

November 21, 2008

To: The Nova Scotia Pension Review Panel

Re: Joint Municipal submission

We are pleased to make this submission on behalf of:

- The Cape Breton Regional Municipality
- The Municipality of the District of Lunenburg
- The Municipality of Colchester
- The Halifax Regional Municipality
- Defined Benefit Clerks Pension Plan #RS76127

Collectively, we represent 9,687 plan members, of which approximately 6,189 are employed by the municipalities and 3,498 are retirees.

We thank the Pension Review Panel ("Panel") for the opportunity to respond to the October 17, 2008 Position Paper and the pension review in general.

In our response we will focus on the recommendations that directly affect Municipal Defined Benefit ("DB") Pension Plans.

We agree the Province should encourage more defined benefit pension plans not only through more flexible legislation and regulation but also by creating a stable pension environment that plan sponsors and members can have confidence in.

We are concerned that the recommended funding rules have not been fully tested and explored by pension experts using a variety of different economic conditions. We strongly urge the Panel to take the necessary time to seek this expert input before finalizing the report so as to avoid unintended consequences. If the pension industry believes the new funding rules should be implemented for all plan sponsors, we recommend that current municipal solvency relief provisions remain in place until they expire, in order to provide a reasonable transition period. Municipalities have already included the solvency relief legislation into their long-term financial plans.

We are also concerned about the Province using a funding model that is substantially different from other pension jurisdictions. We feel there is value in provincial pension legislation being harmonized in major areas like deficit funding, and how that deficit funding is applied; for example full or partial exemption of municipalities from solvency is common across Canada in British Columbia, Alberta, Quebec, Newfoundland and New Brunswick.

We oppose the recommendation to end solvency relief for municipalities and immediately implement new funding rules. Getting solvency relief mitigated the hardship of a funding test that municipalities should not have been subject to in the first place. It is our view that municipal pension plans should have permanent relief from funding solvency deficits because we are government pension plans. As governments, we have an extremely low probability of going bankrupt because we have the power to tax. The Panel recognizes this by not recommending the Province be subject to the Pension Benefits Act. There is something fundamentally wrong with the rule maker, the Province, not being required to follow the rules it expects all others to follow, unless it can justify why it should be exempt. The rationale appears to be a low probability of going bankrupt, which applies equally to municipalities. This inequitable treatment creates confusion for plan sponsors and plan members, and inequities in the administration of plans, for example inequitable contribution rates or the ability to provide equal benefits relative to the Provincial Plan.

There were a couple of recent articles in the Globe and Mail that suggest different funding views from the current solvency requirements.

“OSFI voices pension concerns” by Tara Perkins on November 15, 2008 that quotes OSFI as having concerns that narrow point-in-time interest rate approaches to pensions may not be desirable.

(full article -
<http://www.theglobeandmail.com/servlet/ArticleNews/freeheadlines/LAC/20081115/ROSF15/business/ROB>)

and,

“Time can give pension plans a fighting chance” by Paul Forestell who recommends longer, 15 years as oppose to five years, to fund pension shortfalls.

(full article -

<http://www.theglobeandmail.com/servlet/story/RTGAM.20081117.wagendaforestell1117/BNStory/robAgenda/>)

We thank the Panel for their time and effort in the Pension Review. It is our opinion that there needs to be further discussion, thought and testing before a recommendation is made to the Province. We must guard against unintended consequences that could cause hardship to Defined Benefit Plans that currently operate within the Province.

Respectfully submitted by,

Glenn Hirschfeld
hirschfg@halifax.ca
902-490-6298

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