

Type of Decision									
Meeting Date	Friday, September 21, 2012				Report Date	Wednesday, September 5, 2012			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	x	Information Only			Type of Meeting	X	Open		Closed
REPORT TITLE									
OMERS & Pension Options Report - 21/09/12/1203									

Subject: A proposal for council consideration for implementing either an employee pension plan or a Group RRSP.

**RECOMMENDATION:**

That Council agrees to implement some type of contributory employee retirement savings plan, either an OMERS pension or a group RSP up to limits set by Council.

**WHEREAS** research has shown that Canadians are facing increasing challenges in financing their retirements to a point where the Federal government is considering making employer retirement plans mandatory;

**AND WHEREAS** the Municipality of Head, Clara & Maria is one of only two remaining municipalities within the County which does not provide an employee pension or retirement plan;

**THEREFORE BE IT RESOLVED THAT** the Council of the United Townships of Head, Clara & Maria does hereby agree to implement a retirement savings plan effective January 1, 2013.

**AND FURTHER THAT** this plan shall be a Group RSP with employer contribution limits set by Council by resolution from time to time.

**AND FURTHER THAT** to start this Group RSP Council does hereby agree to contribute 4% of employee gross annual salary as their contribution.

**AND FURTHER THAT** the administration of this plan will be the responsibility of the Clerk and Treasurer through a recognized Canadian plan provider.

**BACKGROUND/EXECUTIVE SUMMARY:** It is a fact that the employees of the Municipality of the United Townships of Head, Clara & Maria are paid at a level that is one of the two lowest in the county by a significant amount. In 2010 an outside consultant conducted a review of the placement of employment positions on the grid which resulted in some positions being elevated on the salary grid thereby increasing overall employment costs.

At that time, our consultant recommended that an annual salary review take place to ensure that the compensation/salaries paid to employees are not only keeping in step with

other neighbouring municipalities but in fact decreasing the gaps that currently exist. That was 2010. This report is a result of those recommendations and is subsequent to the salary grid review and increase.

As well as having salaries that in straight comparison are the lowest in the county (some quite significantly) the other consideration is that most of those employees also receive a pension or an employer sponsored RSP. So, not only are our salaries the lowest, we are also not benefiting from employer retirement contributions.

Over the past years when this issue has been discussed the arguments noted have included:

- Most of our residents don't have pensions? Why should our staff? and
- Your retirement shouldn't come out of taxpayers' pockets.

Are these arguments valid? Perhaps it is true that some residents do not have pension plans. The fact is that municipal government is a highly specialized field and most municipalities (governments) provide pension or retirement plans for their employees.

The entire public sector in Ontario and in fact in Canada has pensions funded from the public purse; this is nothing new. The Provincial Pay Equity plan and legislation was created to affect equal pay for equal work.

Ideally, Council will opt to join the OMERs pension plan and provide for a Defined Benefit plan for employees. A commitment to OMERs would be long term; legislation prevents backing out once a workplace has joined unless with the approval of the plan sponsors.

OMERs requires an employee/employer contribution each of 7.4% of the first \$48,300 earned (CPP limit) and then 10.7% of gross employee annual earnings thereafter. Obviously these costs would be significant for the municipality as well as the employee.

Further, legislation also prohibits a municipality from contributing to any other type of pension plan aside from CPP or OMERs.

Realistically, Council agreement to implement a Group RSP and commit to a certain percentage of annual salaries as their contribution to employees retirement is the more likely choice. Council may set the percentage of annual salary it will contribute to employee's plans. Employees are given the opportunity to make additional contributions. These plans are significantly more flexible, easy to administer and modify.

Research has determined that typical employers contribute between 3% and 6% of employee's gross earnings towards retirement plans. The one challenge is that these contributions would be considered taxable benefits to the employee and as such would require increased employment/payroll costs including CPP, EI, and Federal Tax etc.

Taking personal feelings and individual differences of opinion out of the equation, employee attraction and retention are becoming of utmost significance in the Municipal workplace with increasing retirements and the availability of qualified staff. Providing a retirement plan will help to attract new employees when the time comes, and retain current employees. The benefits are of course continuity of operations, reduced training costs and reduced basic employee turnover costs.

As a comparison we offer the following estimates using the **middle step** on each of four position levels qualified for retirement benefits – Road Super, Municipal Maintenance Worker, Treasurer and Clerk.

These are not the salaries of the current employees but instead are presented to provide a comparison with a complement of enrolled individuals at the mid-range of each position on the grid. At any time, employees may leave and be replaced resulting in different annual gross wages and a correspondingly lower or higher Municipal contribution. The actual costs for 2013 if Council should agree to implement this program would be approximate to these examples.

## OMERS

<b>4 Positions</b>	<b>Combined Average Annual Salary</b>	<b>Average Annual Municipal Contribution OMERS -</b>	<b>Average Annual Employee Contribution OMERS</b>
<b>Total</b>	\$155,995	\$11,664	\$11,664

## GROUP RSP OPTIONS

	<b>Combined Average Annual Gross Salary</b>	<b>Total Annual HCM Costs for 3% RSP contribution</b>	<b>Total Annual HCM Costs for 4% RSP contribution</b>	<b>Total Annual HCM costs for 5% RSP contribution</b>	<b>Total Annual HCM costs for 6% RSP contribution</b>
<b>Total</b>	\$155,995	\$5,382	\$7,175	\$8,969	\$10,800

Resulting annual increase to tax bills for assessed property value of \$100,000 for each of the above rates would be:

<b>Options</b>	<b>Annual Cost</b>	<b>Cost per \$100,000 assessed value</b>
OMERS	\$11,664	\$6.90
3%	\$5,382	\$3.30
4%	\$7,175	\$4.35
5%	\$8,969	\$5.40
6%	\$10,800	\$6.45

How will this affect our residents?

There are 123 properties within the municipality valued at over \$100,000 which would be affected by 100% or more of the increase; the majority of properties are assessed at significantly less. Of the 123 properties only 51 are permanent residential or business properties the remainder being seasonal.

As example, if your home is valued at \$250,000 and the 3% version is used – taxes would be increased by \$8.25 assuming all other things remain equal. Again, with increased assessments and potential reductions in other requirements, the actual increase will not be

known until budget/tax time. This information is only provided to put perspective on the amount of money required to provide this benefit.

It is true that HCM has the lowest tax rate within the County; a part of this is because employee salaries and benefits are significantly lower in most cases than others.

Options/ Other Considerations: There are various options to consider.

1. No plan; continue as is.
2. Group RRSP with variable rules, rates on contributions and options. The following are but a few of the variables and options for consideration. A group RSP is a type of defined contribution plan in which we know how much is to be contributed each month but not what the employee will get upon retirement.
  - a. Begin at a certain percentage and increase municipal contributions with increased employee contributions.
    - i. Say HCM will pay a base rate of 3% and will increase to 4% or 5% per individual employee if the employee is willing to match that contribution.
    - ii. In this way the plan is more flexible, those employees who have other plans or opportunities are not required to contribute. Those employees who would like to contribute towards their retirement would be rewarded with increased employer contributions.
  - b. Can simply implement a straight contribution per employee be it dollar value or percentage.
    - i. Example, HCM will agree to contribute \$x per employee per month. Generally needs to be at least \$25 per employee.
    - ii. HCM will agree to contribute x% of gross annual wages per year, contributed monthly.
  - c. Part time employees are not required to join.
  - d. Employees are not required to contribute themselves at all.
  - e. Employer's contributions may be increased with increased employee contributions – matched.
3. OMERS pension with legislated contributions and requirements.
  - a. More expensive for the municipality and the employee however provides the best available retirement plan for employees.
  - b. This is a defined benefit plan where using a formula based on age, years of service, salary and hours of work per year, a specific amount is paid to the employee upon retirement.

Initiating a Group RSP will require limited additional work for the Treasurer in calculating annual contributions based on the limit as set by Council as well as bi-weekly or monthly submissions to the product provider. Once calculated, pre-authorized debits could be utilized for reduced administration. For ease of implementation and convenience, it is

recommended that either Scotia or Manulife be utilized as we already do business with these providers.

Financial Considerations/Budget Impact: Council would be required to commit funding towards an OMERS pension indefinitely. Once a workplace enters the program, they may not withdraw except with specific permission from the funds sponsors. This is a legislated requirement, I assume implemented for ease of administration.

Municipality	OMERS	Other Plan	Comments
Brudenell, Lyndoch & Raglan	No	No	<b>Only other municipality within the county without some type of retirement benefits.</b>
Killaloe, Hagarty & Richards	No	RSP	
McNabb/Braeside	No	RSP	
North Algona Wilberforce	No	RSP	
<b>All other municipalities including the County</b>	Yes		

Policy Impact: Creates new policy.

Others Consulted: Noella Lebreton; County salary survey; Brudenell, Lyndoch and Raglan; Killaloe, Hagarty and Richards; McNabb/Braeside; North Algona Wilberforce;

Website consulted:

- <http://www.financialpost.com/small-business/business-solutions/story.html?id=1393593>;
- [http://www.manulife.ca/wps/wcm/connect/fd39a054-e929-4a25-9141-936cac818c0e/grs\\_prod\\_rrsp.pdf?MOD=AJPERES&CACHEID=fd39a054-e929-4a25-9141-936cac818c0e](http://www.manulife.ca/wps/wcm/connect/fd39a054-e929-4a25-9141-936cac818c0e/grs_prod_rrsp.pdf?MOD=AJPERES&CACHEID=fd39a054-e929-4a25-9141-936cac818c0e);

Approved and Recommended by the Clerk

Melinda Reith,  
Municipal Clerk

*Melinda Reith*