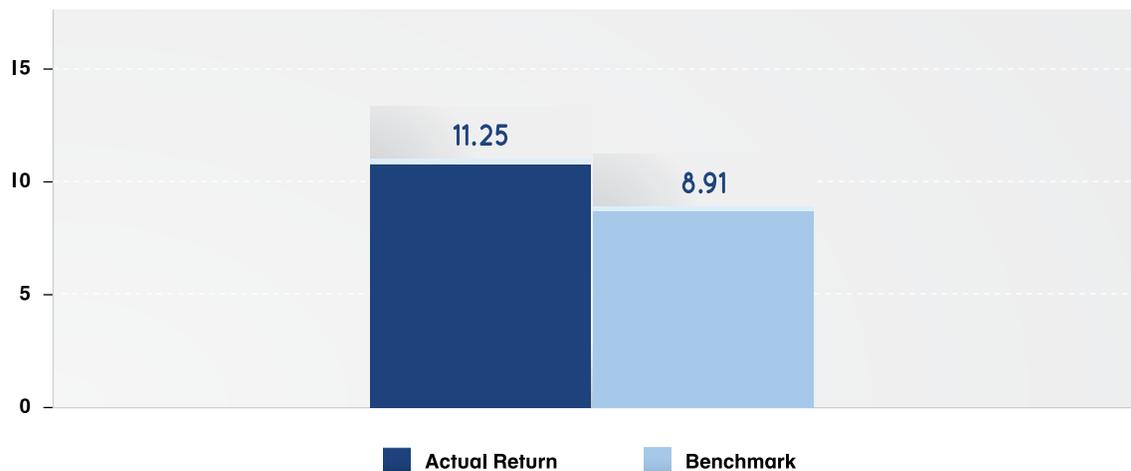
⁸ Estimate based on an extrapolation of the December 31, 2016 valuation prepared by Eckler using assumptions in effect at that date.



The asset mix policy is the long-term investment strategy that has been approved by the Pension Committee. As at December 31, 2017 the actual asset mix for the Plan was in line with its asset mix policy ranges. The variance between actual asset mix and the asset mix policy is monitored on an ongoing basis and rebalanced when required. Differences in actual asset mix and asset mix policy are due to market movements and timing of cash flows.

⁹ The Minimum Target Return Portfolio investments are private investments in real estate, infrastructure, private equity, and private debt

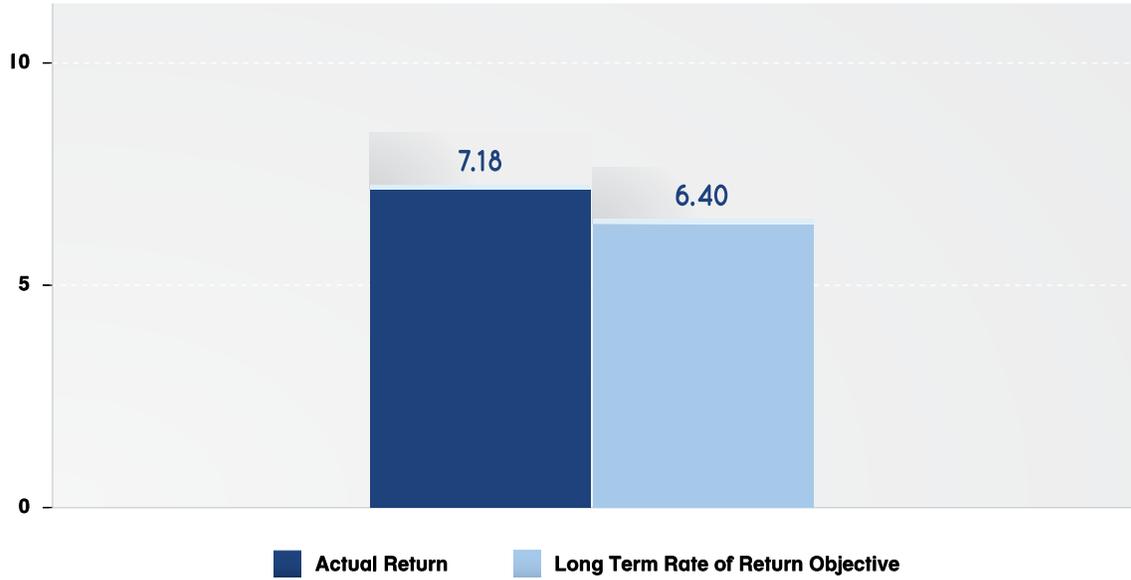
Halifax Regional Municipality Pension Plan Performance - 2017 (Return %)



In 2017, the Plan earned 11.25% before expenses, outperforming its benchmark by 2.34%. The benchmark return represents what the Plan would have earned if it had been invested solely in index funds for all asset classes except for the Minimum Targeted Return allocation, which targets 6.40%.

The benchmark is 3.5% S&P/TSX Index + 2.5% S&P/TSX 60 + 4.8% S&P 500 Index (\$USD) + 9.3% MSCI EAFE Index (\$CAN) + 3.6% MSCI Emerging Markets (\$CAN) + 11.6% MSCI World (\$CAN) + 15.6% FTSE TMX Canada Universe Bond Index + 15.2% 3 Month Banker's Acceptance + 33.9% Minimum Target Return.

Since Inception Performance as at December 31, 2017 (Return %)



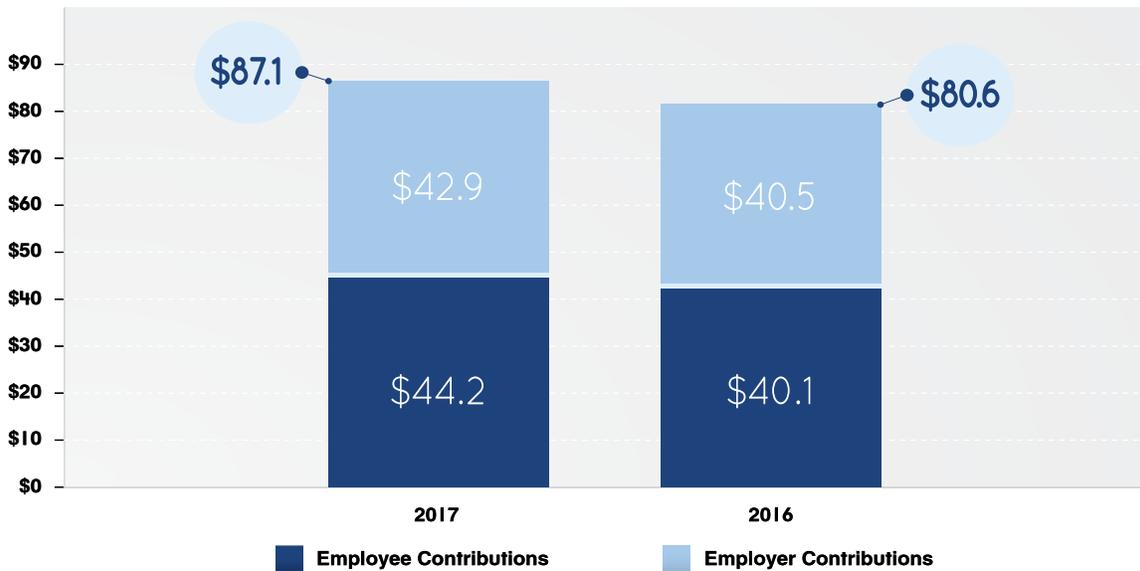
For pension plans, a longer-term perspective is important. Since inception, the Plan has earned an annualized rate of return of 7.18% net of expenses exceeding its 6.40% long-term rate of return objective by 0.78% per year.

Calendar Year Returns 2008-2017 (Return % before expenses)



With the exception of 2008, the Plan has performed well over the last ten years.

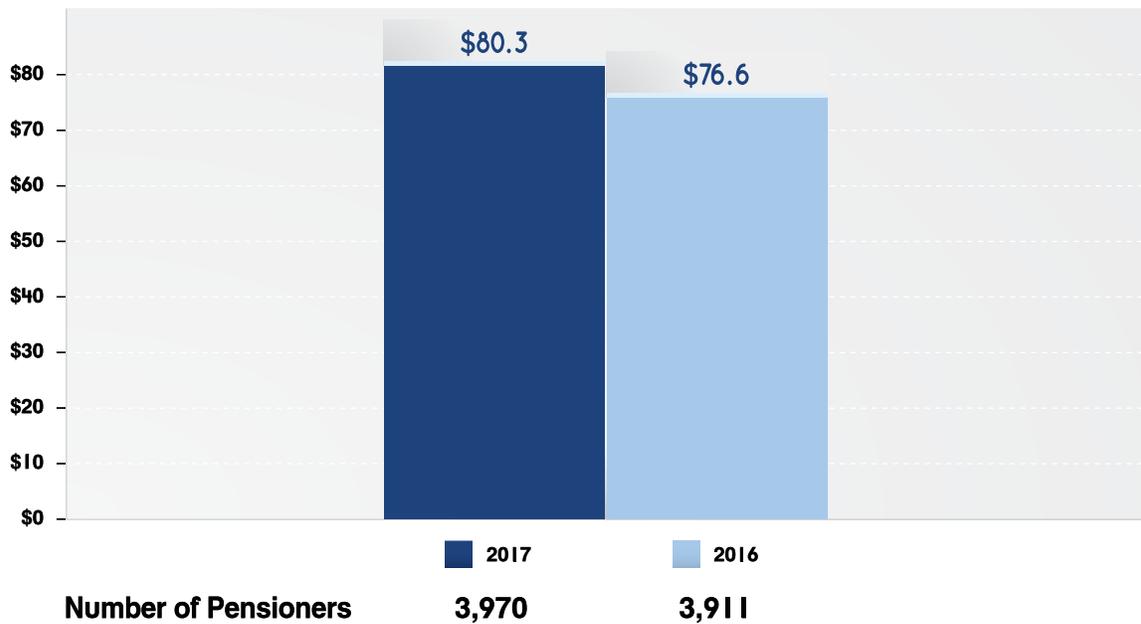
Employer / Employee Contributions (\$ millions)



Employee contributions may vary from the employer portion primarily due to the disability waiver provision and optional benefits paid 100% by the employee such as the pre-April 1, 1998 'Rule of 75' election for Public Safety Occupations.

Some plan members contribute at different rates due to participation in a prior plan division or due to eligibility for the 'Rule of 75'.

Pension Payments (\$ millions)



Pension payments increased as a result of the increase in the number of pensioners from 2016 to 2017.

Total Expenses (\$ millions)



Expenses increased by approximately \$200,000 in 2017 relative to the 5 year average primarily due to higher investment fees as assets increased. Expenses as a percentage of average assets decreased in 2017 primarily due to an increase in net assets.

Total Expenses As at December 31, 2017

| | \$ millions | % |
|--|--------------|-------------|
| Investments¹⁰ | \$4.5 | 67% |
| Pension Administration¹¹ | \$1.6 | 24% |
| Governance¹² | \$0.6 | 9% |
| Expenses | \$6.7 | 100% |

¹⁰Includes all costs associated with investment and risk management

¹¹Includes all costs associated with pension calculations and plan member service

¹²Includes all costs associated with governance including committee costs, audit, legal, actuarial and consulting fees

Contact Us

For general questions, please contact the Halifax Regional Municipality Pension Office at:

1809 Barrington Street
Suite 1108, CIBC Building
Halifax, Nova Scotia B3J 3K8

Phone: (902) 490-6213

Toll Free: 1 (888) 490-6213

Fax: (902) 490-5597

E-mail: HRMPension@halifax.ca

Regular Office Hours: Monday - Friday | 8:30am - 4:30pm

If you are a pensioner, please contact the general line at (902) 490-6213 (Toll free: 1-888-490-6213) or Northern Trust Company, Canada at 1-800-711-1101 for:

- Payments/deposit inquiries
- T4A's
- Addresses/banking change
- Additional taxes to be withheld
- Change in tax

Please contact Nancy Reny at (902) 490-6041 or renyn@halifax.ca for:

- Pension division due to marriage breakdown
- Buyback of service calculations
- Transfers of service from another employer

Please contact the general line at (902) 490-6213 or HRMPension@halifax.ca for:

- Confirmation/change of beneficiary designation
- Change in marital status
- Proof of continued enrolment in school for orphan benefits or disqualification of orphan benefits
- Other general inquiries regarding pension benefits

Please contact Bailey Penney at (902) 490-4852 or penneyb@halifax.ca for:

- Termination of employment
- Calculation of benefits on death of a pensioner or active member

Please contact Matthew Goucher at (902) 490-6006 or gouchem@halifax.ca for:

- Retirement

Please contact Laura McLellan at (902) 490-2148 or mcllellal@halifax.ca for:

- Residual payment inquiries
- Questions about your annual statement



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www.hrmpensionplan.ca