POLICY BRIEF:
CALGARY'S GOLDEN CITY COUNCIL PENSIONS

By Colin Craig

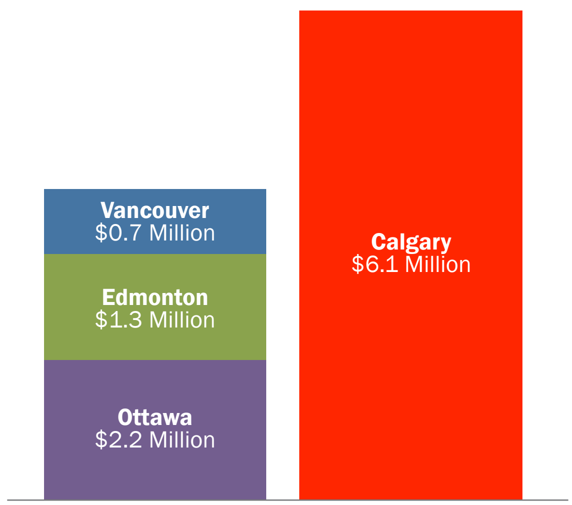
EXECUTIVE SUMMARY

Over the past year, the Canadian Taxpayers Federation (CTF) has been taking a closer look at the pension benefits provided to Calgary's city council – and we have called for reform.

Key findings from our most recent research include:

- From 2007-2016, the City of Calgary spent more on its city council's pension benefits than Edmonton, Ottawa and Vancouver combined.
- After just four years in office, a city councillor can expect to receive approximately $9,433/yr, rising with inflation throughout their retirement (plus CPP). If he or she lives to 85, they can expect approximately $290,866 in benefits while only contributing approximately $42,037.
- Council's longest serving councillor, Ray Jones, can expect a pension of approximately $66,034 per year if he retires in 2021 (plus CPP). If he lives to 85, he can expect to receive approx. $1,250,704 in benefits (while contributing far less than $208,000).
- Calgary appears to be the only major city in Canada that provides two pensions to its mayor. Combined, Mayor Nenshi can expect to receive approximately $1,415,791 in benefits if he lives to 85 (while only contributing approx. $158,815).
- From 2007-2016, council's pension benefits cost taxpayers $6.1 million while council members only contributed $1.2 million towards their pension benefits.

Cost to Taxpayers: Council Pensions (2007–2016)



The CTF is urging Calgary's city council to copy Edmonton's pension system on a go forward basis. This approach would allow Calgary's city council members to retain benefits they've earned to date, while accruing future benefits at a more reasonable level. From 2007-2016, Edmonton consistently spent less than half of what Calgary spent on council pension benefits.

HOW DOES COUNCIL'S PENSION OPERATE?

According to Statistics Canada data purchased and published by the Fraser Institute, approximately 76% people working outside of government in Alberta don't have a workplace pension plan.[i]

Those workers have to take some of their earnings throughout their working years, invest it, and hope their nest egg has accumulated enough funds when it comes time to retire.

In some cases, an employer may provide a modest RRSP contribution, but no one guarantees the employee an annual payment throughout their retirement years.

Further, if their retirement savings drops in value due to a recession or market fluctuations, no one bails out their investments.

Calgary's city council pension plan is entirely different.

Each paycheque, city council members contribute 9% of their pensionable earnings into the *Pension Plan for Elected Officials of the City of Calgary (EOPP)*. At the same time, the City of Calgary contributes tax dollars to the plan that is equal to 18.64% of each council member's earnings.[ii]

When it comes time to retire, council members receive a guaranteed benefit throughout their retirement years; no matter how long they live and no matter how much money is actually in their pension fund.

According to the City of Calgary, a city councillor's *annual benefit* is equivalent to *"2% multiplied by [a council member's] limited best average earnings multiplied by [their] credited service."* This annual benefit then rises at two-thirds of the increase in the Canada Consumer Price Index.[iii]

Thus, if someone worked for 10 years, they would receive: *2% x 10 x (their best average salary).*

At first blush, this plan appears to be based on a funding model whereby taxpayers put in approximately $2 for every $1 put in by council members. Indeed, some members of council have put forward this myth.

But that's entirely false.

The City of Calgary's Annual Reports provide information each year on the amount contributed by council members to their pension plan and the amount contributed by the city (taxpayers).

From 2007 to 2016, the city's reports show that it spent a total of $5.8 million on council's pension while council members only contributed $1.2 million. Thus, the city spent about $4.89 for every $1 contributed by council. (Note: The cost for the second council pension plan is discussed later in this report. Once the cost of the second plan is included, the ratio is even higher.)

How could council's pension cost so much while council members claim a "two to one" funding ratio?

By guaranteeing council members a payment throughout their retirement years, the city has taken on tremendous risk. What happens if the city promises more to council members in pension benefits than what the pension plan can afford?

The city simply dumps extra tax dollars into the pension plan.

For example, in 2011, the city contributed $298,000 into council's pension plan. In 2012, it contributed $246,000. But in 2013, the city contributed $1,067,000 into council's pension.

The City of Calgary's 2013 Annual Report explains the spike in spending:

"In 2013, The City made an additional payment to the external trust within the allowable funding requirements of the December 31, 2012 valuation report to fully fund the plan's deficit at this time."[iv]

Some council members have taken exception to counting these costs, suggesting that some of the expenses are due to cover unfunded liabilities, reforms made to the plan and so forth.

However, taxpayers are not concerned with these nuanced arguments. A tax dollar going into a councillor's right pocket is no different than a tax dollar going into a councillor's left pocket. Taxpayers are ultimately concerned with the bottom line – "what's the total cost?"

Unless council's defined benefit pension plan structure is changed, taxpayers could be forced to fund another bailout again in the future (see chart on page 6 for details).

Again, we would note the vast majority of people working outside government don't have a workplace pension – let alone one that bails out their investments.

MAYOR NENSHI'S CLAIMS ARE WRONG

Mayor Nenshi is an example of a council member who has floated the idea that the city contributes tax dollars to council's pension on a "two to one" basis (two dollars contributed for each dollar council members contribute).

On November 27, 2017, while responding to a public presenter at council, Mayor Nenshi not only summarized council's pension as a "two to one" funding ratio, he even went so far as to tell the presenter that such a ratio was "pretty much standard for any pension."[v]

The mayor's two claims are simply wrong.

As previously noted, from 2007 to 2016, the city contributed approximately $4.89 to the plan for every $1 contributed by council members to the *Pension Plan for Elected Officials of the City of Calgary*. That's hardly a far cry from being a "two to one" ratio.

The mayor's claim that a "two to one" funding ratio is "pretty much standard" is also wrong. One need only look at the pension plan provided to City of Calgary staff to see that this is not true.

Page 55 of the City of Calgary's 2016 Annual Report lists the contribution rates for the Local Authorities Pension Plan (the main pension plan for city employees).

The city contributes 11.39% of the employee's salary, up to an employee's yearly maximum pensionable earnings (YMPE) for the Canada Pension Plan, while city employees contribute 10.39%. This ratio works out to approximately $1.10 to $1.00.[vi]

Similarly, for earnings above YMPE, the city contributes 15.84% while city employees contribute 14.84%. This ratio works out to $1.07 to $1.00.

Finally, the claim that the city contributes "two to one" is especially erroneous for the mayor to make as his position is entitled to not just one pension from the city, but two. And the second pension is even more generous than the one all council members receive.

MAYOR NENSHI'S SECOND PENSION

According to a City of Calgary report, the mayor is the only council member who currently qualifies for a second council pension plan – the *Supplementary Pension Plan for Elected Officials (EOSP)*.[vii]

The second pension plan tops up the first pension plan and it is entirely paid for by taxpayers. As the City of Calgary's handbook for council's retirement benefits notes, *"The EOSP is not a registered plan and members are not required to make contributions. The City is responsible for the full cost of the plan."*[viii]

While the city discloses data for the main council pension plan in its annual report, data for the second plan is not disclosed.

A freedom of information request filed by the CTF shows that from 2008 to 2016, taxpayers contributed $329,177 towards this benefit while council members contributed $0.[ix] (Technically all council members could qualify for the plan, but only the mayor's salary is high enough to qualify.)

Considering the mayor does not contribute a cent to his second pension, it is especially erroneous for him to claim that council's pension benefits are provided on a "two to one" basis.

Combined with the cost of the first pension plan, the city (taxpayers) contributed $6.1 million towards council's pension benefits between 2007-2016 while council members only contributed $1.2 million. This works out to taxpayers putting in approximately $5.17 for every $1.00 put in by council members.

Further, it should be noted that the practice of giving two pensions to a mayor in Canada is unusual. We are not aware of any other major city that offers such a benefit.

In 2017, the City of Calgary's Council Compensation Review committee hired Case Dillon & Associates to review council compensation for similar cities and contrast those findings with Calgary's city council.

The consultants reviewed compensation packages for Vancouver, Edmonton, Winnipeg, Mississauga, Toronto and Ottawa, and noted that Calgary was the only city that provided two pensions for its council (again, Mayor Nenshi is the only council member who qualifies for the second pension plan).[x]

We contacted Montreal, Brampton and Hamilton to inquire if their cities offered two pensions to their mayor. The three cities told us they don't. Thus, of Canada's ten largest municipalities, Calgary is the only city to offer its mayor two pensions.[xi]

Table 1: **Cities that offer two pensions for their mayor**

City	Two Pensions?
Calgary	Yes
Brampton	No
Edmonton	No
Hamilton	No
Mississauga	No
Montreal	No
Ottawa	No
Toronto	No
Vancouver	No
Winnipeg	No

WHAT WILL COUNCIL MEMBERS RECEIVE THROUGH THEIR PENSION?

Calculating the benefits paid to a council member requires making a number of assumptions – future council salaries, inflation rates, how long a council member will live, etc.

In order to calculate estimates as to how much each council member will receive, we assumed an annual inflation rate of 2% (the Bank of Canada's stated goal for inflation), increases to council salaries by 2% per year and a life expectancy of 85 years of age.[xii] Further, in order to create a realistic, but not inflated calculation, we assumed that a council member would serve at least two terms. In cases where council members have already served more than two terms, we assumed they would not run again in 2021.

Table 2: Estimates of council pension payouts

Council member	Annual pension at age 60	Annual pension at age 85	Amount council member paid in	Total benefits to age 85
Nenshi	$45,917	$63,942	$158,815	$1,415,791
Carra	$25,942	$36,125	$109,307	$799,882
Chahal	$20,422	$28,438	$87,540	$629,686
Chu	$18,867	$26,273	$83,378	$581,732
Colley-Urquhart	$49,526	$57,294	$167,370	$639,893
Davison	$20,422	$28,438	$87,540	$629,686
Demong	$25,942	$36,125	$109,307	$799,882
Farkas	$0	$0	$0	$0
Farrell	$47,167	$63,124	$161,571	$1,259,863
Gondek	$20,422	$28,438	$87,540	$629,686
Jones	$66,034	$81,622	$207,960	$1,250,704
Keating	$25,942	$33,365	$109,307	$590,134
Magliocca	$18,867	$26,273	$83,378	$581,732
Sutherland	$18,867	$25,927	$83,378	$555,459
Woolley	$18,867	$26,273	$83,378	$581,732

Note: *These figures represent payouts to council members, not the total expense to taxpayers. The total cost to taxpayers will fluctuate depending on how much the city provides in bailouts to council's pension in the future. Calculation of total benefits assumes two terms on council or retirement at next election (for those who have already served more than two terms). Contribution estimates for councillors Colley-Urquhart, Farrell and Jones are intentionally generous as data is difficult to obtain going back to when they were first elected to council. Further, Councillor Farkas has refused to accept the golden pension benefit and transition payment.*

We calculated that a city councillor, who was elected in 2017, and only served one term, would receive a pension that starts off at $9,433 per year. This benefit would rise to approximately $13,136 by the time he or she is 85 years of age. All told, the councillor would receive $290,866 by the time they reach 85 years of age. (These benefits do not include CPP benefits.)

Notably, the councillor would only have to contribute approximately $42,037 in order to receive the nearly $300,000 in benefits.

For a city councillor who was elected in 2017, and serves two terms, he or she would receive an annual pension that starts off at $20,422 per year and rises to approximately $28,438 by the time they are 85 years of age. All told, he or she would receive approx. $629,686 by the time they reach 85 years of age.

OVERALL COUNCIL PENSION COSTS

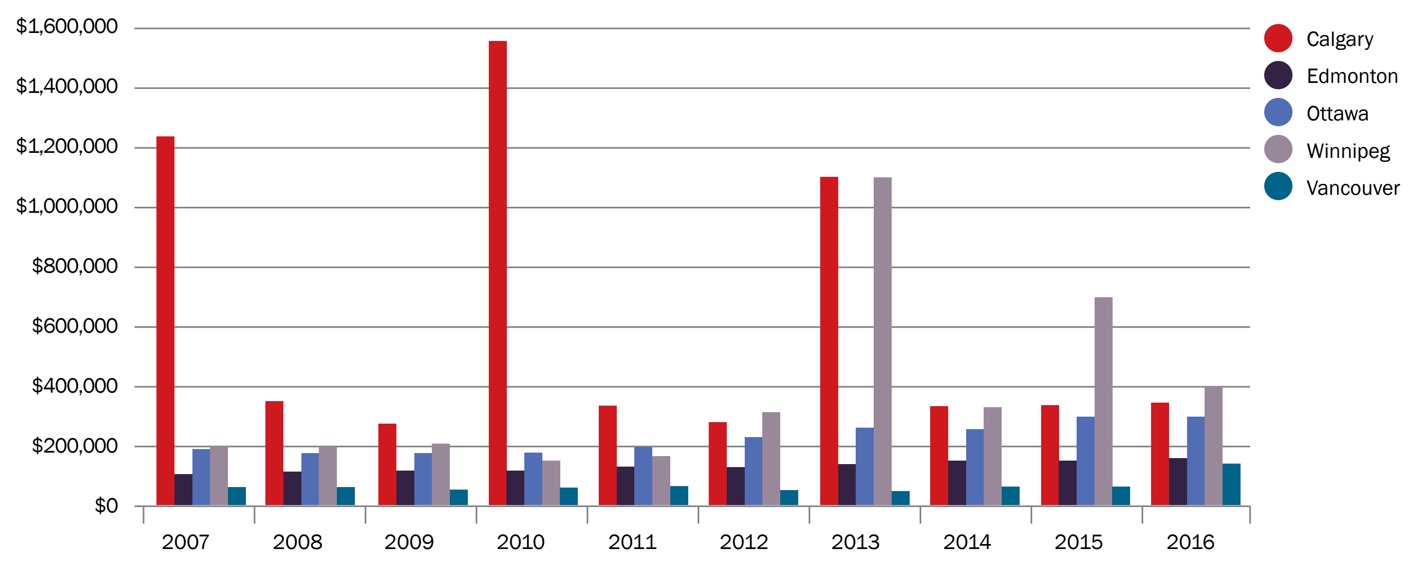
Freedom of Information requests filed by the Canadian Taxpayers Federation suggests the City of Calgary has one of the costliest city council pension plans in the country. The table below shows total costs by city between 2007-2016:

Table 3: Tax dollars spent on council pensions (2007-2016)

City	Cost	Council Size	Cost per council member
Calgary	$6,132,177	15	$408,811
Winnipeg	$3,771,634	16	$235,727
Ottawa	$2,249,587	24	$93,732
Edmonton	$1,304,736	13	$100,364
Vancouver	$660,006	11	$60,000

Note: *Council size as of 2016.*[xiii]

Tax dollars spent on council pensions (2007-2016)



SOLUTION

Elected officials face an obvious conflict of interest when deciding their own pay and benefits.

For that reason, the CTF regularly encourages elected officials to strike independent citizens committees to determine their compensation.

While the City of Calgary's policy is to strike such a committee prior to each election, council simply ignored a key recommendation from the last committee – eliminate council's transition payments.[xiv]

As council has distorted this independent process, we believe they must take responsibility to scale back this golden benefit. To be clear, the current council may not have created their pension, but the status quo is unacceptable for taxpayers.

Taking leadership to address the problem does not mean waiting to be told what to do. In fact, Councillor Jeromy Farkas has already shown leadership by refusing council's golden pension and transition payment – recognizing that both benefits are far too generous.[xv]

Specifically, council should reform its retirement benefits so that, as of 2019, pension benefits are accrued using the same system Edmonton's city council uses. This approach would allow members of Calgary's city council to retain benefits they've earned to date, while saving taxpayers money over the long term as future benefits are provided at a more reasonable rate.

Currently, Edmonton council members can choose from one of two options:[xvi]

1. *11% contribution by the City of Edmonton to elected official's total annual salary to support retirement; or*

2. *12% contribution by the City of Edmonton directed to Alberta Urban Municipalities Association (AUMA) Defined Contribution Pension Plan.*

If the City of Calgary used this more modest approach for its council members, the city would have spent approximately $14,000 per council member in 2017 – instead of the approximately $21,000 it spent under the current plan. (Note: The latter does not include the cost of bailouts that Calgary's council pension plan frequently requires.)

Most importantly, both of Edmonton's options protect taxpayers from the risk associated with guaranteeing council members a large payment throughout their retirement years (the type of guarantee offered through a defined benefit pension plan – which Calgary's city council enjoys). Indeed, a 2013 citizens committee in Edmonton called such a benefit "inappropriate" for elected officials.[xvii]

Finally, by using Edmonton's model going forward, Calgary would no longer be an outlier when it comes to providing two pensions to its mayor.

Considering most taxpayers working outside of government do not have a workplace pension, the two retirement benefits options offered by the City of Edmonton to its council are still quite generous. There's no reason why Calgary shouldn't copy its system.

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ABOUT THE AUTHOR

Colin Craig is the Alberta Director for the Canadian Taxpayers Federation. He has an MBA and a BA (economics) from the University of Manitoba and is the author of *The Government Wears Prada*, a book that examines how Canada can prepare for our nation's aging population.

Colin's work has been published in newspapers across Canada; notably, the National Post, Calgary Herald, Edmonton Journal, the Leader Post, Star Phoenix, Winnipeg Free Press and Sun newspapers.

His advocacy efforts with the CTF have led to positive government policy changes at the municipal, provincial and federal levels.

ABOUT THE CANADIAN TAXPAYERS FEDERATION

The Canadian Taxpayers Federation (CTF) is a federally incorporated, not-for-profit citizen's 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. Today, the CTF has 140,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (SK and MB), Ontario, Quebec and Atlantic. 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 affect public policy change. Each week CTF offices send out Let's Talk Taxes commentaries to more than 800 media outlets and personalities across Canada.

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