

As per Council Policy CC011, all presentations to Council or Committee must include disclosure of significant risks associated with alternatives presented and the recommended course of action.

Council Policy CC011 instructs report-writers to include only new significant risks in the reporting period. As this is the first time that risks are presented in this report, all significant risks to the pension plans are being presented. In subsequent reports, only significant risks arising in that year will be presented.

Legislative Risk

Background

Pension plans are governed by provincial legislation and the Income Tax Act (ITA). The City monitors the legislation to assess if there have recently been, or might be, changes which would have a financial impact on The City.

It is noted that there will be changes to the Canada Pension Plan (CPP) starting in 2019. These changes do not have an explicit impact on any of the pension plans; however, the LAPP Board is contemplating changes to the LAPP to mitigate increased contributions by both employees and employers to the CPP.

Risk Management Strategy

The City does not have control over changes to legislation. Representation on Local Authorities Pension Plan (LAPP) and Special Forces Pension Plan (SFPP) Stakeholder Committees and the LAPP Advisory Committee, which provide input to the trustee boards, affords an opportunity to articulate The City's concerns and gain insight on government activities.

Likelihood and Impact (City of Calgary Risk Matrix)

Likelihood: Low - legislation which has financial impacts typically takes months or even years to enact

Impact: Medium (there may be financial and/or sustainability impacts)

Overall: Low

Valuation Assumption Risk

Background

The status of a pension plan is based on actuarial valuations which necessarily contain many economic and demographic assumptions. To the extent these assumptions deviate from actual future experience, gains or losses to the pension plans will occur, which may impact City and member contributions and/or The City's financial statements.

Risk Management Strategy

For the City-Sponsored pension plans (SPP and EOPP), the PGC works closely with the funding actuaries to set assumptions and understand the risks involved. Similarly, Finance works closely with the accounting actuaries. The actuarial reports detail gains/losses and their effect on the pension plans. Formal funding and governance policies are in place for EOPP and SPP which establish frameworks for the PGC.

2017 Risk Assessment

Likelihood and Impact (City of Calgary Risk Matrix)

Likelihood: Medium – assumptions are reviewed with each triennial valuation and often changed

Impact: Medium – most assumption changes have some financial impact, but are usually not substantial

Overall: Medium

Operations, Process Risk

Background

Pension plans are inherently complex and affect The City in many areas of our business. Pension plans are governed by a host of laws, guidelines, standards and processes; a thorough understanding is essential to proper governance.

Risk Management Strategy

The City employs experts (internally and externally) in each required field. The PGC oversees the external experts and receives regular reports from the internal departments who attend to the pension plans.

Likelihood and Impact (City of Calgary Risk Matrix)

Likelihood: Low – policies and procedures are in place for all aspects of the pension framework

Impact: Medium – delivery of pension-related services may be impacted in the time it takes for rectification

Overall: Low

Talent Management & Workforce Vulnerability

Background

Pension plans help The City attract, develop, engage and retain key talent and knowledge in order to meet current and future business needs.

Risk Management Strategy

In situations where The City has the ability to have input into the provisions of the pension plan, The City will continue to monitor the appropriateness of the pension plans in the context of total compensation.

Likelihood and Impact (City of Calgary Risk Matrix)

Likelihood: Low – total compensation is reviewed regularly by The City

Impact: Low – some impact to the strengthening the workplace initiative

Overall: Low