

APPENDIX G

TO: UBCM Members

FROM: Member Services Committee
Councillor Maxine Williams, Chair
Mayor Tom Shields
Director Jim Gurney

DATE: September 3, 1996

RE: **REPORT ON THE REVIEW OF THE MUNICIPAL
SUPERANNUATION PLAN: AN UPDATE**

<p><i>ITEM #3(d)</i></p> <p>September 18, 1996</p> <p><i>B.C. COMMUNITIES AGENDA</i></p>
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1. BACKGROUND

At the 1995 UBCM Convention, the Member Services Committee presented the first ever comprehensive review of the Municipal Superannuation Plan.

The Convention endorsed the following recommendations:

1. That a report on “*advantages and disadvantages of re-establishing the municipal sector with its own distinct pension plan*” be completed.
2. That a review be completed of the Inflation Adjustment Account (IAA).
3. That IAA funds not be diverted to fund additional benefits.
4. That the UBCM make recommendations on the funding policy at the 1996 Convention.
5. That the Steering Committee take the lead in determining exempt employee Municipal Pension Board representation.
6. That the UBCM Board Representative monitor plan administration.
7. That the Members Services Committee develop recommendations for the 1996 Convention, regarding the UBCM Board Representative.

Some members have questioned whether the original mandate to investigate a separate municipal plan was adequately reviewed (point 1 above) in the first report. The Committee’s view was that it was not prudent to conduct such a costly review while the rest of the plan was in flux. Indeed, there were many changes to the Plan introduced while our initial review was underway, including governance, benefits and funding policy. The question of a separate plan however, has remained a top priority in what we call, the second phase of this review.

A table that provides current status of these seven points is appended (Appendix A) and discussed below.

2. CONSIDERATION AND IMPLEMENTATION

The main thrust of the 1995 recommendations was to report on the feasibility of a “municipal” only pension plan.

Consideration by the Committee has involved:

- an initial evaluation by UBCM actuarial consultants. This showed that there would be considerable costs (\$50,000) and Municipal Pension Board approvals needed to proceed with the review.

- Accordingly, the following recommendation was approved by the UBCM Executive at their Board Meeting on January 19, 1996 that directed the Committee to:

Defer proceeding with the study until we can determine if the Municipal Pension Board has the authority to approve the release of the data and if so, would they be willing to do so.

If the Board does not support our request, we might report on this and include a much more limited analysis of the “advantages and disadvantages”.

Given the costs involved, this may be the more prudent course of action; that is provide some initial information to members together with an indication of what would be involved in a full analysis.

In an opportunity to bypass these costs and to achieve access to the data needed, UBCM representatives agreed to participate in a Municipal Pension Board sub-committee formed to investigate employer contribution rates.

It is our conclusion that we may have a cost effective means to researching the question without the cost or approval issues. This avenue, however, must be explored and if it is not viable, we will report back to the members.

3. CONCURRENT DEVELOPMENTS

Actuarial Valuations for the Plan are completed every three years and the latest actuarial report was released effective December 31, 1994. The valuation indicated that there was a significant change in the position of the Unfunded Liability from 49%, as a percentage of payroll as at December 31, 1991, to 36% in the present report. Since the plan’s funding policy calls for an increase in contributions if the unfunded liability increases as a percentage of payroll, an increase in contribution rates was not required.

Dental plan coverage was approved by the Treasury Board for the Municipal Superannuation Plan and became effective August 1, 1996. The dental coverage mirrors the dental benefits provided by the other major public sector pension plans but again has been funded from the Inflation Adjustment Account.

A “Review of the Inflation Adjustment Account (IAA)” was prepared by the Commission that outlined various scenarios about the impact of funding new benefits from the IAA. As a result, the Board agreed that inflation protection should be the priority and that reviews of the IAA’s ability to provide both indexed pensions and retiree benefits should be produced regularly because under certain scenarios both indexing and benefits could not be sustained to the 2020’s.

4. OTHER EVENTS

The Municipal Superannuation Plan Steering Committee (exempt employees) met in March of 1996 to review the status of the plan. Coincident with the Steering Committee meeting a new committee of exempt employees was formed, the Exempt Employees Pension Advisory Group, to address representation of exempt employees on the Board. They have been asked to address 1995 recommendation #5 and their report is expected shortly.

5. SUMMARY

In 1993, UBCM was asked to begin a pension review.

UBCM embraced this review and indeed, led the way with the first ever review of the pension plan. This was done without employee contributions and UBCM has already allotted \$22,000 plus staff time to this review.

An analysis of the financial aspects of establishing a separate pension plan will be considerably more expensive if we cannot piggy-back on an ongoing review. While this process may be slower, it will not incur great internal costs. Alternatively, to adequately fund the study might require something in the order of a 5% UBCM dues surcharge.

6. RECOMMENDATIONS

To proceed with the investigation on a report on the “advantages and disadvantages of re-establishing the municipal sector with its own distinct pension plan”

- **through a high level report on the policy issues; and**
- **through obtaining needed financial data from the Municipal Pension Board sub-committee.**

To continue to investigate and report on outstanding issues from the 1995 Committee report.

CONVENTION RECOMMENDATIONS	CURRENT STATUS
1. That a report on “ <i>advantages and disadvantages of re-establishing the municipal sector with its own distinct pension plan</i> ” be completed.	Preliminary investigation done (refer to main report) and recommendations.
2. A review of the Inflation Adjustment Account (IAA).	Superannuation Commission completed an analysis and the Board agreed to ongoing reviews.
3. That IAA funds not be diverted to fund additional benefits.	Government decided to fund a dental plan from the IAA.
4. That the UBCM make recommendations on the funding policy at the 1996 Convention.	Funding policy is in place. Contribution rates under review.
5. That the Steering Committee take the lead in determining exempt employee Municipal Pension Board representation.	Underway (refer to main report). Report expected shortly.
6. That the UBCM Board representative monitor plan administration.	Ongoing
7. That the Member Services Committee develop recommendations for the 1996 Convention, regarding the UBCM Board Representative.	This has been deferred pending the report of the Steering Committee.