

Year in Review: 2013

This bulletin summarizes key 2013 activities of the NSHEPP Trustees and staff. We invite you to visit www.nshepp.ca if you are interested in more information. After June 2014 you can find our 2013 Audited Financial Statements by clicking on the web-site's "Publications" tab.

Benefits

The following benefit improvements were made during 2013:

- Our Base Year was updated to 2010 effective February 11, 2013;
- Our Base Year was updated to 2011 effective December 31, 2013; and
- Pensions in payment increased by 1.1% effective January 1, 2014 (prorated for retirees that had been retired for less than a year).

Each September your Trustees monitor the competitiveness of our benefits. They compare NSHEPP to the pension plans for health care workers in Ontario, Manitoba and Saskatchewan, as well as the NS Public Service Superannuation Plan. This year our contributions were about average compared to these other pension plans, and our benefits were a little better than average (including pending changes in the comparison plans and assuming that our Base Year continues to be improved regularly in the future).

Funding

At the end of 2013 our assets had increased to about \$4.6 billion, or about 119% of our going-concern liabilities. (This is a preliminary estimate and is subject to revision. These liabilities are based on our actuary's "best estimate" assumptions. Final results and assumption details will be reported in our Audited Financial Statements which will be posted on our web-site after June 2014.)

NSHEPP's funding is also subject to Nova Scotia's minimum pension funding laws (so called "solvency" rules). These rules tend to provide more conservative results and provide a valuable level of benefit security to our members. At the end of 2013 we were estimated to be 102% funded on a solvency basis.

Regular contributions did not change in 2013 and are not expected to change in 2014.

Administration

Key administrative accomplishments in 2013 included:

- Preparation of 26,692 annual statements. 100% were prepared within our time standards;
- Processing of 779 retirements, 1,280 terminations, 27 active deaths and 71 past service purchases. 100% of these were within our time standards; and
- Total membership increased from 35,833 to 37,136, and participating employers increased from 88 to 89.

Our per member administration costs continue to be low; about 40% less than median based on a sample of 17 other large pension plans.

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Investments

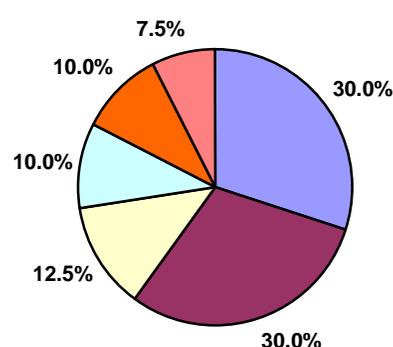
At about 3.81%, our 2013 investment return was lower than what was earned by most other Canadian pension plans. Our returns were lower than average in 2013 primarily because of "hedges" that we maintain. These hedges are used to better manage Plan risk. They help to protect us from unexpected changes in our liabilities. In years like 2013 when interest rates increased quickly, our investment returns tend to lag behind other pension plans. However, over the longer term these hedges have had a very positive impact on our results. The following 2013 returns are preliminary and may change slightly.

Year	Annual Returns (net of expenses)	Market Benchmark *	Value Added
2009	26.84%	25.32%	1.52%
2010	18.35%	16.95%	1.40%
2011	8.18%	8.41%	-0.23%
2012	10.23%	10.46%	-0.23%
2013	3.81%	4.60%	-0.79%
2009-2013	13.10%	13.01%	0.09%

* The market benchmark rate of return is one of the standards used to evaluate investment performance. It is the rate of return net of fees, expected if the assets were invested passively in the proportions dictated by the Asset Mix Policy.

Our fund's target asset mix is shown in the chart at the right. On top of this we have additional derivative exposures to improve our expected risk adjusted returns.

In 2013 we completed a comprehensive review of our investment policies. As a result, we removed our commodity and high yield credit exposures, and plan to reallocate 7.5% of our hedge funds. Numerous other smaller changes were also made.



Actual allocations may temporarily vary from the targets on the right because of the time required to transition between illiquid assets.

A more complete description of NSHEPP's investment policies can be found at www.nshepp.ca by clicking on the "Publications" tab.

Governance

Highlights of your Board of Trustees' activities in 2013 are:

- Ongoing monitoring of the adequacy of contributions, including completion and filing of an April 1, 2012 actuarial report;
- Completion of a "deep-dive" review of our investment policies;
- Started review of the Trustees' governance procedures; and
- Monitoring of compliance with all Trustee policies.