

May 2, 2014

**The Honourable Dave Hancock, Q.C., P.C., M.L.A.**  
Premier of Alberta, President of Executive Council  
Office of the Premier  
Executive Branch  
307 Legislature Building  
10800 – 97 Avenue  
Edmonton, Alberta  
T3K 2B6

Dear Premier Hancock:

**Re: Proposed Pension Plan Reforms**

I am writing you today on behalf of Calgary City Council regarding Bill 9. Council has reviewed the proposed changes to the *Local Authorities Pension Plan ("LAPP")* and the *Special Forces Pension Plan* and we have many serious concerns.

We believe that the proposed changes will gravely impact The City of Calgary ("**The City**"). The consultation process did not allow for meaningful dialogue and the City's concerns have not been addressed.

Bill 9 as currently drafted could have a crippling effect on our labour force, our operations and our finances. **I strongly urge you to table Bill 9** and conduct a thorough and substantive consultation with municipalities and the unions prior to proceeding with any substantive reform of the pension legislation.

The City has identified a number of significant issues with Bill 9 as follows:

- 1. The City has not been adequately consulted.** The City was asked to submit comments on possible reforms in December 2013 and did so. The City was instructed by the Ministry of Finance to follow up with them in February 2014. When we did, we were surprised to be told that there would be no further consultation with The City. Some members of my Council and Administration go so far as to believe that The City was misled by the Ministry in order to avoid a substantive conversation about our legitimate concerns.

2. **The Bill will increase the number of employees who opt for early retirement or leave for more lucrative positions in the private sector.** The so called "85 factor" encourages city employees to delay early retirement and stay with The City. Changing this rule with no grandfathering provisions provides an incentive to a large portion of our workforce to retire early. On January 1, 2016, 1,450 employees, or 12% of our workforce could choose to leave the City as they will no longer be eligible for a pension for which they were eligible the day before. Another 3,150 employees, 27% of our workforce, are at mid-career and are under the age of 55 with over 10 years of service. With a reduced pension after 2016, many may find it in their financial best interest to leave The City for the private sector.
3. **The LAPP already has a plan to address its unfunded liabilities.** LAPP already has a reasonable plan in place to address the unfunded pension liabilities by 2027 through increased contributions from members. Given that there is an effective solution, we question the need for significant reforms.
4. **Elimination of the guaranteed cost of living adjustment ("COLA") will adversely impact recruitment and retention.** The City considers a guaranteed COLA to be an important recruitment and retention tool. It is an important incentive for career employees to accept a lower wage in the public service versus a higher wage in the private sector, particularly with Alberta's thriving energy sector.
5. **Proposed changes will increase administration costs to manage the plan and cost to The City.** The proposed reforms will result in increased administrative complexity which will increase administrative costs to administer the plans.
6. **Impact of the contribution cap is unclear.** It is unclear what the financial impact of the government's proposed 'cap' on contributions, for benefits earned after 2015, will have as the current unfunded liabilities and benefits earned before 2016 are not part of this cap. A cap on contribution rates is intended to limit employer and employee costs for benefits earned after 2015. If the cap is reached other options will have to be considered such as to whether the plan can afford to pay the targeted COLA at 60% of the Alberta Inflation Index.
7. **Alternative retirement provision seems arbitrary and could have an adverse effect on labour relations.** While we are not opposed to the principle of having different retirement provisions for professions where sickness and accident rates increase exponentially with age, this provision has not been well thought through. What makes a firefighter different than a waste and recycling employee? The offer of alternative retirement provisions to public safety occupations such as firefighters with correspondingly higher contribution rates, and 'grandfathering' will be perceived as inequitable by other unions, complicate our labour relations and foster resentment among our employees.

Enacting Bill 9 in its present form will adversely affect the administration, finances and the labour force of The City as well as the ability of The City to provide effective services to all its citizens. The reform will create a dangerous incentive for our workforce to either take early retirement before 2016 or enter into the private sector. It will complicate our labour relations, increase our costs as a City, create risk and uncertainty and will not help our retirees.

I must be clear that we are not opposed to public sector pension reforms. However, Bill 9 needs considerable work. Calgary City Council requests that you table Bill 9 and engage in a more substantive, constructive consultation process with The City and other stakeholders prior to proceeding with these proposed reforms.

Sincerely,

A handwritten signature in black ink, appearing to read 'Naheed', with a horizontal line underneath.

Naheed K. Nenshi  
Mayor

cc: Calgary City Council

Eric Sawyer, Calgary City Manager

Brad Stevens, General Manager Corporate Services

Hon. Doug Horner, M.L.A., President of Treasury Board and Minister of Finance

Calgary Members of the Legislative Assembly of Alberta

Gill McGowan, President of the Alberta Federation of Labour