

Administration Overview & Recommendation (Re: Notice of Motion C2019-1472)

2019 December 3



- Notice of Motion C2019-0569 (2019 April 29) directed work on understanding total compensation of City employees and Council, including the retirement allowance:

“...AND FURTHER BE IT RESOLVED that Administration act on the request for Administration or a third party Human Resources expert to identify the City’s practice of paying out the retirement allowance, including if this practice should continue, if changes to this practice should be made, with regard to the current economic climate, competition with the private sector, and competition with other municipalities in attracting and retaining qualified talent, including legal concerns with enacting changes to or eliminating this practice and report directly to Council members;”

(NOM C2019-0569 Combined Meeting of Council April 29, 2019)

- I. Administration used an evidence-based approach and examined:
 - Benefit to employee
 - Cost to employer/affordability
 - Competitive practice/benchmarking
 - Legal and labour relations risks, supported by an external legal opinion
 - Employee morale, engagement/productivity risk
- II. Administration proceeded to:
 - Develop decision-criteria
 - Analyze options to end the retirement allowance
 - Engage a third-party consultant to review and validate its conclusion



Findings

The retirement allowance:

- Is not a provision in organizations that were benchmarked
- Is not a talent attraction tool and has limited value in retaining staff
- Is not closely tied to or associated with City corporate culture
- Is costly in terms of accrued benefit liabilities and yearly payouts

	2016	2017	2018
RA Expense	\$8.2M	\$7.7M	\$6M
RA Payouts	\$3.4M	\$4.9M	\$4.6M
Accrued Liability at 2018 December 31			\$73.8 M
# Payouts	332	452	448

In addition, it:

- Would impact employee morale among long-service employees in particular
- Could be ended, subject to the required regard for legal and labour relations considerations



Options for Elimination

1. Grandfather current eligible employees and eliminate for new hires*;
2. Provide notice such that the retirement allowance ends for all current eligible and future employees;
3. Grandfather employees ≥ 53 years old with ≥ 15 years' service and pay out all other eligible employees; or
4. Pay out all current eligible employees based on accrued benefit obligation and eliminate for new hires.

*Administration recommendation

Recommendation

That the PFC recommend that Council direct Administration to end the retirement allowance by grandfathering existing eligible employees and eliminating the provision for new employees with the effective date to be established upon the conclusion of the next round of negotiations anticipated to be no later than 2021 December 31, subject to applicable Labour Code requirements.