

## Year in Review: 2016

This bulletin summarizes key 2016 activities of the NSHEPP Trustees and staff. We invite you to visit [www.nshepp.ca](http://www.nshepp.ca) if you are interested in more information. After June 2017 you can find our 2016 Audited Financial Statements by clicking on the web-site's "Publications" tab.

### **Benefits**

The following benefit improvements were made during 2016:

- Our Base Year was updated to 2015 effective December 31, 2016; and
- Pensions in payment increased by 1.3% effective January 1, 2017 (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 your contributions were a little less than average and your benefits were a little better than average (assuming that our Base Year continues to be improved regularly in the future).

### **Funding**

At the end of 2016 our assets had increased to about \$7.15 billion, or about 133% 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 2017.)

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 2016 we were estimated to be about 108% funded on a solvency basis.

Regular contributions did not change in 2016 and are not expected to change in 2017.

### **Administration**

Key administrative accomplishments in 2016 included:

- Preparation of 29,386 annual statements. 100% were prepared within our time standards;
- Processing of 892 retirements, 1,446 terminations, 43 active deaths and 72 past-service purchases. 100% of these were within our time standards; and
- Total membership increased from 41,089 to 42,446, and participating employers remained unchanged at 85.

Our per member administration costs continue to be low; about 40% less than median based on a sample of 30 other large pension plans.

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## Investments

At about 7.6%, our 2016 investment return was a little more than what was earned by most other Canadian pension plans. Our investment strategy is very different than what is typical of other Canadian pension plans, with this sometimes leading to higher investment returns, and sometimes to lower. The following 2016 returns are preliminary and may change slightly.

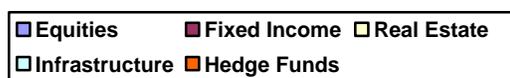
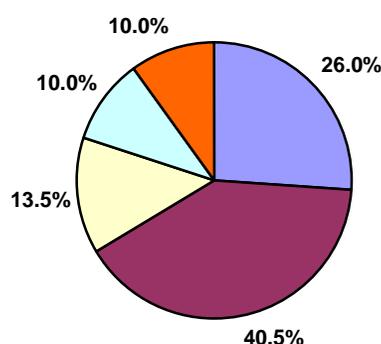
Year	Annual Returns (net of expenses)	Market Benchmark *	Value Added
2012	9.78%	11.20%	-1.42%
2013	4.04%	4.60%	-0.56%
2014	21.22%	18.97%	2.25%
2015	14.74%	11.59%	3.15%
2016	7.60%	6.52%	1.08%
<b>2012-2016</b>	<b>11.32%</b>	<b>10.46%</b>	<b>0.86%</b>

\* 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.

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](http://www.nshepp.ca) by clicking on the "Publications" tab.



## Governance

Highlights of your Board of Trustees' activities in 2016 are:

- The Plan Text was amended as required by recent revisions to Nova Scotia's pension laws;
- A study was undertaken to assess the expected long-term impact of recent revisions to Nova Scotia's pension funding requirements;
- Various routine changes were made to our investments including increases to our real estate, infrastructure and commercial mortgage loans, and replacement or consolidation of several external manager mandates;
- Preparation for our CEO's mid-2017 retirement;
- The continued adequacy of contributions was monitored; and
- Compliance with all Trustee policies was monitored.