

B.M.R. COMMENT



BUREAU OF
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RESEARCH

BETTER GOVERNMENT THROUGH RESEARCH

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PENSIONS FOR MUNICIPAL COUNCILLORS --

WHERE ARE THEY?

An Early Proposal

On December 4, 1968, Toronto City Council voted in favour of a pension for its elected members which, if approved by the Province, would have been the first of its kind in Canada. The plan, similar to that in force since 1960 for Ontario MPPs, would have permitted retirement at age 55 with a minimum of 5 years of service on City Council. In reviewing the proposed plan, the Bureau found it considerably more generous than the Ontario Municipal Employees Retirement System (OMERS) plan which provides pension benefits to municipal employees in Ontario. The Bureau's 1968 analysis of the plan, based on aldermen's annual taxable salary of \$5,000, is shown in TABLE 1.

TABLE 1

VARIATIONS IN CONTRIBUTION AND PENSION RETURN*

<u>PLAN</u>	<u>employee contribution (% of Salary)</u>	<u>total 5 year employee contribution</u>	<u>annual pension purchased</u>	<u>pension as % of total employee contribution</u>	<u># of mos. by which pension depletes emp. contribution</u>
CITY COUNCIL	6%	\$1,500	\$1,125	75%	15 months
ONTARIO MPP	6	1,500	1,125	75	15
NOVA SCOTIA MPP	8	2,000	1,250	62.5	19
BRIT. COL. MPP	6	1,500	750	50	24
NEW BRUNS. MPP	9	2,250	1,125	50	24
FEDERAL MP	6	1,500	625	41.7	28
ALBERTA MPP	5	1,250	500	40	30
OMERS	* 4**	1,000	400	40	30

* Assuming annual taxable salary of \$5,000 and retirement after 5 yrs. service.

** To Canada Pension Plan ceiling; 5½% above that amount.

1 See Bureau of Municipal Research, "The Proposed Pension Plan for Members of Toronto City Council," News Brief #111, December, 1968.

The Bureau objected to the 1968 proposed plan on the grounds that:

- (1) the plan provided for benefits to elected members that were greatly in excess of those available to permanent municipal employees,
- (2) the 5 year service requirement appeared to be unnecessarily short and bore no relationship to the fact that councillors in the Metro area are elected for three-year terms,
- (3) the plan provided for an unusually early retirement age of 55, ten years under the OMERS requirement of 65, that could create potentially unreasonable costs to the municipality both in terms of loss of revenue to the fund had employee contributions continued for the additional 10 years, and the anticipated additional 10 years of pension payments that would have to be made with the earlier retirement age.

A. Recent Request

On April 15, 1970, Toronto City Council again asked the Province to enable municipalities to participate in a pension plan, be it OMERS or some other with similar benefits, specifically designed for members of council. To the extent that such a plan would make the benefits available to elected members more comparable to those provided for municipal employees, the Bureau strongly endorses Council's request. In addition to benefit comparability with municipal employees, however, the Bureau would urge that a pension plan for members of Council, particularly one designed for Province-wide participation, also give consideration to the following:

Service Requirements - A pension plan for elected members is designed to provide some security for those who have devoted considerable time to serving the community. It would be reasonable, then, to speak of minimum service requirements which, while not prohibitive, are also not so easily attained as to be meaningless. A suggestion that members be re-elected twice and serve three full terms might be acceptable. In Metropolitan Toronto this would be the equivalent of a nine year service requirement. At the present time, however, there is no uniform length of term in use across the Province; several municipalities still operate with one and two year terms. While it would be bordering the ludicrous to suggest that councillors with one year terms had satisfied the service requirement after three years (on the basis of being re-elected twice) it would be equally absurd to require that they be re-elected eight times (on the basis of a nine year service requirement). A uniform term of office for participating municipalities is clearly a prerequisite for Province-wide application of such a plan.

Voluntary Participation - While in our larger urban centres we are increasingly recognizing the fulltime nature of service on the municipal council, many of our smaller centres do not require such heavy time commitments - a fact that is underlined by the variations in salary paid to the councillors in different centres. Municipal participation in the pension plan should, therefore, be voluntary, permitting each municipality to assess its individual requirements. The voluntary nature of the plan would also permit municipalities that did not wish to join the flexibility of retaining a term of office that might differ from that indicated in the service requirements of the plan.

Transferability - The OMERS plan presently permits municipal employees to transfer their service credits when they move from one municipality to another so that the years of service, for pension purposes, in one area are not sacrificed with the move to another. Some consideration should be given to the possibility of transferring the service credits of elected members who move and are subsequently elected to the council of another participating municipality.

Past Services - Anyone no longer serving on council at the time the pension plan is adopted should clearly be prohibited from participating in the plan. Separate arrangements should be made by municipalities which may wish to reward, on an individual basis, former councillors with extended records of service to the municipality. It is possible, however, that a former councillor, not on council at the time the plan is adopted, may later be re-elected to office. In such a case, it would seem unreasonable to suggest that the individual be prohibited from making additional contributions to the pension fund to allow past service to be applied toward satisfying the service requirement. Flexibility on this point, however, would require a decision as to whether former service in a different municipality prior to the initiation of the plan would be applicable to meeting the service requirement.

Provincial Inaction

To date, the Province has failed to respond to the City's request, and the Bureau wonders why. There is ample precedent for the principle of pensions for elected members as Table 1 illustrates. What has been accepted as valid for federal and provincial MPs clearly cannot be labelled as inappropriate in principle for municipal members of council. The increasing complexity of larger centres has given rise to a host of urban problems, the solutions to which will in large measure require the fulltime energies of capable and dedicated municipal representatives. Clearly it is time for the Province to recognize the demonstrated importance of service on municipal councils and provide municipalities with the mechanism necessary to reward that service.

Having accepted the principle of pensions for elected representatives, what remains is the ironing out of the specifics of a plan. The Bureau strongly urges that the Province, in conjunction with interested municipalities, move as quickly as possible toward that end.

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