

Cole, Glenda

From: Lavallee, Mark
Sent: Thursday, October 05, 2017 7:48 AM
To: Demong, Peter
Subject: RE: Council pension

Hi Peter

Further to our telephone conversation yesterday regarding the contribution rates, I provide the following.

s. 24(1)(a), (b)

I trust this answers your question.

Regards,
Mark

From: Lavallee, Mark
Sent: Monday, October 02, 2017 3:04 PM
To: Demong, Peter <Peter.Demong@calgary.ca>
Subject: Re: Council pension

It's for all members of Council who meet the salary threshold - currently that is only the Mayor.

Sent from my iPhone

On Oct 2, 2017, at 2:09 PM, Demong, Peter <Peter.Demong@calgary.ca> wrote:

So the second pension is for mayor only?

Peter Demong
Councillor ward 14

On Oct 2, 2017, at 2:04 PM, Lavallee, Mark <Mark.Lavallee@calgary.ca> wrote:

Hello Cllr. Demong

The current contribution ratio is 9% Councillor paid and 18.64% City paid (percentage is of salary). There is a second pension plan for Councillors - Elected Officials Supplementary Pension Plan

s. 24(1)(a), (b)

Mark

Sent from my iPhone

On Oct 2, 2017, at 12:22 PM, Demong, Peter <Peter.Demong@calgary.ca> wrote:

Hi Mark

I know you have probably read/heard Colin Craig with the Calgary taxpayer federation talking about council compensation. I remember council made changes to the contribution rates back in 2012ish. Would you happen to know offhand what the contribution ratio is at present? Also in Saturdays herald Colin referenced a "second" pension plan for council any idea what he may be referencing?

Peter Demong
Councillor ward 14

Cole, Glenda

From: Lavallee, Mark
Sent: Thursday, November 02, 2017 11:49 AM
To: Domzal, Heather M.
Subject: FW: Response to CTF_nov 1_final
Attachments: Response to CTF_nov 1_final.docx

Vanessa should have a final copy as this one has my suggestions...you may want to follow-up with Vanessa.

From: Lavallee, Mark
Sent: Wednesday, November 1, 2017 4:38 PM
To: Farrelly, Vanessa <Vanessa.Farrelly@calgary.ca>; Munn, Cindy <Cindy.Munn@calgary.ca>; Storer, Monica D. <Monica.Storer@calgary.ca>; Blanchette, Colleen <Colleen.Blanchette@calgary.ca>; Megrath, Vickie <Vickie.Megrath@calgary.ca>
Subject: Response to CTF_nov 1_final

My minor changes are in the attached.

Cole, Glenda

From: Lavallee, Mark
Sent: Thursday, November 02, 2017 11:49 AM
To: Domzal, Heather M.
Subject: FW: Response to CTF_nov 1_final
Attachments: Response to CTF_nov 1_final.docx

Vanessa should have a final copy as this one has my suggestions...you may want to follow-up with Vanessa.

From: Lavallee, Mark
Sent: Wednesday, November 1, 2017 4:38 PM
To: Farrelly, Vanessa <Vanessa.Farrelly@calgary.ca>; Munn, Cindy <Cindy.Munn@calgary.ca>; Storer, Monica D. <Monica.Storer@calgary.ca>; Blanchette, Colleen <Colleen.Blanchette@calgary.ca>; Megrath, Vickie <Vickie.Megrath@calgary.ca>
Subject: Response to CTF_nov 1_final

My minor changes are in the attached.

Cole, Glenda

From: Domzal, Heather M.
Sent: Friday, November 03, 2017 4:25 PM
To: Fielding, Jeff
Cc: Cole, Glenda
Subject: Quick update on pension matter

Hi Jeff,

I just wanted to send you a quick update on the pension matter. Several of us just had a conference call about the draft response to the CTF. We are confirming a few pieces of information, which will be done (hopefully) on Monday morning. I have booked some time with you at 9:30 a.m. to review the final response. We can determine at that time how to keep Council informed.

Thanks and have a great weekend,
Heather

Heather Domzal
Chief of Staff
City Manager's Office, The City of Calgary
T 403.268.2261 | C 403.200.9251
E heather.domzal@calgary.ca | W www.calgary.ca
P.O. Box 2100, Station M, Calgary, AB Canada T2P 2M5

Cole, Glenda

From: Stevens, Brad
Sent: Saturday, November 04, 2017 10:44 AM
To: Lavallee, Mark
Cc: Sawyer, Eric; Cole, Glenda; Domzal, Heather M.
Subject: Re: PGC Overview

Thanks Mark.

s. 24(1)(a), (b)

Thanks folks!!

Sent from my iPhone

ISC: Protected

On Nov 3, 2017, at 9:24 PM, Lavallee, Mark <Mark.Lavallee@calgary.ca> wrote:

Some key dates and more information...

Mark Lavallee, MBA, CPHR
Chief Human Resources Officer
The City of Calgary
11th Floor, 800 Macleod Trail SE
Calgary, AB T2P 2M5 #8107DO
T: 403-268-2201 F: 403-268-4680
<image001.png>

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<PGC link.pdf>

Cole, Glenda

From: Lavallee, Mark
Sent: Saturday, November 04, 2017 8:25 PM
To: Sawyer, Eric; Cole, Glenda; Domzal, Heather M.; Stevens, Brad
Subject: DRAFT Letter to Cllr. Demong
Attachments: 2012 Q1 PGC Action 4 Att 1 20120123 Council minutes report 8069803202012....pdf; Council Pension Cllr Demong Reply Draft 2.docx

Good evening

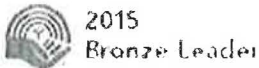
Attached is a draft letter to Cllr. Demong along with the report that went to Council regarding the change in contribution rates.

s. 24(1)(a), (b)

documentation, most of which I have already sent to you. We have supporting

Mark

Mark Lavallee, MBA, CPHR
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Mayor Nenshi

From: Gualtieri, Franca
Sent: Tuesday, November 07, 2017 2:00 PM
To: Mayor Nenshi
Subject: FW: Pension Plans for Members of Council
Attachments: Letter to city manager re council pensions.pdf; CanadianTaxpayersFederationResponse.pdf

Franca Gualtieri
Executive Assistant & Office Manager
Office of the Mayor
The City of Calgary
P.O. Box 2100, Station M, Calgary, AB Canada T2P 2M5
Telephone: 403-268-8126 Mobile : 403-470-7829
Email: franca.gualtieri@calgary.ca

Fax: 403.268.8130 | Reception: 403-268-5622 | Mail Code: #8069
W: www.calgarymayor.ca

What are your Three Things for Canada?

City of Calgary
403.268.8130 | www.calgary.ca

From: Nicolescu, Corina **On Behalf Of** Lavallee, Mark
Sent: Tuesday, November 07, 2017 1:59 PM
To: Gualtieri, Franca
Subject: Pension Plans for Members of Council

Hi Franca,

Kindly forward the message below and attachments to the Mayor.

Thank you very much.

Corina on behalf of Mark Lavallee

Corina Nicolescu, BBA
Executive Advisor
Chief Human Resources Office
Human Resources | The City of Calgary
T: 403.268.8026 C: 403.801.0661 F: 403.268.4680
E: corina.nicolescu@calgary.ca Mail code: #8107DO
11th floor, Municipal Building
800 Macleod Trail SE

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From: Lavallee, Mark

Sent: Tuesday, November 7, 2017 1:46 PM

To: Colley-Urquhart, Diane <Diane.Colley-Urquhart@calgary.ca>; Jones, Eric <Eric.Jones@calgary.ca>

Cc: Councillors <A2D@calgary.ca>; Administrative Leadership Team <ExecutiveOfficers@calgary.ca>; Nenshi (naheed.nenshi@calgary.ca) <naheed.nenshi@calgary.ca>

Subject: Pension Plans for Members of Council

Dear Councillor Colley-Urquhart and Councillor Jones

As Council appointees to the Pension Governance Committee, I would like you to be aware of an inquiry from the Canadian Taxpayer Federation regarding pension plans for elected officials (attached).

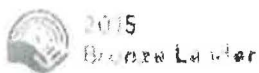
Colin Craig, Interim Alberta Director of the Federation, requested information on the Elected Officials Pension Plan (EOPP) and the Elected Officials Supplementary Pension plan (EOSP).

Please see attached The City's response to the letter where answers were provided to four questions posed by Mr. Craig. We have also clarified information that has been publicly stated about the ratio of contributions to Council pension plans.

Please feel free to contact me with any questions or comments.

Thank you,
Mark

Mark Lavallee, MBA, CPHR
Chief Human Resources Officer
The City of Calgary
11th Floor, 800 Macleod Trail SE
Calgary, AB T2P 2M5 #810700
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October 30, 2017

Mr. Jeff Fielding,

I am writing to you today on behalf of the Canadian Taxpayers Federation to request your assistance with obtaining Information on the City of Calgary's Elected Officials Supplementary Pension plan (EOSP).

We recently tried to obtain information on the plan, but did not receive a complete response to our freedom of information request and attempts to reach staff by phone were unsuccessful.

Could you please provide answers to the following questions?

- 1) Why is the mayor the only council member with two pensions? How did the second plan morph from being presented as a plan for all of council to only the mayor qualifying for the benefit?
- 2) The city's response to our FOI indicated that from 2008 to 2016 the plan cost taxpayers \$329,177. We were told the city doesn't have data for previous years – how could that be?
- 3) City documents indicate the plan operates on a "pay as you go" basis. Our interpretation is that the \$329,177 would have been used to pay for retired members of council. Are there any estimates as to what taxpayers will have to pay in the future for Mayor Nenshi's benefits from the second pension plan?
- 4) The pension plan allows for "up to \$3,000" in vehicle benefits to be included in the calculation of future pension benefits. Do any other City of Calgary pension plans take into account an employee's vehicle allowance?

Thank you for your assistance with this matter. I look forward to your response.

Sincerely,

Colin Craig,
Interim Alberta Director
Canadian Taxpayers Federation



November 7, 2017

Colin Craig
Interim Alberta Director
Canadian Taxpayers Federation
Via email ccraig@taxpayer.com

Dear Mr. Craig:

I am writing to follow up on the letter you sent to City Manager Jeff Fielding dated October 30, 2017. Please find below the answers to your questions.

1) Why is the mayor the only council member with two pensions? How did the second plan morph from being presented as a plan for all of council to only the mayor qualifying for the benefit?

The Elected Official Pension Plan (EOPP) is a registered pension plan for Canada Revenue Agency (CRA) purposes, which was established in 1989 for all Members of Council. This plan provides benefits up to a maximum pension limit prescribed by the Income Tax Act (ITA). If a member has earnings above the maximum pension limit, these earnings are captured through the non-registered Supplementary Pension Plan for Elected Officials (EOSP) which provides a coordinated benefit of two (2) per cent of total taxable salary.

The EOSP was established in 1999 for all Members of Council. In 2006, there were changes in the taxable status of Councillors' earnings and the portion of salary that had been non-taxable became taxable, making it eligible under the EOPP. While Councillors are eligible for the EOSP, they would not qualify for paid benefits under the plan since their pensionable salary is under the limit established by the ITA. The Mayor's salary is the only one high enough to produce a benefit, and as a result, the Mayor is the only active member in the EOSP.

2) The City's response to our FOI indicated that from 2008 to 2016 the plan cost taxpayers \$329,177. We were told the city doesn't have data for previous years – how could that be?

The data is not available for years prior to 2008 as it has been purged in accordance with The City's records classification and retention policies.

2
2017/11/07
Colin Craig, Canadian Taxpayers Federation

3) City documents indicate the plan operates on a "pay as you go" basis. Our interpretation is that the \$329,177 would have been used to pay for retired members of council. Are there any estimates as to what taxpayers will have to pay in the future for Mayor Nenshi's benefits from the second pension plan?

The EOSP is a pay-as-you-go plan, and your interpretation is correct in that \$329,177 was used to pay retirement pensions and lump sums on termination. In years where a former member has chosen a lump sum option, the contributions can increase significantly. Otherwise, contributions are fairly stable. Please note that although payments are made out of general revenue, the pension obligations for the non-registered plans are recorded in The City's financial statements and expensed in accordance with Canadian accounting standards.

The value of accrued benefit obligations is not separately identifiable for individual members of the EOSP. The value of accrued benefit obligations for all members of the EOSP, as well as the members of the other City of Calgary non-registered defined benefit pension plans, are prepared by an independent firm of actuaries and can be found in The City of Calgary 2016 Annual Report beginning on page 52 at www.calgary.ca/CA/fs/Documents/Plans-Budgets-and-Financial-Reports/Annual-Reports/Annual-Reports/16-17.pdf.

4) The pension plan allows for "up to \$3,000" in vehicle benefits to be included in the calculation of future pension benefits. Do any other City of Calgary pension plans take into account an employee's vehicle allowance?

Yes, Local Authorities Pension Plan (LAPP) defines a vehicle allowance as, "*The value of the provision of an automobile for personal use, not exceeding the lower of \$3,000 per annum and the amount reported as the taxable benefit for that usage for income tax purposes.*" City of Calgary pension plans that are related to LAPP follow this definition.

I would also like to clarify information that has been publicly stated about the ratio of contributions to Council pension plans.

Provincial legislation and CRA requires funding valuations be performed at least every three years to determine required contributions to the EOPP trust. Regular plan contributions are funded according to both the member and The City contribution rates.

Member contribution rates to EOPP are a fixed rate based on Council decisions arising out of recommendations from the Council Compensation Review Committee. Rates were six (6) per cent of salary for 2007 – 2011 and increased to nine (9) per cent for 2012 – 2016.

The City's regular contribution rates to EOPP are determined from the funding valuation and have ranged from 15.1 per cent of salary to 19.47 per cent over the 2007 – 2016 time frame.

6

3
2017/11/07
Colin Craig, Canadian Taxpayers Federation

Over that period of time, The City's contribution compared to the member contribution rate has varied from 1.7 to 1 to 3.2 to 1, depending on the funding requirements of the EOPP. In 2016, The City's contribution rate was 18.64 per cent compared to the member contribution rate of 9 per cent. This is a City to member contribution ratio of 2.1 to 1 in 2016.

The City has made lump sum contributions to the EOPP in accordance with the ITA and in accordance with the fiduciary responsibilities of the Pension Governance Committee (PGC). In 2007 a contribution of \$988,000 was made to reflect the change in taxable status of Councillor earnings the previous year. Contributions of \$1,284,000 in 2010 and \$806,000 in 2013 were made to fund pension plan deficits revealed in valuation reports by the actuary.

Thank you for your interest.

Sincerely,



Mark Lavallee
Chief Human Resources Officer
T 403 268.2201 | F 403 268 4681 | Mail code #8107DO

c. Jeff Fielding, City Manager #8003

Cole, Glenda

From: Colley-Urquhart, Diane
Sent: Tuesday, November 07, 2017 2:32 PM
To: Lavallee, Mark
Cc: Jones, Eric; Councillors; Administrative Leadership Team; Office of the Mayor
Subject: Re: Pension Plans for Members of Council

Mark thanks for fulfilling my request and circulating to all my colleagues. Many thanks. Diane
Dicu

Sent from my diPhone
www.councillordiane.ca
www.calgary.ca/ward13
@BigRedyyc

On Nov 7, 2017, at 1:45 PM, Lavallee, Mark <Mark.Lavallee@calgary.ca> wrote:

Dear Councillor Colley-Urquhart and Councillor Jones

As Council appointees to the Pension Governance Committee, I would like you to be aware of an inquiry from the Canadian Taxpayer Federation regarding pension plans for elected officials (attached).

Colin Craig, Interim Alberta Director of the Federation, requested information on the Elected Officials Pension Plan (EOPP) and the Elected Officials Supplementary Pension plan (EOSP).

Please see attached The City's response to the letter where answers were provided to four questions posed by Mr. Craig. We have also clarified information that has been publicly stated about the ratio of contributions to Council pension plans.

Please feel free to contact me with any questions or comments.

Thank you,
Mark

Mark Lavallee, MBA, CPHR
Chief Human Resources Officer
The City of Calgary
11th Floor, 800 Macleod Trail SE
Calgary, AB T2P 2M5 #8107DO
T: 403-268-2201 F: 403-268-4680

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<Letter to city manager re council pensions.pdf>

<CanadianTaxpayersFederationResponse.pdf>

Cole, Glenda

From: Lavallee, Mark
Sent: Thursday, November 23, 2017 5:09 PM
To: Gentili, Jeannette
Cc: Fielding, Jeff; Domzal, Heather M.; Cole, Glenda; Sawyer, Eric
Subject: Council Pension - Jeff's e-mail
Attachments: Council Pension Nov 23 017.pdf

Hi Jeannette

mail from Jeff. s. 24(1)(a), (b) Attached is the document that goes with the e-

s. 24(1)(b)

Thanks.

Mark

s. 24(1)(a), (b)

Cole, Glenda

From: Lavallee, Mark
Sent: Thursday, November 23, 2017 5:23 PM
To: Cole, Glenda; Sawyer, Eric
Subject: FW: Council Pension Information Request
Attachments: Council Pension Nov 23 017.pdf

FYI. This went out right after Jeff sent his e-mail to Council.

From: Lavallee, Mark
Sent: Thursday, November 23, 2017 5:18 PM
To: Keating, Shane <Shane.Keating@calgary.ca>
Cc: Fielding, Jeff <Jeff.Fielding@calgary.ca>
Subject: Council Pension Information Request

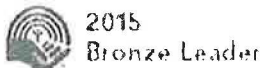
Dear Councillor Keating

You requested information on Council pensions in the context of recent media articles. This e-mail and the attached document are in response to that request.

If you require more information or clarification, please call me at 403-268-2201.

Regards,
Mark

Mark Lavallee, MBA, CPHR
Chief Human Resources Officer
The City of Calgary
11th Floor, 800 Macleod Trail SE
Calgary, AB T2P 2M5 #8107DO
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The Pension Plans

There are two pension plans available to Councillors – the Pension Plan for Elected Officials of The City of Calgary (“EOPP”) and the Supplementary Pension Plan for Elected Officials of The City of Calgary (“EOSP”).

The EOPP was established October 1, 1989 through a directive of Council. The EOPP is registered with Alberta Treasury Board and Finance (“ATBF”) and is subject to the rules in the Alberta Employment Pension Plans Act and its regulations (“EPPA”). It is also registered with Canada Revenue Agency (“CRA”) and is subject to the rules in the Income Tax Act (Canada) (“ITA”). It was last reviewed by Council on January 23, 2012 and contribution rates were amended, again through a directive of Council. Currently, Elected Officials contribute 9% of taxable earnings towards the EOPP. More information on contribution rates is provided below. The EOPP provides a benefit of 2% of taxable pensionable earnings up to the ITA maximum pension limit (\$145,722 in 2017) for the years of service recognized under the EOPP.

The EOSP was established October 1, 1999 through a directive of Council. The EOSP provides a benefit for taxable pensionable earnings above the ITA maximum pension limit and for non-taxable earnings (note that all earnings have been fully taxable since 2007 so there is no benefit which arises from this provision). The provisions of the EOSP, combined with the EOPP, result in a 2% pension benefit of total pensionable earnings for the years of service recognized under the plans. The City pays the full cost of the EOSP plan, which has been less than \$35,000 per year since 2009. The EOSP is an unfunded arrangement and benefit payments are made from City resources on a pay-as-you-go basis. As the EOSP provides pension benefits in excess of the ITA limits, it is not registered with either ATBF or CRA.

Both plans are reviewed by the Council Compensation Review Committee (“CCRC”) which in turn makes recommendations to Council regarding the plans.

Funding the EOPP

In accordance with the EPPA, an actuarial valuation of the EOPP is conducted once every 3 years, with the most recent being as at December 31, 2015. The main purpose of an actuarial valuation is to provide recommendations as to the minimum and maximum allowable plan sponsor contributions to the EOPP. Through a dialogue with The City’s Pension Governance Committee (PGC), the actuary sets assumptions in order to perform the valuation, and these assumptions are set out in the valuation report. The two pieces which must be funded, and which are explained in greater detail below, are:

- The current service cost; and
- The unfunded liability, if any.

Current Service Cost

The current service cost is the amount which must be funded for service being accrued in each year in the future. For example, the December 31, 2015 actuarial valuation calculated the current service cost for the years 2016, 2017 and 2018. When the next actuarial valuation is performed as at December 31, 2018, the current service cost for the years 2019, 2020 and 2021 will be calculated, and so on.

The table below shows the current service cost. It is important to note that current service cost is highly sensitive to the demographics of the members as it is a small group. Barring any unfunded liabilities as discussed in the next section, the current service cost is the best estimate of EOPP costs on a go-forward basis.

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Contribution Rate	21.40%	21.80%	22.30%	25.47%	25.18%	24.10%	26.30%	26.28%	26.25%	27.64%
Councillor Contribution Rate	6%	6%	6%	6%	6%	9%	9%	9%	9%	9%
City Contribution Rate	15.40%	15.80%	16.30%	19.47%	19.18%	15.10%	17.30%	17.28%	17.25%	18.64%
City / Councillor Contribution Ratio	2.56:1	2.63:1	2.72:1	3.25:1	3.20:1	1.68:1	1.92:1	1.92:1	1.92:1	2.07:1

Unfunded Liability Payments

“Liability” is the value of the obligation owed to all members as at the date of valuation. In this context, “member” means all current Councillors participating in the EOPP, all pensioners receiving a monthly pension, and former Councillors who left their entitlement in the EOPP to be taken at a later date. The December 31, 2015 actuarial valuation calculated the liability to be \$9,318,000, as reported in the annual report from the PGC to Council. These liabilities are compared to the assets in the EOPP trust fund at that time and, if the assets are more than the liabilities, the EOPP is considered to be fully funded and no unfunded liability payments are required. The assets in the EOPP trust fund were \$11,821,000 at the end of 2015, so the EOPP was 126.87% funded.

If the assets are less than the liabilities, the EOPP is considered to be underfunded; the difference being an “unfunded liability”. The City would be required by the EPPA to make payments into the EOPP trust fund in order to bring the EOPP to fully funded status. Members are not allowed under the EPPA to make contributions to the unfunded liability. The actuarial report states the minimum and maximum time periods over which the unfunded liability can be paid. The City may make a lump-sum payment to fully fund the plan immediately, or amortization payments over a 15-year period.

Lump Sum Payments

In addition to meeting minimum legislated funding requirements, many plan sponsors choose to make additional lump sum payments to a pension plan. The City, acting through the PGC, and in consultation with the plan actuary, has the discretion to contribute more than the legislated minimum to the EOPP up to certain limits if it considers it prudent to do so, and in the best interests of The City and the plan members. The City made lump sum payments to the plan for those reasons in 2007, 2010 and 2013.

The payment in 2007 was made in order to offset the effect of increased liability in the EOPP due to moving 1/3 of the Councillors' salaries from non-taxable to taxable status. The EPPA and regulatory policy require that amendments to a pension plan must not jeopardize the health of the plan. This payment was \$988,000.

The payment in 2010 was made in order to bring the EOPP to an 85% funded level. The Alberta pension regulator requires that pension plans whose funded level is less than 85% must file annual actuarial valuations instead of triennial valuations. This payment was \$1,284,000.

The payment in 2013 was made in order to bring the EOPP to fully-funded status. This payment was \$806,000. The 2013 payment was the last lump sum payment made to the plan and, given the 126.87% funded ratio currently, it is not expected that lump sum payments will be required in the foreseeable future.

Media Attention

Regarding the CTF's most recently reported 6:1 ratio, it is accurate to say that The City contributed more than Elected Officials over the 2007-2016 timeframe with The City contributing approximately \$6 million and Elected Officials contributing \$1million. However, during this time frame, lump sum payments were made in 2007, 2010 and 2013 within the allowable funding regulatory requirements of the valuation report. To reiterate, the current contribution ratio of City to Elected Officials is currently 2.07:1 (18.64%:9%).

The Calgary Herald released an editorial regarding the savings to taxpayers should a Councillor decide to defer participation in the EOPP. Based on the current plan provisions the amount saved by taxpayers, as a result of a Councillor deciding to defer participation in the EOPP for three terms, would be The City's contribution to the EOPP. This contribution would be of the magnitude of \$254,000 (18.64% (The City contribution rate) x 3 terms x \$113,400 (2017 salary)).

Other Pension Plans

Many defined benefit plans in Alberta are either public sector pension plans (such as the Local Authorities Pension Plan in which City of Calgary employees participate) or are plans for unionized members negotiated via collective bargaining. Due to their structure, there is often cost-sharing between the plan sponsor and the members. As a result, plan sponsors and members in these plans share the responsibility to fund both the current service cost and unfunded liabilities, with the timing and amount of contributions effectively fixed.

Cole, Glenda

From: Fielding, Jeff
Sent: Thursday, November 23, 2017 5:18 PM
To: Mayor's Office; Councillors
Cc: Lavallee, Mark; Cole, Glenda
Subject: Council Pension
Attachments: Council Pension Nov 23 017.pdf

Dear Mayor and Council

Councillor Keating requested information on Council pensions in the context of recent media articles. The attached document is in response to that request.

If you require more information or clarification, please call me.

jeff

Jeff Fielding
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The Pension Plans

There are two pension plans available to Councillors – the Pension Plan for Elected Officials of The City of Calgary (“EOPP”) and the Supplementary Pension Plan for Elected Officials of The City of Calgary (“EOSP”).

The EOPP was established October 1, 1989 through a directive of Council. The EOPP is registered with Alberta Treasury Board and Finance (“ATBF”) and is subject to the rules in the Alberta Employment Pension Plans Act and its regulations (“EPPA”). It is also registered with Canada Revenue Agency (“CRA”) and is subject to the rules in the Income Tax Act (Canada) (“ITA”). It was last reviewed by Council on January 23, 2012 and contribution rates were amended, again through a directive of Council. Currently, Elected Officials contribute 9% of taxable earnings towards the EOPP. More information on contribution rates is provided below. The EOPP provides a benefit of 2% of taxable pensionable earnings up to the ITA maximum pension limit (\$145,722 in 2017) for the years of service recognized under the EOPP.

The EOSP was established October 1, 1999 through a directive of Council. The EOSP provides a benefit for taxable pensionable earnings above the ITA maximum pension limit and for non-taxable earnings (note that all earnings have been fully taxable since 2007 so there is no benefit which arises from this provision). The provisions of the EOSP, combined with the EOPP, result in a 2% pension benefit of total pensionable earnings for the years of service recognized under the plans. The City pays the full cost of the EOSP plan, which has been less than \$35,000 per year since 2009. The EOSP is an unfunded arrangement and benefit payments are made from City resources on a pay-as-you-go basis. As the EOSP provides pension benefits in excess of the ITA limits, it is not registered with either ATBF or CRA.

Both plans are reviewed by the Council Compensation Review Committee (“CCRC”) which in turn makes recommendations to Council regarding the plans.

Funding the EOPP

In accordance with the EPPA, an actuarial valuation of the EOPP is conducted once every 3 years, with the most recent being as at December 31, 2015. The main purpose of an actuarial valuation is to provide recommendations as to the minimum and maximum allowable plan sponsor contributions to the EOPP. Through a dialogue with The City’s Pension Governance Committee (PGC), the actuary sets assumptions in order to perform the valuation, and these assumptions are set out in the valuation report. The two pieces which must be funded, and which are explained in greater detail below, are:

- The current service cost; and
- The unfunded liability, if any.

Current Service Cost

The current service cost is the amount which must be funded for service being accrued in each year in the future. For example, the December 31, 2015 actuarial valuation calculated the current service cost for the years 2016, 2017 and 2018. When the next actuarial valuation is performed as at December 31, 2018, the current service cost for the years 2019, 2020 and 2021 will be calculated, and so on.

The table below shows the current service cost. It is important to note that current service cost is highly sensitive to the demographics of the members as it is a small group. Barring any unfunded liabilities as discussed in the next section, the current service cost is the best estimate of EOPP costs on a go-forward basis.

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Contribution Rate	21.40%	21.80%	22.30%	25.47%	25.18%	24.10%	26.30%	26.28%	26.25%	27.64%
Councillor Contribution Rate	6%	6%	6%	6%	6%	9%	9%	9%	9%	9%
City Contribution Rate	15.40%	15.80%	16.30%	19.47%	19.18%	15.10%	17.30%	17.28%	17.25%	18.64%
City / Councillor Contribution Ratio	2.56:1	2.63:1	2.72:1	3.25:1	3.20:1	1.68:1	1.92:1	1.92:1	1.92:1	2.07:1

Unfunded Liability Payments

“Liability” is the value of the obligation owed to all members as at the date of valuation. In this context, “member” means all current Councillors participating in the EOPP, all pensioners receiving a monthly pension, and former Councillors who left their entitlement in the EOPP to be taken at a later date. The December 31, 2015 actuarial valuation calculated the liability to be \$9,318,000, as reported in the annual report from the PGC to Council. These liabilities are compared to the assets in the EOPP trust fund at that time and, if the assets are more than the liabilities, the EOPP is considered to be fully funded and no unfunded liability payments are required. The assets in the EOPP trust fund were \$11,821,000 at the end of 2015, so the EOPP was 126.87% funded.

If the assets are less than the liabilities, the EOPP is considered to be underfunded; the difference being an “unfunded liability”. The City would be required by the EPPA to make payments into the EOPP trust fund in order to bring the EOPP to fully funded status. Members are not allowed under the EPPA to make contributions to the unfunded liability. The actuarial report states the minimum and maximum time periods over which the unfunded liability can be paid. The City may make a lump-sum payment to fully fund the plan immediately, or amortization payments over a 15-year period.

Lump Sum Payments

In addition to meeting minimum legislated funding requirements, many plan sponsors choose to make additional lump sum payments to a pension plan. The City, acting through the PGC, and in consultation with the plan actuary, has the discretion to contribute more than the legislated minimum to the EOPP up to certain limits if it considers it prudent to do so, and in the best interests of The City and the plan members. The City made lump sum payments to the plan for those reasons in 2007, 2010 and 2013.

The payment in 2007 was made in order to offset the effect of increased liability in the EOPP due to moving 1/3 of the Councillors' salaries from non-taxable to taxable status. The EPPA and regulatory policy require that amendments to a pension plan must not jeopardize the health of the plan. This payment was \$988,000.

The payment in 2010 was made in order to bring the EOPP to an 85% funded level. The Alberta pension regulator requires that pension plans whose funded level is less than 85% must file annual actuarial valuations instead of triennial valuations. This payment was \$1,284,000.

The payment in 2013 was made in order to bring the EOPP to fully-funded status. This payment was \$806,000. The 2013 payment was the last lump sum payment made to the plan and, given the 126.87% funded ratio currently, it is not expected that lump sum payments will be required in the foreseeable future.

Media Attention

Regarding the CTF's most recently reported 6:1 ratio, it is accurate to say that The City contributed more than Elected Officials over the 2007-2016 timeframe with The City contributing approximately \$6 million and Elected Officials contributing \$1million. However, during this time frame, lump sum payments were made in 2007, 2010 and 2013 within the allowable funding regulatory requirements of the valuation report. To reiterate, the current contribution ratio of City to Elected Officials is currently 2.07:1 (18.64%:9%).

The Calgary Herald released an editorial regarding the savings to taxpayers should a Councillor decide to defer participation in the EOPP. Based on the current plan provisions the amount saved by taxpayers, as a result of a Councillor deciding to defer participation in the EOPP for three terms, would be The City's contribution to the EOPP. This contribution would be of the magnitude of \$254,000 (18.64% (The City contribution rate) x 3 terms x \$113,400 (2017 salary)).

Other Pension Plans

Many defined benefit plans in Alberta are either public sector pension plans (such as the Local Authorities Pension Plan in which City of Calgary employees participate) or are plans for unionized members negotiated via collective bargaining. Due to their structure, there is often cost-sharing between the plan sponsor and the members. As a result, plan sponsors and members in these plans share the responsibility to fund both the current service cost and unfunded liabilities, with the timing and amount of contributions effectively fixed.

Farrell, Druh

From: Sawyer, Eric.
Sent: Tuesday, November 28, 2017 5:56 PM
To: Mayor Nenshi; Farrell, Druh
Cc: Lavallee, Mark
Subject: Fwd: Emailing - Contribution rate reduction announcement.pdf
Attachments: Contribution rate reduction announcement.pdf; ATT00001.htm

FYI

Eric Sawyer
Chief Financial Officer
City of Calgary

Begin forwarded message:

From: "Lavallee, Mark" <Mark.Lavallee@calgary.ca>
Date: November 28, 2017 at 5:54:41 PM MST
To: "Sawyer, Eric" <Eric.Sawyer@calgary.ca>
Subject: Emailing - Contribution rate reduction announcement.pdf

So you have it...

Cole, Glenda

From: Gardiner, Helen
Sent: Monday, December 04, 2017 9:40 AM
To: Fielding, Jeff; Cole, Glenda
Cc: Blanchette, Colleen
Subject: RE: Council Pension

The purpose of the memo was to brief Keating for a potential editorial or media interview. So, given that – the information was intended to be public.

From: Fielding, Jeff
Sent: Monday, December 04, 2017 6:37 AM
To: Cole, Glenda <Glenda.Cole@calgary.ca>
Cc: Blanchette, Colleen <Colleen.Blanchette@calgary.ca>; Gardiner, Helen <Helen.Gardiner@calgary.ca>
Subject: Re: Council Pension

I was told yes.

Sent from my iPad

On Dec 4, 2017, at 6:34 AM, Cole, Glenda <Glenda.Cole@calgary.ca> wrote:

Please see below. Was the memo to Cllr. Keating intended to be a public document?

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Fielding, Jeff <Jeff.Fielding@calgary.ca>
Sent: Monday, December 4, 2017 1:12 AM
To: Chu, Sean
Cc: Cole, Glenda; Lavallee, Mark
Subject: Re: Council Pension

It's my understanding that it is.

Sent from my iPad

On Dec 3, 2017, at 9:36 PM, Chu, Sean <Sean.Chu@calgary.ca> wrote:

Is this public information Jeff?

Sean Chu. Sent from my iPad

On Nov 23, 2017, at 5:17 PM, Fielding, Jeff <Jeff.Fielding@calgary.ca> wrote:

Dear Mayor and Council

Councillor Keating requested information on Council pensions in the context of recent media articles. The attached document is in response to that request.

If you require more information or clarification, please call me.

jeff

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