

Double and Triple Pensions for City Employees

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Canadian
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Federation

About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizens' group dedicated to lower taxes, less waste and accountable government.

The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. At the end of 2019, the CTF had 235,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (Saskatchewan and Manitoba), Ontario, Québec and Atlantic Canada. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to effect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive emailed Action Updates. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine, published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board members and representatives are prohibited from donating to or holding a membership in any political party. In 2018-19 the CTF raised \$5.1 million on the strength of 30,517 donations. Donations to the CTF are not tax deductible as a charitable contribution.



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Double and Triple Pensions for City Employees

There is a clear difference between the employment benefits that municipal government employees receive and the employment benefits available to Albertans working outside of government.

More than 70 per cent of employees at all levels of government in Alberta are covered by a registered pension plan. In contrast, only 20 per cent of Alberta workers outside of government are covered by a workplace pension plan. The vast majority of government employees who receive a workplace pension will receive the most lucrative type of pension, a defined benefit plan.¹ This type of pension guarantees employees annual payments throughout their retirement years, which subjects taxpayers to a significant amount of risk by requiring extra money if the plan runs into financial difficulties.

The primary defined benefit plan that municipal employees receive, the Local Authorities Pension Plan, refers to itself as “quite generous” and notes that it provides a “a substantial workplace benefit at a time when most Canadians have no workplace pension at all.”²

On top of this generous defined benefit pension plan, the majority of Alberta’s big cities (population over 30,000) are also providing second or third pensions to employees, according to freedom of information requests the Canadian Taxpayers Federation obtained from each city (see below for links). Table 1 outlines the cities who are providing

second and third pensions to their employees, the number of employees set to receive multiple pensions and the total cost to taxpayers.

The total cost to Alberta taxpayers for second and third city employee pensions in 2019 was \$24.8 million.

TABLE 1 Multiple pensions for Alberta’s city employees 2019

City	Employees set to receive two pensions	Employees set to receive three pensions	Taxpayer cost of second and third pensions
Calgary	2,201	134	\$15,133,000
Edmonton	1,272	0	\$4,312,000
Airdrie ³	277	0	\$1,209,502
Regional Municipality of Wood Buffalo	192	20	\$986,377
Lethbridge ⁴	156	11	\$921,000
Grande Prairie	186	5	\$758,971
Red Deer	151	15 ⁵	\$540,285
Strathcona County	89	0	\$403,831
Spruce Grove	118	0	\$392,615
St. Albert	17	4	\$101,000
Leduc	14	0	\$66,513
Rocky View County	5	0	\$24,545
Lloydminster	0	0	0
Medicine Hat	0	0	0

¹ Fraser Institute, <https://www.fraserinstitute.org/studies/comparing-government-and-private-sector-compensation-in-alberta-2019>

² Local Authorities Pension Plan, <https://www.lapp.ca/page/employer-contributions>

³ Time period is December 29, 2018 to July 10, 2020.

⁴ The city contributions to the second and third pensions plans are available on page 59 of the 2019 city annual report. The annual report discloses that city contributions to the second plan was \$728,000 and “The retirement benefit expense [for the third pension] recorded by the City in the year is \$193 (2018 \$132).” 2019 city of Lethbridge Annual report: <https://www.lethbridge.ca/City-Government/Financial-Documents/Documents/Reporting/2019AnnualReport.pdf>

⁵ The city of Red Deer terminated its third pension for future employees. In 2019, there were no contributions necessary to the pension because the liability was fully funded, though City contributions had averaged \$90,000 annually over the life of the program to 2019.

Not all cities use tax dollars to provide multiple pensions for their employees. In addition to Alberta cities such as Lloydminster and Medicine Hat that do not provide second or third pensions, Vancouver, Winnipeg and Saskatoon do not provide pensions beyond their basic plans, according to freedom of information responses obtained by Secondstreet.org.⁶ The City of Saskatoon noted that provincial legislation prohibits municipal employees from accruing benefits with multiple registered pensions from the same government employer:

“Under the provisions of *The Pension Benefit Act, 1992* (Saskatchewan) and its regulations, that govern registered pension plans in the province of Saskatchewan, employees are not allowed to accrue benefits for the same period of credited service under more than one registered pension plan sponsored by a single employer.”⁷

Given the hardships facing Alberta taxpayers working outside of government, all Alberta cities must stop using tax dollars to contribute to second and third pensions for municipal employees.

About the second and third pensions

First pension plan: The primary plan for municipal employees in Alberta is the Local Authorities Pension Plan. The LAPP retirement benefit provides 1.4 per cent up to the yearly maximum pensionable earnings (\$57,400 in 2019) for each year of pensionable service, and two per cent above YMPE salary (for each year of pensionable service) up until the salary cap \$168,498.⁸ The LAPP notes that an employee within the plan “could end up with a pension that provides as much as 70 per cent of your pre-retirement income, including your CPP and OAS” and that employer (in this case taxpayers)

contributions make up 51 per cent of the benefit.⁹

Second pension plan: The most common second pension plan offered by the Alberta cities is the APEX Supplementary Pension Plan. APEX is a defined benefit pension plan that supplements the LAPP. The supplemental pension tops up LAPP such that the benefit paid out is two per cent of final average salary multiplied by the years of pensionable service (up until the income tax act limit).¹⁰

Here is an example of how the APEX pension top-ups the LAPP, assuming the employee's highest average annual salary is \$100,000 and has 10 years of eligible service:¹¹

Full Pension APEX plus LAPP (A)	$\$100,000 \times 2\% \times 10 \text{ years}$	= \$20,000/year or \$1,666.67/month
Less: LAPP Pension		
1.4% on salary up to YMPE, plus	$\$55,000 \times 1.4\% \times 10 \text{ years}$	\$7,700
2% on salary over YMPE	$(\$100,000 - \$55,000) \times 2\% \times 10 \text{ years}$	+ \$9,000
Total LAPP Pension (B)		= \$16,700/year or \$1,391.67/month
APEX Pension (A-B)	$\$20,000 - \$16,700$	= \$3,300/year or \$275/month

Third pension plan: The most common third pension offered by cities is the Overcap Supplementary Executive Retirement Program (MuniSerp), which is a 100 per cent taxpayer-funded payment that supplements LAPP and the APEX pension plans and is designed for senior management.¹² The top-up is provided for income above the Income Tax Act Limit.¹³

While the cities of Calgary and Edmonton provided multiple pensions, they are not a part of the APEX plan or MuniSERP.¹⁴

⁶ Secondstreet.org, <https://www.secondstreet.org/wp-content/uploads/2019/11/Policy-Brief-Double-and-Triple-Pensions-final.pdf>

⁷ City of Saskatoon freedom of information request, <https://www.secondstreet.org/wp-content/uploads/2019/11/Pension-FOI-%E2%80%93-Saskatoon.pdf>.

⁸ LAPP, <https://www.lapp.ca/assets/lapp/files/publications/funding/reports/annual/2019lappannualreport.pdf>.

⁹ LAPP, <https://www.lapp.ca/page/employer-contributions>

¹⁰ AUMA, https://issuu.com/auma-amsc/docs/apex_member_booklet_01132020?fr=sNmU4Nzg5NjI

¹¹ AUMA, https://issuu.com/auma-amsc/docs/apex_member_booklet_01132020?fr=sNmU4Nzg5NjI

¹² AUMA, <https://www.auma.ca/business-services/retirement-services/muniserp>

¹³ In 2019, the salary cap for LAPP was \$168,498, <https://www.lapp.ca/assets/lapp/files/publications/funding/reports/annual/2019lappannualreport.pdf>

¹⁴ While the city of Calgary's top-up pensions are similar to APEX and MuniSERP, a full detail of the plan can be found here: https://www.taxpayer.com/media/SPP_OCPP_Presentation-Spring2017.pdf; City of Edmonton's supplemental pension plan can be found here: <https://www.edmonton.ca/documents/PDF/pensionguidefinal.pdf>

Freedom of information requests

Calgary: <http://www.taxpayer.com/media/Calgary-Multiple-Pensions-2020.pdf>

Edmonton: <http://www.taxpayer.com/media/Edmonton-Double-Pensions-City-Employees.pdf>

Airdrie: <http://www.taxpayer.com/media/Airdrie-Multiple-Pensions-2020.pdf>

Regional Municipality of Wood Buffalo: <http://www.taxpayer.com/media/RMWB-City-Employee-Multiple-Pensions.pdf>

Lethbridge: <http://www.taxpayer.com/media/Lethbridge-City-Employee-Pensions.pdf>

Grande Prairie: <http://www.taxpayer.com/media/GP-Multiple-Pensions-2020.pdf>

Red Deer: <http://www.taxpayer.com/media/Red-Deer-Multiple-Pensions-2020.PDF>

Strathcona County: <http://www.taxpayer.com/media/Strathcona-County-FOIP-Multiple-Pensions-2020-1.pdf>

Spruce Grove: <http://www.taxpayer.com/media/Spruce-Grove-Employee-Multiple-Pensions.pdf>

St. Albert: <http://www.taxpayer.com/media/St-Albert-Multiple-Pensions-2020.pdf>, pg. 81, 82.

Leduc: <http://www.taxpayer.com/media/Leduc-Employees-Multiple-Pensions.pdf>

Rocky View County: <http://www.taxpayer.com/media/RV-Multiple-Pensions-2020.pdf>

Lloydminster: <http://www.taxpayer.com/media/Lloydminster-Multiple-Pensions-2020.pdf>

Medicine Hat: <http://www.taxpayer.com/media/Medicine-Hat-Multiple-Pensions-2020.pdf>

The CTF would like to thank former Calgary mayor Rod Sykes and former City of Calgary employee Bruce Morin for their work on investigating the multiple pensions at Calgary city hall and briefing the CTF on the issue.