

Year in Review: 2014

This bulletin summarizes key 2014 activities of the NSHEPP Trustees and staff. We invite you to visit www.nshepp.ca if you are interested in more information. After June 2015 you can find our 2014 Audited Financial Statements by clicking on the web-site's "Publications" tab.

Benefits

The following benefit improvements were made during 2014:

- Our Base Year was updated to 2012 effective September 30, 2014;
- Our Base Year was updated to 2013 effective December 31, 2014; and
- Pensions in payment increased by 2% effective January 1, 2015 (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 2014 our assets had increased to about \$5.7 billion, or about 125.8% of our going-concern liabilities. (This is a preliminary estimate and is subject to revision. These liabilities are based on "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 2015.)

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 2014 we were estimated to be 102.8% funded on a solvency basis (including the expected impact of a 2015 mortality assumption change).

Regular contributions did not change in 2014 and are not expected to change in 2015.

Administration

Key administrative accomplishments in 2014 included:

- Preparation of 27,288 annual statements. 99.9% were prepared within our time standards;
- Processing of 803 retirements, 1,287 terminations, 27 active deaths and 224 past service purchases. 99.5% of these were within our time standards; and
- Total membership increased from 37,136 to 39,568, and participating employers increased from 89 to 93.

Our per member administration costs continue to be low; about 40% less than median based on a sample of 20 other large pension plans.

(continued from other side)

Investments

At about 21.22%, our 2014 investment return was higher than what was earned by most other Canadian pension plans. Our returns were higher than average in 2014 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 2014 when interest rates decreased, our investment returns tend to be better than other pension plans. Over the longer term these hedges have had a very positive impact on our results. The following 2014 returns are preliminary and may change slightly.

Year	Annual Returns (net of expenses)	Market Benchmark *	Value Added
2010	18.35%	17.18%	1.17%
2011	8.18%	8.63%	-0.45%
2012	9.78%	11.20%	-1.42%
2013	4.04%	4.60%	-0.56%
2014	21.22%	18.97%	2.25%
2010-2014	12.13%	11.99%	0.14%

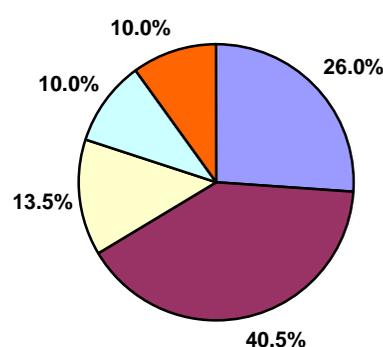
* The market benchmark rate of return is one of the standards used to evaluate investment performance. It is the rate of return net of fees, expected if the assets were invested passively in the proportions dictated by the Asset Mix Policy.

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

Our biggest investment policy change in 2014 was to our fixed income allocation. We are increasing the portion of these assets that we lend as mortgages against institutional real estate.

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 2014 are:

- Finalization of an Agreement that details the responsibilities that NSHEPP and its participating employers have to each other;
- Ongoing monitoring of the adequacy of contributions, including completion and filing of a July 1, 2014 actuarial report;
- Various relatively small revisions to our investment policies;
- Completion of a comprehensive review of the Trustees' governance policies; and
- Monitoring of compliance with all Trustee policies.