



Report Number: C2019-0568

Meeting: Combined Meeting of Council

Meeting Date: 2019 April 29

NOTICE OF MOTION

RE: COMPREHENSIVE PUBLIC SECTOR PENSION REVIEW

Sponsoring Councillor(s): GEORGE CHAHAL, DIANE COLLEY-URQUHART, PETER DEMONG,
SHANE KEATING

WHEREAS the Pension Governance Committee (PGC) is responsible for oversight on matters relating to The City of Calgary pension plans for employees and Council, and for appointing stakeholder representatives (Plan Sponsor) for the multi-employer pension plans that are under the oversight of other bodies such as the Local Authorities Pension Plan (LAPP), the Special Forces Pension Plan (SFPP) and the Firefighters Supplementary Pension Plan (FSPP);

AND WHEREAS the Administrative Leadership Team (ALT) is accountable for approving a comprehensive compensation structure including retirement packages and pensions in order to attract and retain talent that is also competitive and financially sustainable for The City and Calgary taxpayers;

AND WHEREAS the Federal Government tabled legislation in 2016 which would introduce changes to amend the Pension Benefits Standards Act through Bill C-27 so that federally regulated companies and Crown corporations would have the option of setting up Target Benefit Plans (TBP) for their employees;

AND WHEREAS in 2018 the Government of Alberta introduced Bill 27: Joint Governance of Public Sector Pensions Act which transitions the LAPP and the SFPP into a joint governance structure which gives substantial power to employer and/or employee representatives to manage different aspects of the pension plans;

AND WHEREAS The City of Calgary is the second largest employer represented in the LAPP with just under 10% of the active plan members, while Alberta Health Services makes up more than 50% of the active plan members;

AND WHEREAS from 2009-2017, The City of Calgary booked an average of 52% of its total expenditures on total compensation and 5% on pension expenses, where the average annual growth for pension expenses was 11% while total compensation was 6% and total expenditures was 6%;

AND WHEREAS in 2017 1) total expenditures equaled \$3.82B, 2) total compensation equaled \$2.01B, and 3) pension expenses equaled \$208M;

AND WHEREAS in recent years, the private sector and in some cases the public sector has started to migrate away from Defined Benefit Plans (DBP) for a variety of valid reasons;

AND WHEREAS DBPs can be volatile in nature due to valuation assumption risk whereby actuarial valuations on plan assets and liabilities are dependent on economic and demographic assumptions, possibly resulting in significant variability in realized gains or losses, which may have a direct and/or indirect impact on employer and/or employee contributions;

AND WHEREAS the foundational assumptions of DBPs may include things such as interest rates, investment returns, inflation, life expectancy, future salary levels and demographic assumptions that can change over time and cause significant volatility in realized gains and/or losses for such pension plans;

AND WHEREAS The City of Regina experienced such escalating issues with respect to the Regina Civic Employees' Superannuation & Benefits Plan (7,000+ civic employees plus members from other industries) with a deficit close to \$300M in 2013, which led to threats from the provincial regulator to cancel the plan;

AND WHEREAS The City of Montreal also saw the cost of pension servicing go from \$100M to \$600M between 2002 and 2014 resulting in a pension deficit of close to \$2B in 2012;

AND WHEREAS The Government of New Brunswick also incurred major setbacks with their public sector pension plans after the financial crisis in 2008, which caused substantial investment losses, and led to major reforms and the introduction of Bill 63 to amend the Pensions Benefit Act (creating a new pension option called the Shared-Risk Pension Plan (SRPP) which is a TBP);

AND WHEREAS The City of Calgary and City Council spent a considerable amount of time debating the recent \$250M shortfall in the budget due to devaluation of downtown office towers which resulted in increases in taxes and possible structural changes that may result from an in-depth Service Line Review;

AND WHEREAS with City Council governance responsibilities, direction must be given to look at creative ways of providing secure, sustainable, and affordable pension options that balance the needs of all stakeholders including the employer, the employees, taxpayers, future taxpayers, society-at-large, and which comply with applicable legislation and existing labour agreements;

AND WHEREAS it is imperative for the long-term health of The City of Calgary that City Council is proactive, and makes continuous improvements and adjustments to its policies, procedures, and operations by asking the right questions in order to avoid crisis situations before they materialize;

THEREFORE, BE IT RESOLVED that Council directs Administration to engage independent expert(s) and/or consultant(s) to address the following, with a report back to Priorities and Finance no later than Q1 2020:

1. A comprehensive examination that includes but is not limited to a quantitative and qualitative analysis of the state of The City of Calgary's Pension Plans by:
 - a. Reviewing annual financial and performance history that dates back to 2000 and may include, but not limited to, expense ratios, solvency funded ratios, going concern ratios, assets, liabilities, unfunded liabilities, administrative costs, pension plan contributions (employer and employee), number of active members, investment returns, and any other variables that can describe plan strengths, weaknesses, gaps, and suitability for the long-term health of The City;
 - b. Examining the short, medium, and long-term viability and sustainability;
 - c. Comparing public and private industry trends including best practices;
 - d. Comparing other types of pension plans available in the marketplace (i.e. Defined Contribution, Hybrid, Target Benefit, Other etc.) that would provide good financial stewardship (current and future) and risk mitigation for The City of Calgary while also striving to keep the impact of any possible changes at a minimum for all employees (exempt, non-exempt, Council);
 - e. Evaluating entry/exit strategies, including costs or savings, of moving toward other identified pension plans that would include recommendations to align with current policy, rules, collective agreements, or legislation (municipal, provincial, or federal) or provide suggestions on recommended changes that would need to be implemented at the municipal, provincial, or federal levels to achieve the pension reform changes that are being suggested;
 - f. Identifying any potential impacts on current employee retention and future employee recruitment of moving towards other identified pension plans;

- g. Determining risks and other impacts on The City of Calgary and employees in migrating towards other potential viable and sustainable pension plans.