

Year in Review: 2017

This bulletin summarizes key 2017 activities of the NSHEPP Trustees and staff. We invite you to visit www.nshepp.ca if you are interested in more information. In May 2018 you can find our 2017 Audited Financial Statements by clicking on the website's "Publications" tab.

Benefits

The following benefit improvements were made during 2017:

- Our Base Year was updated to 2016 effective December 31, 2017; and
- Pensions in payment increased by 1.6% effective January 1, 2018 (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 paid were a little less than average and your benefits received were a little better than average (assuming that our Base Year continues to be improved regularly in the future).

Funding

At the end of 2017, our assets had increased to about \$8.15 billion, or about 140% of our going-concern liabilities. (These results and assumption details are reported in our Audited Financial Statements which will be posted on our website in May 2018.)

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 2017, we were estimated to be about 114% funded on a solvency basis.

Regular contributions did not change in 2017 and are not expected to change in 2018.

Administration

Key administrative accomplishments in 2017 included:

- Preparation of 29,633 annual statements. 100% were prepared within our time standards;
- Processing of 1,010 retirements, 1,389 terminations, 46 active deaths and 60 past-service purchases. 99.96% of these were within our time standards;
- Total membership increased from 42,446 to 43,711, and participating employers remained unchanged at 85;
- Work has begun to upgrade and modernize the Plan's administration systems and website to provide for on-line member access and expanded on-line employer access. The project is expected to be completed by the end of 2020.

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 14%, our 2017 investment return was 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 returns.

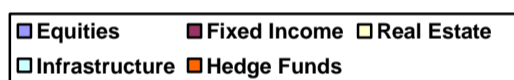
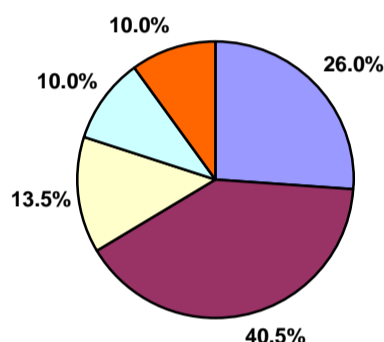
Year	Annual Returns (net of expenses)	Market Benchmark *	Value Added
2013	4.04%	4.46%	-0.42%
2014	21.22%	18.95%	2.27%
2015	14.74%	11.59%	3.15%
2016	7.55%	6.70%	0.85%
2017	14.02%	13.98%	0.04%
2013-2017	12.16%	11.01%	1.15%

* 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 by clicking on the "Publications" tab.



Governance

Highlights of your Board of Trustees' activities in 2017 are:

- New CEO, Stefan Cowell, joined NSHEPP in June;
- Trustees completed a 5-Year Review as mandated by the Trust Agreement;
- Submitted response to Pension Regulations Division of Nova Scotia on Pension Funding Framework Review in Nova Scotia;
- Ongoing monitoring of the adequacy of contributions including completion of an actuarial valuation report with a filing date of July 1, 2017;
- Compliance with all Trustee policies was achieved; and
- Various routine changes were made to our investment portfolio.

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