REGION OF QUEENS MUNICIPALITY

RESPONSE TO PENSION REVIEW PANEL:

DISCUSSION PAPER

June 26, 2008

The employees of a Municipality in Nova Scotia are very fortunate as the Municipal Government Act states that “council **shall** establish a pension plan to provide pensions for full-time employees in such a manner as the council shall, by policy, determine”.

The Region of Queens Municipality’s pension plan is a defined benefit plan and this plan has had issues with the solvency calculation and will be taking advantage of the solvency exemption this actuarial valuation. The volatile investment market has made it very difficult to make the benchmark interest rates, which, in turn, have made our contribution rates increase over the last few valuations.

Defined benefit plans are certainly more efficient in projecting employee retirement benefits. Any amendment, such as hybrids or the enhancement of defined benefit plans, that will add plan stability for the employer and provide a clearly definable pension benefit to the employee would be very acceptable.

In relation to a Municipal Pension Plan, one can understand and fully appreciate the fact that going concern analysis does and should take place. A pension administrator and future beneficiary needs to know if the fund is solvent enough to continue to operate indefinitely while meeting all pension obligations. The Solvency funding tests are not relevant to a municipal unit. There will always be a successor municipality and if the municipalities are dissolved then the province would be the successor, so therefore the relevance of the solvency funding test should not be relevant to municipal units.

As regulators do not set out individual plan benefits which directly affect plan surpluses or deficits, the plan provider should deal with this issue internally. The Income Tax Act should be amended to deal with increasing the 110% limit, to what level would need to be determined by actuaries who know what the trend is for pension plan benefit provisions.

The Region of Queens was pleased to see that the 'grow –in" provisions have been amended as our plan would not be able to be in existence if these provisions were still required to be funded in the actuarial valuation. I trust that when considering new legislation, the committee will ensure that these provisions are not required for a municipal unit. Being the successor municipality for the amalgamation of the Town of Liverpool and Municipality of Queens it is evident that some form of municipal government would be the successor municipal unit. Municipalities are not like a business that can close, we more closely resemble the provincial and federal governments, whom I understand do not have grow in or solvency calculations to fund.

As stated above and in your paper, the funding of defined benefit pension plans is becoming very difficult due to the decline in the financial market, low rates of return and an aging work force. If grow-in was included in the legislation, our actuary has stated that our plan would not be able to survive.

Whatever changes are made we hope that they will make it easier for plans to manage contribution rates, while providing employees with a stable pension plan.