

**Chief Financial Officer's Report to
Priorities and Finance Committee
2018 December 04**

**ISC: UNRESTRICTED
PFC2018-1162**

Council Pension Plans – Report back

EXECUTIVE SUMMARY

This report is in response to NOTICE OF MOTION C2018-0935. As directed, Human Resources met with available Members of Council and this report summarizes their comments.

ADMINISTRATION RECOMMENDATION:

1. That the Priorities and Finance Committee receive this report for information.
2. The Priorities and Finance Committee recommends that Council receive this report for information.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2018 DECEMBER 04:

That Council receive Report PFC2018-1162 for information.

PREVIOUS COUNCIL DIRECTION / POLICY

As per NOTICE OF MOTION C2018-0935, Human Resources met with each available member of Council to gather their observations, experiences and suggestions relating to the Council pension plans, including pension governance (Attachment #1). Human Resources' role was to facilitate data gathering by recording Member of Council comments. An interview guide was developed to ensure consistency in data gathering and Members of Council were advised that their individual comments would be kept confidential and only aggregated data would be included in the report. (Attachment #2)

In an effort to create a base level of understanding, Human Resources also held two "Pension 101" sessions for Members of Council in advance of the individual interviews. Four Councillors were able to attend. (Attachment #3)

Human Resources was directed to recommend whether Council suggestions and comments fall within the mandate and terms of reference of the Pension Governance Committee (PGC), the mandate of the Council Compensation Review Committee and/or the mandate of other committees of Council, or Administration.

Administration is reporting back to the Priorities and Finance Committee and Council for a review of findings and recommendations, as directed, by December 31, 2018.

BACKGROUND

As per the Notice of Motion:

Council members are eligible to participate in the Elected Official Pension Plan (EOPP) and, subject to their annual salary, the Supplementary Pension Plan for the Elected Officials of The City of Calgary (EOSP).

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There have been questions raised by citizens and interest groups about the Council pension plans.

There has been information published about the Council pension plans that has been inaccurate, incomplete or has been open to interpretation.

Pension plans can be difficult to explain and are not always easily quantifiable or comparable, given the different designs and the assumptions that must be made.

Citizens and Members of Council want to understand that their pension provisions are reasonable.

Members of Council would like to ensure that the Pension Governance Committee provides their plan and its members with sound governance and oversight.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The comments by Members of Council can be grouped into 3 areas which are listed below:

1. Many recommendations suggested by Members of Council are ones best considered by Council and the Council Compensation Review Committee (CCRC):
 - The total compensation package for Members of Council should align to a set of agreed upon objectives which should be revisited periodically.
 - There needs to be discussion and agreement on the proper comparators for benchmarking the Members of Council's total compensation package.
 - The Council pension plan should be assessed as part of this total compensation package review.
 - All elements of total compensation should be reviewed regularly by CCRC, and several felt that CCRC recommendations should be accepted by Council.
 - There are differing opinions on the appropriate design or structure for the Council pension plan.
 - The CCRC should remain independent and supported by Administration.
2. Members of Council value the Annual Report that is provided by the Pension Governance Committee (PGC) to Council. Some expressed a desire for more regular information that could be achieved by making key messages from quarterly PGC meetings accessible to all Members of Council.
3. There is an opportunity for Administration to improve the effectiveness of communication to support Members of Council. Specifically, they are looking for communications that:
 - Are proactive.
 - Use plain language.
 - Provide talking points.
 - Utilize a variety of communication channels to serve different stakeholder needs.

Stakeholder Engagement, Research and Communication

Interviews were conducted with 13 of the 15 Members of Council. This engagement produced a number of common themes as described in more detail below:

Question 1: Pension plan self-reported understanding

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- There is considerable variation in the degree of self-reported understanding of the Council pension plan.
- Several indicated they knew where to find information on their pension plan.
- Those that are not informed realized that they did not take advantage of the information available.
- There appears to be some confusion around the transition allowance. Some had elements of it confused with the Council pension plan.

Question 2: Stakeholder communication readiness

- Need information more quickly from Administration or already have it on hand.
- Information from Administration is too detailed and needs to be in layman's terms.
- Need proactive and effective communication.
- Need facts, talking points and comparators.
- More aggressive communication.
- Most members indicated they receive very few questions regarding pension plans.

Question 3: What does good governance look like

- Sustainable.
- Predictable.
- Require solid reasons for action taken.
- Regular reporting from PGC to Council.

Question 4: PGC self-reported understanding

- Generally, not much is known.

Question 5: Impressions of PGC performance

- Members of Council tend to trust that PGC is doing their job.
- Annual report from PGC is useful.

Question 6: Means to assess reasonability and fairness of pension plan

- Pension should be reviewed regularly by CCRC and several felt that recommendations should be accepted by Council.
- Comparisons with proper and objective benchmarking.
 - External HR firm as a resource to CCRC.
 - Various opinions on proper comparators whether that is private, public or both.
 - Quality of data provided to Council.
- The total compensation package for Members of Council should align to a set of agreed upon objectives which should be revisited periodically.
- Pension plans should be viewed as part of a total compensation package.

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Question 7: Other experiences, comments or suggestions

- Differing opinions on whether the current defined benefit plan is the right kind of structure. Suggested structures include:
 - Status quo.
 - Change to defined contribution plan.
 - Change to group RRSP or other savings plan.
 - More flexible compensation vehicles versus pension.
- Are pensions valued by current and potential Council?
- Changes should be fair.

Strategic Alignment

This report supports the Council Directive: *"A well-run city - Calgary's government is open, responsive, accountable and transparent, delivering excellent services at a fair price."*

Social, Environmental, Economic (External)

There have been questions raised by citizens and interest groups about the Council pension plans. There is a need to be more transparent in addressing questions and concerns.

There has been information published by entities other than the City of Calgary itself, about the Council pension plans that has been inaccurate, incomplete or has been open to interpretation. There is an opportunity to better communicate pension information using plain language that is understandable by a broad range of constituents.

Financial Capacity

Current and Future Operating Budget:

There are no financial implications to the current or future City of Calgary Operating budget.

Current and Future Capital Budget:

There are no financial implications to the current or future City of Calgary Capital budget.

Risk Assessment

Failure to communicate effectively increases the risk of stakeholders not having objective and understandable information to assess the appropriateness of Council pension plans.

REASON(S) FOR RECOMMENDATION(S):

This report is in response to Notice of Motion C2018-0935 and is for information only.
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ATTACHMENT(S)

1. Attachment 1 – Notice of Motion C2018-0935
2. Attachment 2 – Interview Guide for Councillors
3. Attachment 3 – Pension 101 Presentation for Elected Officials 2018