

**UPDATE ON ALBERTA PUBLIC SECTOR PENSION REFORM RE: LOCAL AUTHORITIES
PENSION PLAN AND SPECIAL FORCES PENSION PLAN**

EXECUTIVE SUMMARY

On 2014 May 5 the President of the Treasury Board and Minister of Finance (the Minister) announced the Alberta Government (the Province) would refer legislation on public sector pension reform (Bill 9) to the Standing Committee on Alberta's Economic Future (Standing Committee), an all-party committee consisting of 15 members of the Legislative Assembly, for further review and consultation. City employees participate in two of the affected four public sector pension plans, Local Authorities Pension Plan (LAPP) and the Special Forces Pension Plan (SFPP). The Standing Committee must report its findings to the Legislative Assembly in the fall 2014 sitting, currently scheduled to begin October 27.

ADMINISTRATION RECOMMENDATION(S)

The Pension Governance Committee recommends that City Council:

1. Receive this report for information; and
2. Direct that Attachments 2 and 3 remain confidential pursuant to sections 23(1)(b), 24(1)(a), (c), (d) and **25(1)(c)** of the Freedom of Information and Protection of Privacy Act for a period of two years.

**RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED
2014 SEPTEMBER 30:**

That Council:

1. Receive the **corrected** report for information; and
2. Direct that Attachments 2 and 3 remain confidential pursuant to sections 23 (1) (b), 24 (1) (a), (c), (d) and **25(1)(c)** of the *Freedom of Information and Protection of Privacy Act*, for a period of two years.

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee, held 2014 September 30:

"CLERICAL CORRECTION

At the request of Administration, clerical corrections were noted to Report PFC2014-0785, as follows:

- In the Header of the Report, by deleting the number "C2014-0785", and by substituting with the number "PFC2014-0785"; and
- On page 1 of 7, under the Administration Recommendations, Recommendation 2, by deleting the text "25(1) and (c)", and substituting with the text "25(1)(c)".

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“APPROVE, Moved by Councillor Demong, that the Administration Recommendations contained in Report PFC2014-0785 be approved,

And further, that the Priorities and Finance Committee direct Administration to include the updated pension reform information discussed at today’s meeting, prior to the report being forwarded to Council.”

PREVIOUS COUNCIL DIRECTION / POLICY

At an in-camera meeting on 2014 April 28 Council received an update report (C2014-0293) from the Pension Governance Committee (PGC) on Alberta Public Sector Pension Reform regarding the LAPP and SFPP.

BACKGROUND

Since the fall of 2013, representatives of The City participated in stakeholder forums and individual meetings with representatives of the Province regarding the Government’s proposed changes to the pension plans. On 2013 December 17, The City Administration provided a written submission, reviewed by the PGC and Council, to the province responding to the proposed changes at that time. On 2014 February 24 the Government announced intended changes that were different than the original 2013 proposals. On 2014 April 16 Bill 9, Public Sector Pension Plans Amendment Act, 2014 was introduced into legislation. On 2014 May 5, following second reading the legislative assembly referred the Bill to the Standing Committee for further review and consultation.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Province indicates that subject to the Standing Committee’s review, the changes are still scheduled to take effect 2016 January 1. The City feels it is essential that adequate opportunity is given, to review the recommendations from the Standing Committee’s final report in 2014 October and the final legislation and regulations to assess the impact of changes on:

- The City’s ability to attract and retain our workforce;
- The City’s operating budget;
- The City’s collective bargaining; and
- City sponsored pension plans which are linked to the provisions of the LAPP/SFPP.

Stakeholder Engagement, Research and Communication

The Standing Committee’s consultation process started in June 2014 with presentations from experts and stakeholder groups followed by seven public meetings attended by approximately 1,000 Albertans with more than 150 public members voicing their opinions. In addition over 450 written submissions were received from individual public employees, staff associations, advocacy groups and pension boards.

The City of Calgary was invited by the Standing Committee to present its views on Bill 9 relating to LAPP and SFPP as part of a Municipal Stakeholder Panel on 2014 June 4 (Attachment 1). The other panel invitees included The City of Edmonton, the Alberta Urban Municipalities Association (AUMA) and the Alberta Association of Municipal Districts and Counties (AAMDC).

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As well, on 2014 June 23 a public meeting was held in Calgary with 300 people attending of which 45 individuals and associations presented their views on Bill 9.

The City will continue to monitor the Standing Committee meetings until the final report to the Legislative Assembly, scheduled 2014 October 27. The Standing Committee can recommend to the Legislature, one of 3 options for Bill 9: 1) the Bill to proceed as is; 2) the Bill to proceed with amendment(s) or; 3) for the Bill not to proceed. The Assembly must then vote on whether it concurs with the recommendation.

The City will continue to participate in stakeholder forums, including those with the SFPP Board, where stakeholders are beginning to recommend decisions about the SFPP governance and plan sustainability.

Prior to the referral of Bill 9 to the Standing Committee, the Government published a discussion paper, Stabilizing Public Sector Pensions: The Contribution Rate Cap, requesting feedback from the four affected pension plans. The City of Calgary provided its feedback for LAPP and SFPP in 2014 July (Attachments 2 & 3).

Strategic Alignment

The 2020 Sustainability Direction goal of having a sustainable corporation is supported by maintaining a competitive total compensation package that attracts and retains the talent needed to deliver high quality and efficient public services. Once any changes are accepted into legislation, further assessment will be done.

Social, Environmental, Economic (External)

Changing an existing pension plan has a significant impact on the members of the plan and their families. Translated throughout all of the public sector, hundreds of thousands of Albertans will be impacted by these decisions with a tremendous ripple effect on the economic and social well-being of the members, the employers and, ultimately, the province as a whole.

Financial Capacity

Current and Future Operating Budget:

The financial impact to The City's future operating budgets that may result from changes to the pension plans cannot be determined until the legislation and regulations are finalized. There may be positive financial impacts arising from the implementation of a contribution cap and the 50/50 cost sharing model and negative financial impacts from the removal of the 35 year limit for plan contributions. There may be increased costs for recruitment, training, sickness and accident, overtime and associated administrative costs in the event that The City experiences higher staff turnover resulting from the changes.

The Minister anticipates that, in the long term, the intended changes are required to address LAPP's unfunded liabilities and will result in stable and predictable rates. Notwithstanding these intended changes, this summer the LAPP and SFPP Board's announced that there will be no contribution rate increases for 2015 and the plans are on schedule to pay off their unfunded liabilities based on assessments of the financial health of the plans at the end of 2013. In

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addition, because of solid investment returns, the plans have managed to absorb the added costs of changing demographics and the life expectancy of its members living longer. Another positive step the Boards have put in place is to build up contingency for unexpected fluctuations in the financial markets, demographics and other factors that may affect the plans adversely.

Current and Future Capital Budget:

n/a

Risk Assessment

1. Alberta Public Sector Pension reform has continued to shift and change since it began in September 2013. With the final legislation now scheduled 2014 October 27, there is an even shorter time span to deal with possible impacts on our organization if an effective date of 2016 January 1 is implemented.
2. It is unknown how the recent Progressive Conservative party leadership election will impact Bill 9.
3. There is a risk that Bill 9 will proceed in October 2014 with changes to LAPP and SFPP imposed by the Government without giving key stakeholders enough detail to fully understand the financial and Human Resources impacts.
4. There continues to be a significant risk to The City's workforce if a large number of employees leave before changes come into effect on 2016 January 1, including 'hard to fill' positions and employees who have attained their '85 factor' for an unreduced pension. Large employee turnover could undermine The City's ability to deliver services to citizens and result in significantly higher costs arising from increased recruiting, training, sickness and accident, and overtime and associated administrative costs.
5. It is in The City's best interests that our employees are aware of the Government's intended changes and understand how they could be personally impacted. Neither the plan administrator for LAPP and SFPP, Alberta Pension Services (APS) or The City is in a position to provide detailed information on the intended changes to LAPP and SFPP without knowing the regulations or the legislation. Pension issues can be complicated and hard to explain and the accuracy of answers is essential.

REASON(S) FOR RECOMMENDATION(S):

Council receive this report as an update on Alberta Public Sector Pension Reform regarding the LAPP and SFPP.

ATTACHMENT(S)

1. City Administration Presentation to Standing Committee on Alberta's Economic Future 2014 June 4
2. City's Response to Alberta Treasury Board and Finance regarding the Contribution Rate Cap dated 2014 July 18
3. City's Response to the SFPP Board Chair regarding the Contribution Rate Cap dated 2014 July 17
4. **City Administration Update**