

**Chief Financial Officer's Report to
Priorities and Finance Committee
2021 July 20**

**ISC: UNRESTRICTED
PFC2021-0782
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Pension Governance Committee Annual Report

RECOMMENDATION(S):

That the Priorities and Finance Committee:

1. Recommends that Council receives this annual report for the Corporate Record.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 JULY 20:

That Council receive this annual report for the Corporate Record.

HIGHLIGHTS

- This report is for information only and is intended to provide Council with assurances and information on all of The City's pension plans and activities.
- *What does this mean to Calgarians?* The City is providing oversight and sound management of The City's pension policies and plans. The City's responsibilities are detailed in Attachment 4.
- *Why does this matter?* Calgarians can be assured that The City is committed to managing The City's pension plans and retirement arrangements with transparency and full disclosure. The list of The City's pension plans and retirement arrangements is included as Attachment 3.
- The PGC complied with the PGC Terms of Reference and conducted four meetings in 2020. The Terms of Reference document was updated in March, 2021 to change the reference from ALT to ELT and is included as Attachment 2. The 2021 workplan is included as Attachment 7.
- The PGC complied with the PGC Code of Conduct and completed the PGC Self-Assessment questionnaire in 2020.
- The PGC complied with all legislative and reporting requirements for all applicable pension plans (including the Local Authorities Pension Plan (LAPP) and the Special Forces Pension Plan (SFPP)).
- The City administered plan enrolments, retirements, terminations, and pensioner payments in accordance with the applicable plan provisions. Details on plan administration are included in Attachment 5.
- Council has received this report annually for information since 2004.
- Strategic Alignment to Council's Citizen Priorities: A well-run city. Background and Previous Council Direction is included as Attachment 1.
- Strategic Alignment to Council's Citizen Priorities: [Strategic Alignment](#).
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The City has responsibilities, of varying degrees, to the twelve pension plans and retirement arrangements (the "plans") in which City employees, and former City employees, belong. The responsibilities vary due to:

- Whether the plan is City-sponsored or whether The City is merely a participant or joint sponsor;

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- Whether the plan is registered with Alberta Treasury Board & Finance and Canada Revenue Agency or whether it is not registered;
- Whether the plan is open to new entrants or whether it is closed to new entrants.

Attachment 3 breaks down the plans into these categories and provides more detail about each one. Attachments 2 and 4 list who bears which responsibilities with respect to each of the twelve plans.

The internal service providers (Human Resources and Finance) and the external service providers (administrator, actuary, investment manager, custodian and auditor) have been delegated the day-to-day duties of administering the plans, except for the Local Authorities Pension Plan (LAPP), the Special Forces Pension Plan (SFPP) and the Calgary Firefighters Supplementary Pension Plan (FSPP). These service providers report regularly to the Pension Governance Committee (PGC) to provide updates on activities taken on The City's behalf.

In order to ensure that all PGC members are acting with integrity, the PGC has a Code of Conduct, which every PGC member must read and sign annually, attesting that they have complied with the PGC Code of Conduct. PGC members must also fill out a questionnaire annually which obliges PGC members to review how the plans were administered, service providers were monitored, and to assess their own level of knowledge and engagement.

The City has summarized the pension plan risks and mitigating strategies which have not been identified in previous reports, or which have changed since previous reports. For LAPP and SFPP, The City utilized information and data from LAPP and SFPP Corporations, as the applicable governing bodies, to develop the assessment below.

Local Authorities Pension Plan (LAPP)

Regulatory: Effective 2021 January 1 the Government of Alberta enacted a ministerial order allowing the investment manager, AIMCo, to disregard a pension plan's investment policy. The ministerial order was enacted after LAPP Corporation and AIMCo failed to sign an investment management agreement before the December, 2020 deadline. LAPP Corporation has indicated on its website that the ministerial order is expected to be temporary until an investment management agreement is signed.

Governance: The City shares a triennially rotating seat on the Sponsor Board (representative) and the Corporate Board (fiduciary) with the City of Edmonton. The seats will rotate for the first time at the end of 2021. The City continues to actively work with the City of Edmonton on a Terms of Reference document which will include a requirement for the city who is on the Sponsor Board to communicate to the other city on a mutually acceptable basis.

Funding: LAPP is 98.1% funded as of the 2019 December 31 actuarial valuation. As of that date, the solvency ratio is 77.9%. Both these figures have decreased from the prior actuarial valuation report as at 2018 December 31, but contribution increases were not required due to the cushion embedded in the valuations.

In April of 2020, it was reported in the media that AIMCo lost billions of dollars due to a failed investment strategy (\$4 Billion: The Globe and Mail April 21, \$3 Billion: The Financial Post April

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27). At its semi-annual stakeholder meeting on 2020 October 23, LAPP Corporation reported that the losses amounted to \$2.1 Billion, of which LAPP's share was approximately \$900 Million. At its semi-annual stakeholder meeting on 2021 April 8, LAPP Corporation reported that the investment strategy has been wound down and that AIMCO is changing its equity structure.

Special Forces Pension Plan (SFPP)

Regulatory: Effective 2021 January 1 the Government of Alberta enacted a ministerial order allowing the investment manager, AIMCo, to disregard a pension plan's investment policy. The ministerial order was enacted after SFPP Corporation and AIMCo failed to sign an investment management agreement before the December, 2020 deadline. SFPP Corporation has indicated on its website that the ministerial order is expected to be temporary until an investment management agreement is signed.

On 2020 October 16, the Supreme Court of Canada issued its decision in a court case (Fraser v. Canada) involving RCMP officers who were not able to work full-time due to child caring responsibilities. Although a job-sharing arrangement was instituted in 1997, the Supreme Court agreed with the appellants that the restriction on buying back service in the pension plan for the time participating in the job-sharing program was discriminatory on the basis of sex. This decision may have implications for SFPP. SFPP reported on its website on 2021 February 12 that it is investigating these implications and will provide updates as they become available.

Funding: In April of 2020, it was reported in the media that AIMCo lost billions of dollars due to a failed investment strategy (\$4 Billion: The Globe and Mail April 21, \$3 Billion: The Financial Post April 24). On its website, SFPP Corporation reported that SFPP's share was approximately \$88 Million.

City of Calgary Supplementary Pension Plan (SPP)

Funding: SPP is 111% funded as of the 2019 December 31 actuarial valuation. As of that date, the solvency ratio is 74%. Both these figures have increased from the prior actuarial valuation report as at 2016 December 31.

Supplementary Plan for Elected Officials of The City of Calgary (EOSP)

On 2020 November 2, Council decided to accept the Council Compensation Review Committee's recommendation to close the EOSP to new entrants effective as at the 2021 election on 2021 October 18. The EOSP will become a "closed plan" as of that date.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed

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Stakeholder dialogue/relations were undertaken

This report was provided to the PGC at the 2021 June 9 meeting for review.

IMPLICATIONS

Social

Not applicable.

Environmental

Not applicable.

Economic

Not applicable.

Service and Financial Implications

Existing operating funding - base

The City includes its share of the pension contributions and operations of the Pension Governance Committee in the 4-year budget plans, as part of the Employee Benefits Program. Details of pension contributions for 2020 are included in Attachment 6.

RISK

Pension plan risks are detailed in the Discussion section of this report.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Terms of Reference for the Pension Governance Committee of The City of Calgary (2021 March 17)
3. 2020 Pension Plan Inventory
4. 2020 Pension Plan Governance and Administrative Update
5. 2020 Pension Plan Administration Report
6. 2020 Financial Report on the Position of the Pension Plans
7. The City of Calgary Pension Governance Committee 2021 Workplan

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform