



**Subject:** *Results: Tri-Annual Actuarial Review - December 31, 2025*  
**To:** Corporate & Residential Services Committee  
**Date Prepared:** May 13, 2026  
**Related Motions:** C23(111) Direction given to staff to engage for December 31, 2025 pension valuation  
C24(46) DECEMBER 2023 PENSION COST CERTIFICATE  
C25(107) DECEMBER 2024 PENSION COST CERTIFICATE  
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## Summary

Results have been received for the December 31st, 2025 tri-annual actuarial review of the defined benefit pension plan. This full actuarial valuation review is required by legislation every three years. This report seeks Council approval to finalize and file the valuation with the Superintendent of Pensions. The deadline for filing is September 30<sup>th</sup>, 2026.

In April of 2023 Council approved upgrading the definition of average earnings (to December 31, 2022 earnings) for those employees who were retiring between January 1, 2023 and September 30, 2026 only. As these retirements occur, special payments to the pension plan may be required and they are funded through the pension reserve fund. A recommended continuation of this commitment to September 30, 2029 is included in this report.

## Financial Impact Statement

The current service cost to the employer is estimated 6.85% of payroll, which is an increase of 1.53% from the 2022 valuation. Note that the budget uses 10.5%, so this increase does not require a change. In addition, special annual payments required by the triannual valuation are required by legislation and will be funded by the pension reserves. These legislated special payments are \$247,953 annually starting in 2026 and continue for ten years up to and including 2035.

Special payments due to member retirements (May 2026 to September 2029) will be funded via the pension reserves fund.

## Recommendations

Approve the filing of the December 31, 2025 Pension Plan Actuarial Report (draft attached to the agenda).

## Recommended Motion

The Corporate and Residential Services Committee recommends that Council authorize:

- 1) The final December 31, 2025 actuarial valuation be filed based on the results as outlined in the report to Corporate & Residential Services Committee, dated May 13, 2026, *Results: Tri-Annual Actuarial Review - December 31, 2025*;
- 2) Pension payments as required by legislation are approved for payment into the Plan;
- 3) The definition of average earnings for service prior to January 1, 2026, be upgraded to December 31, 2025 earnings, with no pension being greater than the best five years income of the employee, for those employees who are retiring between May 1, 2026 and September 30, 2029 only, and that these special payments, as they arise, be funded through the pension reserve fund;
- 4) The employer contribution rate be 6.85% for contributions on earnings after January 1, 2026 and adjusted by future cost certificates/pension valuations as legislation requires;
- 5) The Actuary be asked to do the standard upgrade calculation as part of the December 2028 actuarial review. This calculation will upgrade the definition of average earnings (to redefine average earnings

to December 31, 2028 earnings with no pension being greater than the best five years income of the employee); and,

- 6) That Plenus Consultants be appointed as the Actuary for the Municipality of East Hants pension plan.

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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 do a calculation based on a number of assumptions as to whether there are sufficient funds in the plan to fulfill the contract.

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 January 2023); 6.85% (effective January 2026)
3. Normal Retirement Date - 65 yrs
4. Earliest Retirement - Age + Service = 80 and Minimum 50 yrs old
5. Penalty for early retirement - 0.5% per month

In April 2023, Council passed motion C23(111) authorizing staff to engage the Actuary to perform the Tri-annual Actuarial Valuation as at December 31, 2025. Through the motion Council authorized:

*1. The final December 31, 2022 actuarial valuation be filed based on the results as outlined in the report to Corporate & Residential Services Committee, dated April 8, 2023, Results: Tri Annual Actuarial Review - December 31, 2022;*

*2. Pension payments as required by legislation are approved for payment into the Plan;*

*3. The definition of average earnings for service prior to January 1, 2023, be upgraded to December 31, 2022 earnings, with no pension being greater than the best five years income of the employee, for those employees who are retiring between May 1, 2023 and September 30, 2026 only, and that these special payments, as they arise, be funded through the pension reserve fund;*

*4. The employer contribution rate be 5.32% for contributions on earnings after January 1, 2023 and adjusted by future cost certificates/pension valuations as legislation requires;*

*5. The Actuary be asked to do the standard upgrade calculation as part of the December 2025 actuarial review. This calculation will upgrade the definition of average earnings (to redefine average earnings to*

*December 31, 2025 earnings with no pension being greater than the best five years income of the employee); and,*

*6. That Plenus Consultants be appointed as the Actuary for the Municipality of East Hants pension plan.*

This report outlines the results and seeks Council approval to proceed with recommendations.

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## Discussion

### Funding Rules

Prior to the 2019 valuation, new funding rules came into effect in Nova Scotia. A summary of the key rules that impact the Pension Plan are as follows:

- An amount in excess of going concern liabilities needs to be funded. The excess is known as a PfAD (Provision for Adverse Deviation). The level of PfAD increases with the level of risk in the Plan's investment portfolio (asset mix), i.e., more fixed income investments would mean a lower PfAD. For the East Hants plan the PfAD is 4.50% so the Municipality is required to fund 104.5% of the going concern liabilities of the Plan;
- Going forward, actuarial valuations need to be filed every three years regardless of the plan's transfer ratio (previously if the transfer ratio was less than 0.85, annual valuations were required). The next valuation that will need to be filed will be as of December 31, 2028;
- As the December 31, 2025 valuation resulted in a funded ratio (solvency valuation basis) higher than 0.85, there is no need to file cost certificates in 2026 or 2027.
- As a government entity, East Hants continues to be exempt from solvency funding requirements.

### December 31, 2025 Actuarial Report

The results of the December 31, 2025 actuarial calculations are attached to the Committee agenda. In order to file these results with the Superintendent of Pensions, Council needs to approve the submission. The report is due by September 30<sup>th</sup>, 2026.

There are various assumptions made throughout the actuarial review process. Staff have validated, with the advice of the Actuary, the assumptions being used in the report. Based on the advice of the Actuary, the December 2025 Actuarial Review has been prepared with a 5.45% assumption of return, down from 6.00% in 2022. In addition, the retirement date assumptions have changed to 35% retiring at age 65 and 65% assumed to retire at their earliest unreduced retirement age. Previously the assumption was 50%/50%.

For 2023, 2024 and 2025 the rates of return (net of expenses) for the plan assets were 7.9%, 10.8% and 7.6%, respectively. The Plan outperformed the expected 6.00% return in each of these years.

#### 1) Contribution Requirements

The minimum contribution requirement for the Municipality (prior to any benefit improvements) is being increased from 5.32% to 6.85% of payroll for current service. Causes include a decrease in the interest rate assumption (how much the plan assets will grow due to interest earned on assets), and the retirement date assumption change.

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, 2026 was approximately \$1,159,000. Council's 2026-2027 budget was prepared with a 10.5% pension contribution assumption and it will continue to be recommended to Council to place unspent pension and other benefits into this reserve as financial results permit. Staff will re-evaluate the 10.5% figure during the 2027/2028 budget preparation process.

## 2) Plan Funding

The Plan's financial status on a **funding (going concern) basis** assumes that the Plan will continue in operation indefinitely. The funding valuation of the Plan on a funding basis shows the Plan's deficit at \$1,919,817 which includes an adjustment of \$872,831 for PfAD (4.5% of the liabilities at December 31, 2025).

Pension legislation requires deficits on a going concern basis to be funded through annual special payments. The special payment required for 2025 was \$204,975. The required special payment, funded through the Pension Reserve Fund, for 2026 and annually thereafter until 2035 is \$247,953. This will be evaluated again at December 31, 2028.

The Plan's financial status on a **solvency basis** assumes that the Plan winds up on the valuation date (December 31, 2025) with all benefits being settled. This assumes that anyone with a pension benefit or who is eligible for a benefit would have an annuity purchased for them and that anyone who is active in the plan, but not eligible to retire, would have a lump sum paid to them.

The total solvency deficit at December 2025 has been calculated at \$2,043,882 (2022: \$3,052,365). This is the amount that the Municipality would have to come up with if Council chose to wind up the plan, effective December 31, 2025.

Pension Regulations exempt municipalities who have defined benefit pension plans from solvency deficiency funding (with conditions). The Plan's transfer ratio (percentage of the deficit that is currently funded), on a solvency basis, is 0.91 (2022: 0.82); under the solvency deficit conditions, any plan with a ratio less than .85 is required to do cost certificate at the next annual date. A cost certificate will not be required for 2026 or 2027.

## 3) Upgrade

The Municipality's 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.

As requested, the Actuary has calculated the cost to upgrade benefits to December 31st, 2025 so that service prior to January 1, 2026 is based on highest average five-year earnings to that date. The cost of the benefit improvement for all members of the plan on a solvency basis is \$2,518,000.

**Recommendation:** Based on the current financial position of the Pension Plan and the current reserves held by the Municipality, staff recommend the definition of average earnings for service prior to January 1, 2026, be upgraded to December 31, 2025 earnings (up from 2022 as this is a tri-annual review), with no pension being greater than the best five years income of the employee, for those employees who are retiring between May 1, 2026 and September 30, 2029 only, and that these special payments, as they arise, be funded through the pension reserve fund. Extending the date to September 30, 2029 brings certainty to those looking to plan for retirement prior to the December 31, 2028 valuation being filed. This upgrade is consistent with prior decisions of Council. These special payments, as they arise, will be funded through the pension reserve fund.

## 4) Employee Contributions

The employee contributions into the East Hants plan had been 5% for at least 20 years until 2020. In 2020 Council amended the employee contribution rate to 5.5% for contributions on earnings after January 1, 2021 and 6.5% for contributions on earnings earned after January 1, 2022.

The 2025 review did not look at the impact of increasing employee contributions to the Plan.

5) **December 2028 Actuarial Review**

The next actuarial review of the pension plan is required at the end of December 2028. This review will determine whether the plan has a surplus or deficit and therefore whether the employer contribution has to be increased or can be decreased. This will be the tri-annual review where we will look at resetting the average earnings to the 5-year average earnings for the period ended December 31, 2028.

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## **Alternatives**

Council must file the December 31, 2025 Valuation Report. The assumptions are determined by the Actuary in conjunction with staff however the assumptions are subject to approval by the Superintendent of Pensions. All assumptions in this report are based on our Actuary's experience.