



**Subject:** *Pension Cost Certificate*  
**To:** Corporate & Residential Services Committee  
**Date Prepared:** February 16, 2024  
**Related Motions:** C22(43), C23(111)  
**Prepared by:** Wade Tattrie, CPA, CA Director of Finance  
**Approved by:** Kim Ramsay, CPA, CMA, CAO

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### Summary

In April of 2023, Council received the results of the December 31st, 2022 tri-annual full actuarial valuation of the pension plan. This full actuarial report is required every 3 years with interim Cost Certificates required at each year end. The cost certificate, prepared by an external actuary, does not have an impact on funding requirements for the Plan. It is simply an updated estimate of the Plan's funded position for the pension regulator.

This cost certificate is a regulatory requirement with a deadline of March 31, 2023. Staff are seeking Council approval to finalize and file the Cost Certificate with the Superintendent of Pensions.

### Financial Impact Statement

There is no financial impact from this report.

### Recommendations

Approve the filing of the December 31, 2023 Cost Certificate (draft attached to the report)

### Recommended Motion

*The Corporate & Residential Services Committee recommends to Council that Council approve the filing of the December 31, 2023 actuarial cost certificate attached to the February 20th, 2024 Executive Committee Agenda.*

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### Background

The Municipality of East Hants has a defined benefit pension plan. The contract specifies what employees will receive as a pension when they retire. In this type of plan employees contribute a specified percentage of their income into the plan and the employer (MEH) contributes whatever funds are necessary to fund the pensions promised. As such the risk of this type of plan is provided at the risk of the employer. If market losses occur, the employer must, by law, contribute more to the plan to keep it solvent. If the market does well, the employer's contribution will decrease. This is a common type of plan in government and large employers.

There is both Federal and Provincial law that governs how pensions work. The laws cover many things including what amendments can be made to the plan, how employees are kept informed, when extra money must be paid into the plan, etc. Under provisions of this legislation a review must be done of the plan every three years by an Actuary. They prepare a calculation based on a number of assumptions as to whether there are sufficient funds in the plan to fulfill the contract. New provisions in 2019 added the requirement to do a Cost Certificate in the years there was not a full valuation done - based on the filing of this certificate, the Superintendent of Pensions could require a full valuation to be done.

Some Particulars of the East Hants Plan:

1. Benefit -  $2\% \times \text{years service} \times \text{average career income}$
2. Contributions - Employees: 6.5% Employer: 5.32% (effective Jan. 2023)
3. Normal Retirement Date - 65 years
4. Earliest Retirement - Age + Service = 80 and Minimum 50 years old
5. Penalty for early retirement - 0.5% per month

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## Discussion

Staff have received the preliminary results of the Cost Certificate and recommend filing with the Superintendent of Pensions. The numbers on this cost certificate are as at December 31, 2023.

### Contribution Requirements

The minimum contribution requirement for the Municipality (prior to any benefit improvements) is 5.32% of payroll for current service. The cost certificate does not have an impact on funding requirements for the Plan. It is just an updated estimate of the Plan's funded position for the regulator.

Council is currently budgeting 10.5% for pension contributions, with unspent funds being transferred to reserve at each year end (in order to fund pension plan special payments related to retirements, upgrades and plan deficits).

The Pension Reserve balance at March 31, 2023 was \$976,000. Council's 2023/2024 budget was prepared with a 10.5% pension budget and it will continue to be recommended to Council to place unspent pension and other benefits into this reserve as financial results permit.

### Upgrade

The Municipalities pension plan is a career average plan (in the pension contract). However, given that Council has consistently approved upgrading the definition of average earnings for those retiring from the Plan, it is in practice a final average earnings plan.

In April 2023, Council approved the extension of pension upgrades to September 30, 2026 in conjunction with the December 2022 actuarial report filing. Extending the date to September 30, 2026 brings certainty to those looking to plan for retirement prior to the December 31, 2025 tri-annual valuation being filed. These special payments, as they arise, will be funded through the pension reserve fund.

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## Alternatives

Council must file the December 31, 2023 Cost Certificate. The assumptions are determined by the Actuary in conjunction with staff however the assumptions are subject to approval by the Superintendent of Pensions.