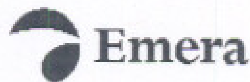


Emera Inc.
P.O. Box 910
Halifax, Nova Scotia
Canada B3J 2W5

902.450.0507
1.888.450.0507
www.emera.com

November 21, 2008

Pension Review Panel
c/o Nova Scotia Labour and Workforce Development
Policy Division
PO Box 697
Halifax, NS
B3J 2T8

Dear Sirs:

RE: Comments on the October 17th Pension Review Panel Position Paper

Nova Scotia Power Inc. (NSPI) is one of the largest employers in Nova Scotia, and has over 4,000 active and retired employees in the company sponsored defined benefit and defined contribution pension plans. While we welcome some of the proposals in the Position Paper, certain proposals in the Position Paper, particularly the funding proposal, would have a significant negative impact on NSPI. We believe that other pension plans would also be negatively impacted by the funding proposal and ask the Review Panel to reconsider their position.

The comments made in this submission are meant to supplement our previous submissions to the Panel dated July 4, 2008. We have limited our comments only to those areas where we have substantive comments to make.

Specific Comments

Section 3.3 Funding

The proposals for the minimum funding would result in a significant increase in both the dollar amount and volatility of NSPI's minimum contribution requirements.

Our plan actuaries have provided the following annual minimum funding requirement for our main pension plan (the NSPI Employee Pension Plan) as if the current and proposed standards had been put in place on either December 31, 2007 or December 31, 2008:

NSPI Employee Pension Plan	NSPI Minimum Contribution Under Current Rules	NSPI Minimum Contribution Under Proposed Rules
December 31, 2007	$[redacted] million	$[redacted] million
December 31, 2008*	$[redacted] million	$[redacted] million

** The December 31, 2008 results are based on October 31, 2008 asset values and assume a 0% asset return for the last 2 months of 2008. The December 31, 2008 results also assume that government bond yields used for the December 31, 2008 valuation are the same as those used for the December 31, 2007 valuation.*

As you can appreciate, an increase in the annual minimum contribution for 2008 of nearly $[redacted] million or an increase for 2009 of approximately $[redacted] million would be onerous and difficult for NSPI to absorb. The actual cash flow impact for NSPI would have been slightly greater than shown above as the results do not include our other smaller defined benefit pension plan, the "Acquired Plan".

We believe volatility will be increased as a result of:

a) The requirement to use the market value of assets rather than being allowed to use a smoothed value of assets in determining funding requirements. When pension plans are a going concern in the normal course of a business, a significant amount of pension plan assets are invested in capital markets which are inherently volatile. The requirement to mark to market for contribution purposes places an undue emphasis on the value of an asset on a particular date.

b) Requiring the minimum funding to be based on a valuation where the underlying discount rate (long-term government bond yields) is inherently volatile. The current funding standards combine both a current (solvency) and long-term (going concern) view, and require funding based on the greater of the requirements determined under the two valuations. We believe that this is inherently more stable.

   For example, consider a situation where long-term government bond yields move from 4% to 6% and back to 4% at successive valuations. Under the current standards, it is not difficult to come up with a realistic scenario where funding may initially be based on solvency and going concern, then going concern only in the second valuation (since the going concern actuarial basis does not change due to short-term changes in economic indicators), and again back to solvency and going concern in the third valuation. Under the proposed standards, for the same plan, it is likely that a higher level of funding (than the current standards) is required in the first valuation; a lower (or perhaps no funding) is required at the time of the second valuation, and again a higher level at the time of the third valuation.

We believe that where plan sponsors have voluntarily established and continue to provide a pension arrangement based on a set of minimum funding standards, it is unreasonable to impose a new standard which results in such a large increase in minimum contribution requirements and which is inherently more volatile. If the proposed changes take place, it will certainly discourage employers from offering defined benefit pension plans.

Section 3.3.1 Amortization

If the proposed minimum funding requirement remains in place, we believe that the "collar" should be at greater than the proposed 5% in order to reduce cash flow volatility.

We also believe that, given the ongoing and long-term nature of pension plans, reducing the amortization period from 15 years (for going concern valuations) to an amortization period of 8 years is inappropriate. We understand that other pension jurisdictions are providing more flexibility to plan sponsors (e.g., the use of letter of credits, one time extensions, and consolidations of existing schedules) and encourage the Pension Review Panel to consider the same.

Section 3.3.2 Surplus

As indicated in our original proposal, because plan sponsors bear the risk in a traditional single-employer defined benefit plan, legislation should confirm that sponsors have the benefit of surpluses.

If a plan is not traditional, for example where employees agree to shoulder 50% of all costs, it may be appropriate to have other surplus arrangements in such situations.

Section 3.4 Grow-in Benefits

The stated recommendation to eliminate the requirement to provide grow-in benefits on plan wind-up is welcome. However, if the proposed changes to the minimum funding basis and commuted value basis are adopted, then it would appear that the value of grow-in benefits are implicitly included for all members in all situations. (This follows from Appendix B 2(e), 3(e) and 7(a)).

Section 3.5 Partial Wind-ups

We agree that the notion of partial wind-ups should be eliminated from the legislation.

We also note a concern with respect to the requirement to make up any deficit by the next valuation date—in cases where the withdrawal occurs just before the valuation date, it may be onerous to require the plan sponsor to fund the deficit in such a short period of time. We recommend that there be a fixed time period for a plan sponsor to make up the shortfall.

Section 3.6 Unlocking

NSPI maintains registered pension plans to provide for employee's retirement income. We are against the unlocking of pension funds other than for small amounts and hardship issues. We prefer the existing legislation on this matter and continue to believe that the primary purpose of a defined benefit pension plan is to provide a pension for the life (and spouse) of the employee.

While the panel indicates that their proposal would allow, but not require, defined benefit plan sponsors to allow unlocking, the anticipated pressure from members to unlock in such situations (where their friends in other plans are allowed to do so) would be difficult for management to bear and could lead to an ill advised decision in the future.

Section 3.7 Governance Plan and Advisory Committees

We believe that good governance should be encouraged but does not need to be regulated or require annual reporting. Companies are responsible for managing all of their affairs, including their pension

plan and have done so accordingly since the first pension plan was established. The problem with a Governance Plan is the same as with the Statements of Investment Policies and Procedures: They can be a useful guide but they could equally become a nuisance compliance requirement with little practical use.

We do not believe that member based Advisory Committees should be given more power to influence plan sponsors:

- In a non-unionized environment, pension plans are established and maintained on a voluntary basis by employers. We do not believe it is appropriate for Advisory Committees to be provided with such influence in a voluntary environment.

- In unionized environments, pension plans are established through the collective agreement process, and therefore a process is already in place for dialogue between the plan sponsor and plan members.

We also disagree with the assertion that the existence of Advisory Committees would reduce the plan sponsor's potential liability. If Advisory Committees existed as proposed, the plan sponsor would likely have to take the following actions on behalf of the members of the Advisory Committee: a) contract for liability insurance, b) ensure appropriate levels of education and understanding, and c) implement additional processes to disseminate information as proposed. Ultimately, the regulator, public, plan members, and Advisory Committee will still expect the employer to have the same standard of care as currently exists.

Section 3.8 Role of Regulators

We agree with the recommendation that the Nova Scotia Labour Relations Board should hear appeals from decisions of the Superintendent.

Section 3.9 Harmonization

We welcome any proposals to harmonize legislation across all jurisdictions.

Section 3.10 Safe Harbour

We agree that "safe harbour" rules are not necessary. However, requiring DC plans to provide employees with an annual statement of what pension they can expect to receive under several investment return and interest rate scenarios seems excessive and costly.

Section 3.11 Phased Retirement

We agree that the Pension Benefits Act should permit, but not require, phased retirement.

Section 3.12 Vesting

The proposal suggests that immediate vesting should be mandatory. NSPI prefers the current regulatory environment which allows sponsors to require 2 years of plan membership prior to vesting. The current

rule reduces administration and enables the targeting of company funded benefits to longer service employees.

Section 3.14 Access to Information

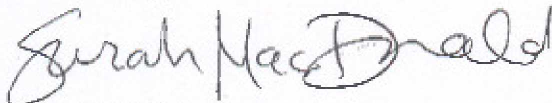
We believe that there are potential conflicts of interest if Advisory Committees are allowed unrestricted access to Plan actuaries.

Section 3.15.2 Investments

We are in agreement with the Panel's recommendation to remove Schedule III.

We would be happy to provide clarification on any of the above. Please contact either Cindy Taylar at cindy.taylar@emera.com, Mary Agnes Moar at mary.moar@emera.com, or the undersigned at sarah.macdonald@emera.com.

Yours truly,



Sarah MacDonald
Vice President Human Resources

SM/jms