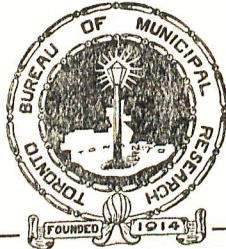


Citizen Control of the Citizen's Business

TORONTO'S CITIZENS CAN CONTROL TORONTO'S AFFAIRS ONLY THROUGH FREQUENT, PROMPT, ACCURATE AND PERTINENT INFORMATION WITH REGARD TO TORONTO'S BUSINESS.

ISSUED BY THE

137 WELLINGTON ST. WEST



TELEPHONE ELGIN 1904

White Paper No. 158

October 23rd, 1930

OPEN LETTER

To the Mayor, Controllers, Alderman and Taxpayers:

Ladies and Gentlemen:

For some years there has been considerable discussion of a civic pension scheme. Recently an actuarial report thereon has been received and a report on a proposed by-law, based on the actuarial report, has been obtained from the Finance Commissioner. In view of the interests of the taxpayers and of its former stand on the question, the Bureau wishes to restate its position as represented in Open Letters and White Papers since 1924.

A Civic Pension Fund has two purposes. Fundamentally a civic pension fund is established for purposes of insurance, i.e.,

- (a) To insure employees against the possibility of having insufficient means of support on separation from the civic service.
- (b) To insure the citizens and taxpayers against the inefficiency and loss resulting from retaining on the payroll employees who are no longer capable of giving effective service.

In the value to taxpayers and employees of such a scheme, properly established, the Bureau has confidence.

A fund to protect employees solely should be supported entirely by employees.

If a scheme is established for the purpose only of insuring employees, those benefitted should pay the premium, and it would be as improper for the taxpayer to pay part of the premium for insuring civic employees against separation from the service without means of support as to pay part of the insurance premiums of any other section of the taxpaying body.

If also for the protection of taxpayers the voters should pay their fair share.

If, however, the fund is to be established as a civic super-annuation fund largely for the purpose of insuring the citizens and taxpayers against loss, the City not only might, but should, assume a fair share of the cost. The respective shares of the two parties to the agreement should be established at the start and, as experience shows the necessity of increasing or the possibility of decreasing the annual charges, the increases or decreases should be shared between the contracting parties on a definite basis previously determined. The current liability of one party, the employees, is definitely established by the proposed scheme, but an examination of its terms shows that this is far from being the case with the other party, the civic corporation. Observation of human nature as operating in municipal affairs supports the belief that without establishing the civic liability, either on the basis of a percentage of the payroll or in total, the position of the taxpayer would be a precarious one. There is no guarantee that the terms might not be changed from time to time, as by varying rates and conditions of pensions, so as to increase civic liability without the extent of the increased liability being known until later by citizens and taxpayers. When the City is committed to a blanket guarantee of solvency, this might be a serious matter to taxpayers.

The terms of a pension scheme should be so drawn that the liability of both parties could be estimated with reasonable accuracy.

The Bureau notes that an age limit of 45 for compulsory membership in the fund, for persons entering service after the setting up of the fund, is established by the proposed by-law, while those entering the service at an age in excess of 45 must pay higher rates **if they desire to go on the fund**. This protects the insured employees and to a limited extent the taxpayers; but, inasmuch as, from the civic standpoint, the fund is established in order to insure the taxpayers against the retention of aged and ineffective employees, such provisions are quite inadequate. Just as natural human sympathy now

operates to keep employees on the payroll long after their usefulness has disappeared, so, if employees are taken on the payroll at ages over the age limit for compulsory membership in the fund, when the time comes to retire them, natural human sympathy will prevent their retirement or will result in retiring allowances for them. This is not a theory but is a general experience where an age limit is not established, after the establishment of the fund, for admission to the service.

Compulsory membership in the fund necessary for full protection of taxpayers.

An administrative study to determine the necessary number of departments and employees would be of help.

The desirability of requiring a certificate of health from new employees at least for some services should be considered.

Admission to service must be safeguarded if the fund is to fairly protect taxpayers.

An administrative study of the present establishment to determine whether or not, and if so how, the number of administrative departments might be reduced to advantage, and the number of employees curtailed, might be greatly to the interest of taxpayers in limiting the annual costs.

It is to be noted that no physical examination is necessary for admission to the fund although a medical certificate of disability is provided for on retirement. A certificate of health should be necessary not only for admission to the fund but for admission to some branches of the service, i.e., if the fund is to be for the protection of the taxpayers and employees jointly. Even from the standpoint of efficiency at time of appointment, there are certain groups of civic employees whose physical fitness, if not as important as that of Firemen and Policemen who pass physical tests, is of great importance.

The Bureau also wishes to point out again the danger of establishing a civic pension fund until it is established that all employees are appointed only after adequate tests of efficiency and sufficient terms of probation. Otherwise a pension fund may operate to protect and award inefficiency and to establish unwarranted vested interests at the expense of the taxpayers.

In conclusion, may the Bureau quote the following paragraph from its Open Letter of July 11th, 1924.

Beginnings are of vast importance.

“The Bureau also wishes to draw attention again to the great increase in numbers, of those who are directly or indirectly civic employees, and to the fact that the establishment of a principle now, for a certain

category of employees may easily invite much greater expenditure later on the part of the taxpayers or users of civic services. It is all the more important that the beginning should be above criticism." The Bureau is glad to learn, therefore, that additional advice is being sought on the actuarial side and trusts that additional thought may be given to the administrative features referred to in this Letter.

Respectfully submitted,

BUREAU OF MUNICIPAL RESEARCH

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