

The Municipal Employees' Pension Commission

Composition Review

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BACKGROUND

The Municipal Employees' Pension Act, s. 7 (13) states:

7 (13) On or before September 1, 2005 and every five years thereafter, the minister shall cause a review to be made of the composition of the commission.

Changes to the legislation in 2003 established a ten-person Municipal Employees' Pension Commission (MEPC) that would be populated by individuals appointed by designated stakeholder organizations as follows:

Employer Representatives

- Two appointed by the Saskatchewan School Boards Association
- One appointed by the Saskatchewan Urban Municipalities Association
- One appointed by the Saskatchewan Association of Rural Municipalities
- One jointly appointed by associations representing the regional colleges and the regional libraries

Employee Representatives

- One appointed by the Rural Municipal Administrators' Association of Saskatchewan
- One appointed by the Saskatchewan Association of School Business Officials
- One appointed by the Urban Municipal Administrators' Association of Saskatchewan
- One appointed by trade unions that represent employees who are members of the plan who are not police or fire employees
- One appointed by labour associations representing members of the plan who are fire and police employees

I was retained in fall 2010 to:

- Examine the current composition of the Commission to ensure it continues to be appropriate.
- Consider other administrative matters associated with the operation of the Commission which may be raised during the consultation process.

Complete terms of reference are attached in *Appendix I*.

PROCESS

The following lists the major process points in the review.

- PEBA notified stakeholder groups by email about the review and my appointment in early November 2010.
- In mid-November 2010 PEBA sent a letter to all pensioners informing them about the review and inviting their feedback.
- A review website was established in mid-November 2010 to make available a variety of resource materials and to provide an access point for individuals wanting to register feedback.
- On November 23, 2010 an email went to stakeholder groups requesting feedback on three questions:
 1. In your organization's view, does the composition of the MEPP Commission continue to be appropriate?
 2. If not, in what way should the composition of the Commission be adjusted and what is the rationale for any suggested changes?
 3. Are there other administrative issues related to the composition of the Commission that you believe should be considered as part of this review?
- I met with the MEPC on November 26, 2010 to discuss administrative matters that the Commission was proposing.
- On February 23, 2011 a follow-up email was sent to stakeholders groups that had not yet responded inviting them to do so by March 15, 2011.

RESPONSE

Input from stakeholder groups and individuals was received through email, written submission and telephone conversation. The table below summarizes the views of those stakeholders responding on the issue of MEPC composition.

Table I – Stakeholders Responses on MEPC Composition

Organization	Satisfied	Dissatisfied	Other	Comments
SUMA	X			
Sask. School Boards (SSBA)	X			Discontinue requirement for alternating employer/employee Chairs and Vice-Chairs. Reassess two-term limit.
SARM	X			
Rural Administrators (RMAA)	X			
Urban Administrators (UMAAS)	X			
Regional Library Directors/Provincial Library	X			Proposes legislation or regulation to govern shared seat arrangement with Regional Colleges
Regional Colleges (RCSBO)			X	Would prefer full rather than shared seat on MEPC. If not full seat then shared seat arrangement could be subject of MOU with Regional Libraries; don't need leg. or reg. to govern

PEBA mailed 4369 individual letters to MEPP pensioners informing them about the MEPC composition review process and inviting their input. Eight responded and their input is summarized below.

Table II – Individual Responses on MEPC Composition

Issue	Members Responding							
Put retired member or members on MEPC	X	X	X	X				
More CUPE representation					X			
Satisfied with current composition						X	X	X

ANALYSIS AND RECOMMENDATIONS

MEPC Composition

The current MEPC composition continues to enjoy a high level of support of those responding. Most stakeholders are satisfied or at least willing to support the status quo. As noted in the previous report, some would feel compelled to pursue objectives not achieved in the 2003 Terry Steven's process if the current configuration were to be opened up for revision making for a difficult and potentially rancorous process. That is not to say the current composition can never be changed but, in my view, there would need to be substantially more pressure for change than exists today to warrant such an undertaking.

One individual respondent noted what she saw as an underrepresentation for CUPE. Personally, I feel this is a legitimate point given the large number of CUPE members in the Plan. Nonetheless, CUPE itself did not make any such representation in this review. I surmise that is because the union has more fundamental issues with MEPP which it will pursue through means of its own choosing. I will offer no recommendation on this point but should the composition of MEPC be changed in the future the matter of CUPE representation needs to be addressed.

In the 2006 MEPC Composition Report I recommended examining the feasibility of inclusion of a retired member as an observer on MEPC. This examination occurred and it was decided not to proceed with such an arrangement (see Appendix II).

- 1) It is recommended that the existing MEPC composition be retained.**

Shared Seat Arrangement

One seat on MEPC is shared between the Regional Colleges Senior Business Officers (RCSBO) and the Regional Library Directors. The Library Directors suggest codifying details around the arrangement in the MEPP legislation or regulation. RCSBO believes developing common understandings about the arrangement would be helpful but is of the view that it would be more appropriate for the two parties to negotiate a Memorandum of Understanding (MOU) to achieve that purpose.

From my perspective the RCSBO suggestion is useful. There should be a high threshold pertaining to the decision to enshrine matters in legislation and regulation. Current MEPP legislation anticipates a co-operative relationship between organizations sharing seats but does provide for an arbitration process should a dispute arise.

- 2) **It is recommended that the Regional Colleges Senior Business Officers and the Regional Library Directors develop a Memorandum of Understanding to guide matters related to their shared seat on MEPC.**
- 3) **It is recommended that MEPC provide facilitation services for the negotiations referenced in Recommendation 2) if such is requested by the parties.**

Other Administration Matters

The MEPC requested consideration of two administrative matters in this review.

1. The requirement that trust decisions be decided by unanimous vote.
2. That the Chair and Vice-Chair be permitted to serve a second consecutive term.

There is concern that the requirement for unanimity in trust decision votes is too onerous. I share that concern. The unanimity requirement increases the potential for critical decisions to be delayed or obstructed thereby endangering Plan sustainability.

Comparable plans have the following rules around trust decisions:

- Public Employees' Pension Plan - Unanimity
 - Co-operative Superannuation Society – Simple majority
 - Saskatchewan Healthcare Employees' Pension Plan – Simple majority
 - Saskatchewan Teachers' Retirement Plan – Simple majority
- 4) **It is recommended that the voting requirement in MEPC trust decisions be revised to require a simple majority.**
 - 5) **Should Recommendation 4) be adopted, it is recommended that a consequential review of internal MEPP policies pertaining to voting procedures be conducted to ensure compatibility.**

A single-year term without the option of a second consecutive year for Chairs and Vice-Chairs seems needlessly disruptive to the work of MEPC. It is reasonable to me that an option be provided to Commission members to extend the term of those officers if they consider it warranted.

- 6) **It is recommended that MEPP legislation be amended to permit Chairs and Vice-Chairs to serve an additional, consecutive one-year term subject to the annual election process prescribed in s. 7(9) and s. 7(10) of *The Municipal Employees' Pension Act*.**

The Saskatchewan School Boards Association has additional administration suggestions that I believe would best be the subject of further MEPC discussion before consideration in this process.

Recommendation Summary

- 1) It is recommended that the existing MEPC composition be retained.
- 2) It is recommended that the Regional Colleges Senior Business Officers and the Regional Library Directors develop a Memorandum of Understanding to guide matters related to their shared seat on MEPC.
- 3) It is recommended that MEPC provide facilitation services for the negotiations referenced in Recommendation 2) if such is requested by the parties.
- 4) It is recommended that the voting requirement in MEPC trust decisions be revised to require a simple majority.
- 5) Should Recommendation 4) be adopted, it is recommended that a consequential review of internal MEPP policies pertaining to voting procedures be conducted to ensure compatibility.
- 6) It is recommended that MEPP legislation be amended to permit Chairs and Vice-Chairs to serve an additional, consecutive one-year term subject to the annual election process prescribed in s. 7(9) and s. 7(10) of *The Municipal Employees' Pension Act*.

Respectfully submitted,



Mick Grainger, Advicon Services

Appendix I

Municipal Employees' Pension Commission: Composition Review

Terms of Reference

Purpose

The provincial statute governing the Municipal Employees' Pension Plan (MEPP) requires that the composition of the Municipal Employees' Pension Commission be regularly reviewed, with the first review commencing September 1, 2005 and subsequent reviews every five years thereafter [s. 7(13) of *The Municipal Employees Pension Act*]. The review will:

- Examine the current composition of the Commission to ensure it continues to be appropriate.
- Consider other administrative matters associated with the operation of the Commission which may be raised during the consultation process.

Process

In compiling the report, the reviewer is to consult with major stakeholder organizations, the Commission and administrative bodies associated with MEPP. Major stakeholder organizations are:

- International Union of Operating Engineers, Local 870
- Service Employees' International Union
- Canadian Union of Public Employees
- Saskatchewan Government and General Employees' Union
- Saskatchewan School Boards Association
- Saskatchewan Urban Municipalities Association
- The Saskatchewan Association of Rural Municipalities
- Saskatchewan Association of School Business Officials
- Urban Municipal Administrators Association of Saskatchewan
- Regional Library Directors
- Rural Municipal Administrators' Association of Saskatchewan
- Regional Colleges Senior Business Officers
- Firefighters' Associations – Yorkton, North Battleford, Swift Current, Prince Albert
- Police Associations – Estevan, Prince Albert

The reviewer is also to consult with pensioners. Pensioners do not have a representative organization. The reviewer is to develop and carry out a process to consult with pensioners.

Timeframe

A report is to be provided to the Minister of Finance by April 1, 2011.

Appendix II

Status Report of the Recommendations from the 2005-06 Review of the Composition of the Municipal Employees' Pension Commission

October 14, 2010

BACKGROUND

The Municipal Employees' Pension Commission (MEPC) administers the Municipal Employees' Pension Plan (MEPP). The MEPC is a ten-person commission appointed by the following:

Members Appointed on behalf of Employers:

- Two appointed by the Saskatchewan School Boards Association;
- One appointed by the Saskatchewan Urban Municipalities Association;
- One appointed by the Saskatchewan Association of Rural Municipalities; and
- One jointly appointed by associations representing the regional colleges and the regional libraries.

Members Appointed on behalf of Employees:

- One appointed by the Rural Municipal Administrators' Association of Saskatchewan;
- One appointed by the Saskatchewan Association of School Business Officials;
- One appointed by the Urban Municipal Administrators' Association of Saskatchewan;
- One appointed by trade unions that represent employees who are members of the plan who are not police or fire employees; and
- One appointed by associations representing members of the plan who are fire and police employees.

The Municipal Employees' Pension Act requires that the composition of the MEPC be reviewed every five years. Subsection 7(13) of that Act provides:

“On or before September 1, 2005 and every five years thereafter, the minister shall cause a review to be made of the composition of the commission.”

Mick Grainger was retained in fall 2005 to fulfill this requirement. Specifically, Mr. Grainger was to:

- Examine the current composition of the Commission to ensure it continues to be appropriate; and
- Consider other administrative matters associated with the operation of the Commission which may be raised during the consultation process.

In compiling the report, Mr. Grainger consulted with major stakeholder organizations, the Commission and administrative bodies associated with MEPP. Mr. Grainger provided his report containing four recommendations to the Minister of Finance on March 28, 2006.

RECOMMENDATIONS

A) I recommend that the MEPC composition as established in the 2003 amendments to *The Municipal Employees' Pension Act* be retained.

The composition of the MEPC remained unchanged.

B) I recommend an administrative review be conducted of *The Municipal Employees' Pension Act*, with the objective of identifying administrative provisions pertaining to the function of the MEPC which would be more appropriately managed by the Commission itself.

The MEPC recommended that the terms of the Chair and Vice-Chair of the Commission be changed to a January 1 to December 31 term. No other administrative provisions were identified.

C) I further recommend that if such provisions are identified, they be removed from *The Municipal Employees' Pension Act*, and that the MEPC be empowered to enact regulations within the scope of the identified provisions.

The Municipal Employees' Pension Act was amended in 2007 to enact the MEPC's recommendation regarding the terms of the Chair and Vice-Chair of the Commission. The Commission has set its rules regarding the election of the Chair and Vice-Chair.

D) I recommend that the Minister and MEPC examine the feasibility of inviting a plan retiree to observe Commission meetings on a regular basis.

It was determined that an observer could not be held to the same confidentiality requirements that MEPC members have. Accordingly, a plan retiree has not been invited to observe Commission meetings.

Appendix III

Plan Overview

Municipal Employees' Pension Plan Administration

Contracted Services

The Commission is ultimately responsible for the Plan's administration, communication and investment activities. To discharge these responsibilities, the Commission uses the services of various organizations.

The Commission contracts with the Public Employees Benefits Agency (PEBA) to provide administrative services for the Plan. PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefits plans.

Under contract with the Commission, PEBA:

- Provides pension estimates, estimates on breakdowns of spousal relationships and transfer values for members wishing to transfer into MEPP from other pension plans;
- Provides ongoing communications to members and employers through newsletters, bulletins, workshops and online services;
- Prepares annual member statements by the end of March of each year;
- Calculates termination, pension and death benefits;
- Prepares information to members regarding significant life events that affect Plan membership, such as termination, death and the breakdown of spousal relationships;
- Accounts for all investment transactions;
- Collects members' and employers' contributions; and
- Provides executive management services to the Commission.
- Monitoring of investment performance;
- Communications with external investment managers and investment consultants;
- Research;
- Compliance monitoring; and
- Fund rebalancing.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Municipal Employees' Pension Act*, *The Pension Benefits Act, 1992*, and their related regulations.

The Commission retains RBC Dexia Investor Services Trust as the Plan custodian and Mercer Canada Ltd. as the investment consultant. The Commission also retains the eight investment managers.

Plan Expenditures and Statistics

21.8 thousand plan members **46.3** average age of active members **4.3** thousand pensioners

Pension Payments

In 2010, MEPP made monthly pension payments to 4,369 pensioners, paying approximately \$45.7 million. PEBA's service objectives are to ensure that all payments are made by their due dates and that all supplemental increases for pensioners are processed on a timely basis. PEBA met these objectives in 2010. The number of member retirements in 2010 is shown in *Table 1.1*.

Plan Membership

In 2010, Plan membership increased for active members and pensioners but decreased for inactive members as is shown in *Table 1.2*.

Income Allocation

In 2010, the Commission allocated interest to members' accounts at the rate of 9.08% for the year.

Supplemental Increases for Pensioners

No supplemental increases were applied in 2010.

Operating Expenditures

Table 1.3 shows plan operating expenditures for the year ended December 31, 2010.

Retirement Comparisons		
	2010	2009
Normal Retirement	77	49
Early Retirement	139	110
Postponed Retirement	4	2
Temporary Retirement	11	12
Total	231	173

Table 1.1

Plan Member Comparisons		
	2010	2009
Active	13,623	13,304
Inactive	3,852	4,191
Pensioners	4,369	4,205

Table 1.2

Administration Expenses (000s)		
	Total Cost	%
Administration costs	\$3,786	44.8
Custodial fees	155	1.8
Investment Consultant Fees	262	3.1
Investment Management Fees		
Global Infrastructure Partners Fund - C, LP	808	9.5
Greystone Managed Investments Inc.	1,163	13.8
Foyston, Gordon & Payne Inc.	221	2.6
Brandes Investment Partners, LP	698	8.3
Blackrock Asset Management Canada Ltd.	106	1.3
Snyder Capital Management, LP	450	5.3
Pareto Investment Management Ltd.	401	4.7
Steel River Infrastructure Fund North America, LP	407	4.8
	\$8,457	100.0

Table 1.3

Active Employers

At December 31, 2010, there were 721 employers participating in the Plan.

The distribution of employers by employment sector is shown in Figure 1.1.

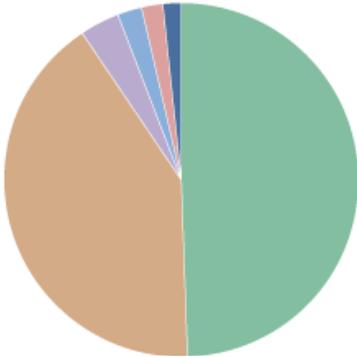


Figure 1.1

Active Members by Employer

The distribution of the Plan's active members by employer is shown in Figure 1.2.

The number of active members illustrated in Figure 1.2 differs from the total active members in Table 1.1 because some members work for more than one employer.

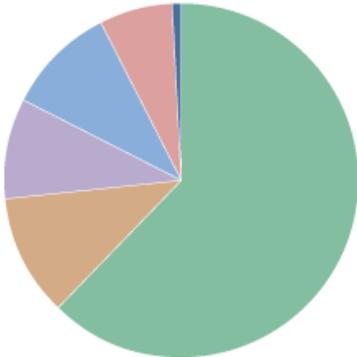


Figure 1.2