HRM Pension Plan
All Points Bulletin

E-Newsletter brought to you by the HRM Pension Plan Office

2020 — ISSUE 1

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PENSION PLAN HIGHLIGHTS

BY THE NUMBERS...

$2B

Two Billion!
The HRMPP's assets surpassed $2 billion during 2019

5.25%

Enhanced CPP:
Employer and Employee contributions increased from 5.10% to 5.25% effective January 1, 2020

1,456

Employee Self-Service Website:
Number of HRM retirement estimates generated by members through the self-service portal during 2019

IMPORTANT DATES

2020 CPBI Atlantic Economic Forecast:
February 19, 2020

Next quarterly meeting:
March 26, 2020

Wishing you health and prosperity for 2020 from the HRM Pension Plan Office.

Global Stock Markets Post Best Year Since Financial Crisis — The Guardian

Markets around the globe continued to climb through the end of 2019, with many ending the decade at records highs. This was welcomed by investors, many of which endured a global pullback near the end of 2018 which was fueled by trade tensions, apparent (at the time) rising interest rates and slower projected economic growth.

With the recent signing of a US-China trade deal, interest rates now being projected to remain low and economic expansion entering its 128th month, is there more room for the bull to run?

Where Have All the US Public Companies Gone — Bloomberg Editorial

The number of companies listed on US Stock Exchanges decreased by more than half from 1997 to 2017. Reasons for this may be increased regulation, the exuberance of past decades, or the salience of poor outcomes with recent high-profile IPOs (think WeWork, Uber, Peloton).

As a result, institutional investors (mutual funds, pension plans) have increased their investment activities in private markets. This shift to private markets, in some cases, means that private investment opportunities come at a premium.

These effects, as seen with our private investment portfolio, have allowed early investors in private markets to capture significant gains as demand for private investments has increased.

Alberta Government to Consider Potential Withdrawal from Canada Pension Plan

Following the result of the recent federal election, amid increasing separatist sentiments, Alberta premier Jason Kenney announced the intent to examine the possibility of his province's withdrawal from the CPP.

Given this announcement is coming from the premier, and that withdrawal provisions from the CPP do exist, this announcement can be taken with some credulity. However, in addition to any political barriers, costs associated with establishing its own benefits and its own administration may prove onerous for a province struggling through an energy sector downturn.

This announcement comes on the heels of the release of Alberta's latest budget. In the budget, the province announced its intent to transfer the Teachers Retirement Fund, and the funds of its WCB and Health Services to the Alberta Investment Management Corp to build a 'made in Alberta' portfolio.

Negative Interest Rates—Bond Markets

Negative yields in bond markets (as seen most notably in Japan, France, Germany): Seen in situations where investors are willing to pay a premium for the security and the liquidity that these countries' bonds provide. The loss incurred on the bond can be viewed as a "storage cost" for the money used to purchase the bond.

In a recent article from Benefits Canada, "the fact that negative interest rates have emerged in other countries, and the fact that it's being discussed in Canada, is a reminder that it's not safe to assume that interest rates will necessarily go up and couldn't go down any further"; "plan sponsors should be considering the range of risks."

Key considerations for pension plans: Solvency valuation interest rates, and rates used to determine commuted value payouts are based on Government of Canada bond yields. While the HRM Pension Plan is exempt from funding liabilities on a solvency basis, if bond yields were to decrease, this would increase commuted value payout requirements. On a going concern basis, while likely a negative impact, the severity would depend on portfolio immunization, long-term interest rate expectations, as well as any new Nova Scotia regulations on provisions for adverse deviations (PfADs).

Arbitrator Ruling: Psychologists, Speech Pathologists are Members of NSTU

In the spring of 2018, the Nova Scotia government lifted a requirement that psychologists, social workers, and speech pathologists obtain a special teachers certificate before taking a job in a school. As a result, these specialists would not be part of the Nova Scotia Teachers Union (NSTU). This change impacted any since-hired specialists as well as specialists working on contract.

The NSTU grieved the decision, and in a ruling announced on November 28th, the arbitrator agreed and ordered all affected specialists back under the representation of the NSTU.

On a relevant note, since 2018, any affected specialists employed with the HRCE were effectively members of the HRCE's support staff— and, if enrolled— were consequently members of the HRMPP (~25). Going forward, our office will be in contact with the HRCE and other stakeholders to ensure any pension-related matters are resolved.