MUNICIPAL PENSION PLAN JOINT TRUSTEESHIP AND PROPOSED JOINT MANAGEMENT AGREEMENT

EXECUTIVE SUMMARY

In 1999, the provincial government passed legislation that provided a framework whereby the Municipal Pension Plan (MPP), and the other three plans under their control could move to a jointly trusteed model of plan governance. Subsequently, last year's UBCM Convention gave the Executive authority to represent local government in any negotiations and to bring forward a recommended agreement.

In developing their mandate the Executive took the position that as Joint Trusteeship is a common method of managing pension plans, we are not opposed to discussions of such an arrangement for the MPP. However, the benefit to local governments must be clearly evidenced.

In April 2000 the Municipal Pension Board established a committee of plan member and plan employer representatives to discuss joint trusteeship of the Municipal Pension Plan.

- Plan members were represented by the Municipal Employees Pension Committee (MEPC), which includes representatives of Canadian Union of Public Employees (CUPE), Hospital Employees' Union (HEU), Health Sciences Association (HSA), BC Nurses Union (BCNU), BC Federation of Police Officers (BCFPO), BC Professional Fire Fighters' Association (BCPFFA) and Council of Joint Organizations and Unions (CUJOU).
- Non-union / excluded and retired plan members were also represented.
- Plan employer groups were represented by the provincial government, municipalities and regional districts by UBCM. Health sector employers by Health Employers' Association of BC, and education sector employers by British Columbia Public School Employers' Association.

From the UBCM perspective major issues included:

1. Establishment of local government as a key decision maker in the administration of the plan (as opposed to the current advisory role, with the provincial government controlling the plan and determining contribution rates, plan benefits, etc.).

2. Financial gains through the allocation of projected surpluses during a transition period (e.g. employer rate reductions) and the sharing of future responsibilities for funding plan deficits. While today employers may share in a surplus they are also responsible for funding any plan deficits. Under a joint trusteeship both are shared.

On June 29 representatives reached a draft Joint Management Agreement (JMA). It includes provision that the UBCM can appoint 2 members to the 16 member Municipal Pension Board of Trustees (the board), and that the UBCM must be a part of a quorum and in the majority for a vote to pass. The board would have the responsibility and authority for managing the pension plan and the pension fund. The board would, for example, decide on plan benefits and plan rules, establish investment policy and hear member appeals. The board could not change the plan if the change requires an increase in contributions or creates an unfunded liability. That decision rests with the plan members and plan employer partners – one of which is UBCM.

The JMA ratification process started in September 2000, followed by the distribution of this policy paper to UBCM members requesting the membership to consider this matter at Convention in October. Concurrently, in order to be prepared, if all parties accept and to confirm preliminary advice that the principles in the agreement can be put in practice, the legal text is being drafted. Trusteeship could become effective on January 1, 2001.

At the July 2000 UBCM Executive meeting, the Executive endorsed the process for entering into the JMA. The process for JMA approval is what UBCM has generally used for recent protocols and agreements. It allows for presentation and discussion at the 2000 Convention followed by a vote. The matter will be treated as a regular (simple majority) resolution.

The recommendations are contained at the conclusion of this policy paper. If accepted they would approve the proposed JMA and authorize the President to enter into the agreement subject to certain preconditions, including the approval of the Member Services Committee and Table Officers and the final document being in substantive compliance with the principles in the Joint Management Agreement. Additional provisions include a requirement that the province provide the necessary guarantees (which is believed to be enabling legislation) to protect the UBCM and its' members and the other parties to this Agreement, and authority for the Executive to make certain appointments.

MUNCIPAL PENSION PLAN – JOINT TRUSTEESHIP
PROPOSED JOINT MANAGEMENT AGREEMENT

1. BACKGROUND AND TIMING OF TRUSTEESHIP DISCUSSIONS

All local government employees are required to participate in a jointly funded (employee/employer) Municipal Pension Plan (MPP). The MPP is controlled by the province, although since the early 1990's increased participation from other sectors has been allowed. Municipalities and regional districts through the UBCM have two seats on the Municipal Pension Board, the provincial government has four seats and employees have six seats on this advisory board that gives advice to the Trustee (the board chair). In 1994, the government clearly defined that the employer was to assume responsibility for the unfunded liabilities as sponsor of the plan. They also were to benefit from any surpluses.

In 1999 the provincial government passed legislation which provided a framework whereby the MPP and the other three plans (Teachers, Colleges and Public Services) under their control, could move to a jointly trusteed model of plan governance. The 1999 UBCM Convention gave the Executive authority to represent local government in any negotiations and bring forward for presentation a recommended agreement.

While there are three other plans, none are as large or as diverse as the MPP. It has four sets of employer interests (municipal and regional districts (UBCM), health sector (HEABC), school sector (PSEA) and provincial government). As well there are distinct unions (CUPE, HEU, BCNU, Health Sciences Association, Federation of Police Officers, Professional Fire Fighters Association and others), all of whom "participate" through an umbrella structure called the Municipal Employees Pension Committee (MEPC).

The sponsors or employers (which total 629) also include 136 "other" employers such as water districts and native bands. Members in the plan include union and exempt staff, deferreds and retirees. In 1998 there were 127,000 contributors (of these 111,000 were active and the balance inactive or vested and deferred), and 30,000 pensioners. Approximately 30% of these are funded by local governments or like agencies.

Under the legislation all the "sponsors" and "members" interests must be considered in the negotiations leading up to a joint trusteeship model and in its ongoing operation.

The Minister of Finance in March 1999, indicated that Joint Trusteeship should respect several basic principles – which include: "equal sharing of responsibility for management of the pension assets in the best interests of the beneficiaries – agreed to sharing of contributions…surpluses…unfunded liabilities" and that there must be a "relationship of the municipal pension plan to the other three Provincial plans."

Negotiations involving the other three plans commenced prior to the MPP negotiations and had worked out a common template which provided:

- movement towards equalization of sponsor / member contribution rates.
- allocation of surpluses to the benefit of the employer prior to an agreed-upon date.
- defined roles for plan sponsors and trustees.
- protection of sponsor / member interests through voting structure.
- defined parameters for use of surplus and control of deficits.

The template has been referred to as the "college model", follows Schedule 'A' of the legislation and would form the basis for entering into our discussions. <u>The UBCM went one step further and stated it needed to be shown there is a significant benefit to local government over the current arrangements before it will proceed on a recommendation for Trusteeship</u>. This mandate translated into financial incentive and increased involvement in the governance and administration of the Plan.

The MPP significant 1994 unfunded liability has reduced due to the employer contribution rate increases (Bill 60 – 1993 Pension Benefits Standards Act imposed rate increases), the diversified investment policy strategy of 1994 and salary assumptions that differed from actual salaries. From preliminary estimates it appeared 1999 year-end would show a surplus which, in the short term at least, is projected to continue.

Under current arrangements, the surplus is to the credit of the employer. As such it could be used to change the current contribution arrangements whereby the employer has to "double" their contribution after an employee reaches a certain age usually 50 for most employees – an increasing cost to the employer as the work force ages. Eliminating the "doubling" of the employer rates would result in a smoothed employer rate. As it is usually mid year before rates can be calculated, such a simplification would also assist in better financial planning for budget purposes.

Reducing the overall cost by moving towards equalization of rates between employees and employers could be another option. This would form a significant part of the joint trusteeship negotiations, but there needs to be a negotiated date whereby surpluses or deficits become the responsibility of the Trusteed Plan and are taken off of local government books. A full valuation of the plan – to determine actual surplus will not occur until December 31, 2000 – with the resulting actuarial report available in the fall of 2001. This uncertainty could impact implementation dates for any financial changes to the plan. All of the forgoing financial considerations must be weighed against another area which would be mutually beneficial to plan sponsors and members, that of "control". Under a trusteeship model there is some, under the current arrangement there is none.

Three further points considered in developing the employer's position:

- The plan members may be motivated to accept some of the risks (of a joint trusteeship) today so the plan comes under a governance sharing model, as opposed to the uncertainty as to what a future government or change in the economy might do.

- Under new PSAB rules (a new government accounting method which all municipalities and regional districts are expected to adopt) local governments are expected to show a disclosure on their financial statements acknowledging funds they participate in and their deficits. This could impact on local governments' borrowing ability and rates paid. Under a trusteeship there is no impact on the municipal books.

- The disparate nature of the employers group and interests. Joint trusteeships appear to work best where there is a high degree of commonality between partners. For example a common industry in which all the partners are engaged. The MPP is a very diverse plan with an employer contribution rate calculated for each employer.

  Employers may have different motivations for changes to the plan. For example as local governments restructure, it may be advantageous to offer incentives such as early retirement to employees even if it costs more in the short term resulting in long term savings. Other sectors of the MPP may be motivated by other issues and may not want to offer early retirement options.

The Executive, after consideration, gave a mandate to proceed to negotiate a Joint Trusteeship Agreement.

2. BASICS OF JOINT TRUSTEESHIP

There is a spectrum of pension plan governance – ranging from Employer Sponsorship to Member Sponsorship, and somewhere between (the actual position depending on the plan itself and the provincial regulations) Joint Trusteeship. The Municipal Pension Plan is Employer Sponsored (by the Provincial Government) with an advisory board that includes representatives from employer and employee groups.

Generally speaking Employer Sponsorship means:

- Employer sets the pension promise
- Employer manages the plan
- Employer accepts the risks
- Employer may reap rewards
- "Paternalistic"

And by changing the word "Employer" to "Employee" the above holds true for Member Sponsorship.

In a Joint Trusteeship:

- Joint participation in plan management - Plan member and plan employer/sponsor representatives share control of the plan and determine contribution rates, plan benefits, etc.

- Joint sharing of risks - Liabilities are shared. If the plan has an unfunded liability, plan employer and plan member contributions (under the proposed JMA) would be increased equally to pay it down over time. Other plans may have different participation sharing.

- Joint sharing of surplus - Surpluses could be used to improve pension plan benefits, to reduce employer and member contributions, to strengthen indexing of pensions, or to protect against future contribution increases. Under the proposed JMA there is a financial agreement which states exactly how the surplus can be used in a "transition" period before the Board can exercise it's authority.

Within the private sector we can find many plans whose governance ranges all along the spectrum. The movement of public sector plans towards greater member control has been slower and more cautious. Of significance in the 1960's was the establishment of the Ontario Municipal Employees Retirement System (OMERS) as a joint trusteeship, a plan which continues to run well today. Ontario's introduction of the HOOP Model (Hospitals of Ontario Pension Plan) whose Declaration of Trust was entered into on November 22, 1993 is perhaps the most widely known. Alberta at the same time was putting in place the Local Authorities Pension Plan Fund (LAPP) and setting up its independent Board of Trustees.

Through this timeframe and subsequently, the UBCM was monitoring what was happening externally, but more importantly within the Municipal Pension Plan. As of December 31, 1991 the MPP had an unfunded liability of $1.4 Billion (as compared to December 1979 - $.4 Billion). In addition to financial condition, the areas of plan governance and administration were evaluated. The "Review of the Municipal Superannuation Plan: Status and Issues March 1995" can provide further details of their findings.

3. PROVINCIAL PENSION PLANS – STATUS OF TRUSTEESHIP DISCUSSIONS

There are three other pension plans in the "BC Family of Plans" whose member and sponsor representatives have been involved in Joint Trusteeship discussions. The joint trusteeship of the College Pension Plan, which as noted above has been the model for all, is now fully implemented. Their Board of Trustees has been appointed and is now managing the Plan. The Public Service Plan (primarily for employees of the Provincial Government and various related Crown Corporations, agencies and institutions) and the Teachers' Pension Plan (which includes School Superintendents, Principals and Vice Principals) are at a similar stage to that of the Municipal Pension Plan – i.e. the parties' representatives have agreed to the governance, administrative and financial matters, but these joint management agreements are still subject to ratification and the final review of the legal text. The Public Service agreement has been ratified and they are waiting to sign the agreement. It is expected that the ratification process for the Teachers' agreement will be completed by the end of October 2000 with the signing of the agreement to take place thereafter.

With respect to the Municipal Pension Plan each of the participating organizations is preparing for ratification by their constituents. The ratification process varies from organization to organization. The UBCM Executive has decided this matter will go before Convention. HEABC is expected to conduct a mail-out vote of its members. The unions that make up the MEPC will each consider the agreement during September and October using their own decision processes. The decisions reached by these constituent organizations will come back to the MEPC full committee in November for a weighted vote. The provincial government will also be reviewing the final legal text, and if it is approved the Minister of Finance and Corporate Relations would sign the agreement on behalf of the Province.

4. OUTLINE OF JOINT TRUSTEESHIP PROPOSAL

On June 29, 2000 the representatives of plan members and plan sponsors concluded a Joint Management Agreement and Transitional Financial agreement which would see the municipal pension plan be administered as a trusteeship. (During July and August the parties further clarified issues and the plan employer partner and plan member partner signed off on a specific JMA text on September 01. The document is currently being drafted to a legal text – the proposed recommendation contemplates the review of the legal text in light of the convention decision.)

There are three different groups established to ensure the effectiveness of the Plan and that the necessary appeals, checks and balances are in place.

- **The key element is the Board of Trustees**

The new Municipal Pension Board of Trustees would have 16 members; half appointed by plan members and half appointed by the provincial government and other employers:

- 1 person appointed by the Hospital Employees' Union (HEU)
- 1 person appointed by the Canadian Union of Public Employees (CUPE), BC Division
- 1 person appointed by the Health Sciences Association (HSA)
- 1 person appointed by the BC Nurses' Union (BCNU)
- 1 person appointed by the BC Federation of Police Officers (BCFPO) and the BC Professional Fire Fighters' Association (BCPFFA)

- 1 person appointed by the Council of Joint Organizations and Unions (COJOU), representing all other unionized plan members
- 1 person appointed by the MEPC
- 1 person who is a retired plan member, appointed by the MEPC
- 1 person who is an excluded employee and a plan member, appointed by the provincial government and UBCM
- 2 persons appointed by the provincial government
- 2 persons appointed by UBCM
- 2 persons appointed by the Health Employers' Association of British Columbia (HEABC), and
- 1 person appointed by the British Columbia Public School Employers' Association (BCPSEA).

UBCM must be part of the quorum and part of any affirmative vote. The board may appoint a chair from among its members or appoint a 17th member as chair.

The board would have responsibility and authority for managing the pension plan and the pension fund. The board would, for example, decide on plan benefits and plan rules, establish investment policy and hear plan member appeals. The board could not change the plan if the change requires an increase in contributions or creates an unfunded liability.

The Two Other Groups:

- **Council of Partners**

Under certain circumstances the Board may refer disputes (not appeals of decisions) to a Council of Partners comprising two persons appointed by the province, two by UBCM, and 4 by MEPC. In the case of subjects which the other employers may be more familiar with, there may be substitutions from the health or school sectors with agreement of the province or UBCM.

There are provisions to appoint a mediator, but unless the dispute relates to the allocation of surplus (which is required to be arbitrated pursuant to Provincial Legislation) the Council may ask for assistance, but are not required to make a ruling. This is in keeping with the principle that the plan belongs to the members and sponsors, who make up the Board and as such it is only on rare circumstances decisions should be made by other than the Trustees.

- **The Partners**

Where it is proposed to change a rule or benefit which will increase the cost to the employer or employee, the Employer Partner (province and UBCM) and member partner (MEPC) must agree (8 members equally between partners).
The Partners also have the authority to amend or terminate the agreement.

5. ADMINISTRATIVE AND INVESTMENT SUPPORT

Two agencies are in place to support the existing plan and the new Trusteeship model:

- **BC Pension Corporation**

To carry out the administration of the pension plan and whose services are retained, based on an agreement between the Board and the corporation.

- **BC Investment Management Corporation**

To carry out the fund management services, for at least one year past the first actuarial valuation report and then all or a portion of the funds may be placed with alternate managers if in the board's opinion these are in the best financial interests of members.

- **Other Provisions Include:**

- Liability protection for Board, Partner and Council members,
- Provision for alternates,
- Appointments of actuary, auditor,
- Requirement for valuation report at least every 3 years and
- The board must set rules for entry and withdrawal of employers.

6. TRANSITIONAL AGREEMENT – FINANCIAL

While it is the responsibility of the board for the administration of the pension plan and the management of the pension fund, the acceptance of the Joint Trusteeship model is contingent on an agreed upon set of changes to the current financial arrangements with respect to the emerging use of surplus or actuarial gains during a transitional period. In summary, provisions which will be implemented in a package when sufficient funding exists, include:

First: To eliminate all existing unfunded liabilities.

Second: Once SUFFICIENT SURPLUS is available, to, AT THE SAME TIME:

1. rebalance employer and plan member contribution rates.
Employer and plan member contribution rates will be equal except that employers will still cover the additional cost of benefits for Fire and Municipal Police.

AND

2. change the normal form of pension to Single Life with a 10-year guarantee.
The normal form of pension payment will be improved. The "normal form" is the base for calculating all pension payment options. This change will increase the pension that is payable under every pension payment option by 1- 4%, depending on your age at retirement.

AND

3. change the benefit formula from 1.3 / 2.0% to 1.35 / 2.0%.
This change will increase the pension payable after age 65 by an average of 3%.

Third: Use 50% of additional surpluses to set aside $500 million to protect against future increases in plan employer and plan member contribution rates. (If contributions must be increased, plan employer and plan member contribution rates will be increased by an equal amount.)

AND, AT THE SAME TIME:

Use the other 50% of additional surpluses to transfer $500 million to the Inflation Adjustment Account. (This account pays for pension indexing and retired plan members' health benefits).

Implementation of rate reform, as soon as possible, is certainly in the best interests of the employer. Rate reform is a cost reduction for employers, which provides greater budget certainty and eliminates what is seen by some as the potential for age and sex discrimination. The improvements to the pension plan benefit the employees financially and the employer more globally. As the benefit package improves, employers are able to attract better workers from the global marketplace. Both parties benefit from having a cushion on future cost increases through contributions to rate stabilization and transfers to the inflation adjustment account.

- **What are the Employers' Projected Savings under Rate Reform?**

Current estimates suggest that there is a projected savings to employers of approximately $860* million in present and future contribution reductions.

Delivered in the form of:

* This figure is an estimate and not based on an actuarial valuation.

- $610[*] million projected savings (contributions that MPP employers will not have to make over the next 25 year amortization period) to replace the "doubling" rate structure by equivalent level rates based on existing membership and taking into account new hires. Currently, employer contribution rates double when an employee reaches 50 years (45 years for Fire and Municipal Police). With an aging work force the current rate doubling would increase employer costs.
- $250[*] million savings due to rate reductions that bring employer and employee rates into equality for the majority of plan members and an approximately 3% payroll rate reduction for group 2 and 3 – Municipal Police and Fire. (Under the proposed Joint Management Agreement any future changes, up or down would be equal.)

During the transition period, the benefit improvements (Single Life and 10 year guarantee and the change in the benefit formula to 1.35% / 2.0%) do not result in a contribution rate increase. These benefit improvements are already structured into the other three public sector plans (College, Teachers and Public Service).

Future benefit increases, which require an increase in contributions, must be shared equally between the employee and employer. This in itself may moderate further benefit improvement requests. Benefit improvements that require an increase in contributions must be referred to the Council of Partners for approval.

7. SPECIFIC ISSUES

There are a number of issues that need to be addressed which will require approvals if the JMA is proceeded with. These include the appointments to the Board of Trustees and the Council of Partners, and the determination of the effective date for the Trusteed plan to start.

- **Appointments to the Board of Trustees and the Council of Partners**

The JMA requires UBCM to appoint:
- Two members (trustees) to the Board
- Two members to the Council of Partners (who may or may not be the trustees although their roles are different)

The JMA allows UBCM to appoint:
- Two alternate members (trustees) to the Board

The Trustees, Board members and alternates, have fiduciary responsibilities. These appointments will carry significant responsibilities. This is a very large pension plan and Trustees must bring sufficient time and knowledge to the task.

[*] These figures are estimates and not based on an actuarial valuation.

There are two potential appointment methods:
- Elected at UBCM Convention or
- Appointed by the UBCM Executive.

We have no experience with the former, so that adds to the uncertainties. It also does not offer clear, formal reporting or support mechanisms. The latter appears to be the better route, at least initially, and a method used currently. The Executive appoints the Executive Director and the Manager of Member Services to sit on the Advisory Board. The process should, however, be opened up to consider more than UBCM staff as trustees for the Municipal Pension Board.

The Council of Partners is a body which hears disputes among trustees. For similar reasons as the Board appointments it seems logical that the Executive make the appointments. However given it is an appeal body and should be looking at an issue with "fresh eyes" it would seem desirable that it not be the same persons as the MPP Board Trustees. For example the Executive might decide that the President and Chair of the Member Services Committee would serve as members to the Council of Partners.

- **Effective Date**

The effective date for the Board of Trustees to take over the plan will be dependent on ratification by all parties and the provincial government providing its assurances. It is possible the new Board could be operational January 1, 2001.

When the rate restructuring, benefit improvements, and contributions to the rate stabilization fund and Inflation Adjustment Account will occur, depends on the surplus available in the fund. This won't be known until fall of 2001, but could be made retroactive if the trusteed Board so decided. When the Board will be in a position of being able to decide on plan changes is also unknown.

Appointment of an Exempt Member

The JMA provides that the plan member partner appoints one retired plan member and the plan employer partner appoints one person who is an excluded plan member. In the case of the latter this means the Province and UBCM must select someone through a process that receives input from excluded plan members or their representatives.

In the past UBCM has requested input on pension issues, both from the Local Government Management Association (was the Municipal Officers' Association), the Government Finance Officers' Association (GFOA) and specific individuals depending on the issue. The excluded plan member appointment is made jointly with the province and both parties need to consider all excluded staff including those employed by the Health Employers' Association and British Columbia Public School Employers' Association.

It is proposed that once the JMA is ratified, the four employer plan representatives through the BC Pension Corporation would establish a selection process for the excluded plan member representative. The Executive would have authority to act on behalf of the UBCM to jointly make the appointment.

8. HOW IS JOINT TRUSTEESHIP GOING TO FINANCIALLY IMPACT LOCAL GOVERNMENT?

While there will be savings associated with the rate restructuring, currently estimated at $860 million in present and future contributions, we are still in the process of calculating what that will mean for each sector and the employers within the sectors.

The rate restructuring is dependent on factors such as age/gender distribution, whether a local government has fire or municipal police and the size of the jurisdiction. Generally speaking if an employer's work force is older and there are both municipal police and fire departments, the savings will be greater than for those employer's with younger staff, a volunteer fire department and served by the RCMP. It may be possible that this latter group will see a modest increase today but in the long term savings, as their work force ages and community grows.

While local governments as a whole will see immediate benefits when employer rate reform is put in place, internal adjustments within the local government sector will be required to phase in costs for some members who will see increases. The phase in of cost increases would be offset by the proportionate savings of other local governments.

9. PHASE IN OF EMPLOYER RATE REFORM

In order to calculate the impact of overall employer rate reform to an individual community it will be necessary to establish which agencies are members of the Municipal Superannuation Plan and are operating local services but funded indirectly. For example one municipality may operate a museum as a line department; other communities may contribute funds to a separate society. There are Water Districts where the service might otherwise be funded from the municipality or regional district. In the end both are paid for by the same taxpayer.

Following the above analysis and determination of the effective date of rate reform, an assessment can be made whether there is a cost or benefit.

Generally, for most municipalities/regional districts there would be an immediate reduction in employer rates. For potentially a small number of municipalities and regional districts, that don't see a reduction in employer rates, we may wish to consider a phase in period for the rate changes.

It is proposed that the Member Services Committee and the Table Officers be authorized to approve a specific formula once the discussions with the individual municipalities and regional districts impacted have occurred and the details are known. The following principles form the basis for the discussion:

- phase in to be a maximum 3 years.
- A maximum increase (in dollar or percentage) be established before there would be a phase in of costs.
- phase in of cost increases would be offset by the proportionate savings of other local governments.

Whether there is a phase in or not, it is up to individual local governments to determine their own internal offsets of cost and benefits.

10. WHY WOULD LOCAL GOVERNMENT SUPPORT THE JOINT MANAGEMENT AGREEMENT AND SET UP A NEW MUNICIPAL PENSION PLAN?

- A Trusteed plan provides for greater local government control. Currently the pension board is advisory only and therefore local government has no control.
- It includes joint trusteeship where both employers and employees have a fiduciary responsibility and are making decisions in the best interests of the plan and not just their own interests.
- If there is a proposal to increase benefits which will require a rate increase, local governments through the UBCM have a governing determination as to whether the benefit improvement will go ahead.
- There is a surplus projected in the short run. Employers were advised they would be entitled to future surpluses. The plan may in the long run find itself in a deficit position in which case employers are no longer required to fund unfunded liabilities at 100%. Surpluses and deficits, once the transitional provisions are met, are shared 50/50.
- The first call on the projected surplus goes to rate reductions which will reduce the costs to employers today and in the future.
- With rate reform comes better financial planning – not having to wait until mid-year to know the pension rates.
- The UBCM must be part of the majority in decision making whether this is at the Board, or the Council of Partners. The exception is when there is a dispute on the allocation of surplus in which case the existing provincial legislation applicable to all plans applies. The matter is referred to an arbitrator pursuant to the Pension Benefits Standards Act.

In summary the proposed JMA, with its transitional financial arrangements, provides to UBCM members the financial benefits and governance and administrative control that was included in the Executive's mandate.

You will be asked at Convention to consider the recommendations contained in the next section, which if approved would see a new Municipal Pension Plan, operated as a Joint Trusteeship between plan employers and members.

11. SUMMARY OF RECOMMENDATIONS

Recommendation #1: UBCM convention in full authorize the President to enter into a joint trusteeship to manage the Municipal Pension Plan as set out under Part 2 of Schedule B of the Public Sector Pension Plan.

Recommendation #2: Approve the JMA and subject to the approval of the final legal document by the Member Services Committee and the Table Officers, which follows those same principles, the President of UBCM be authorized to sign the necessary documents as set out under Recommendation #1 and confirming the implementation date for the Trusteed Plan.

Recommendation #3: That the above be subject to the province providing the necessary protection to the signatories, such as legislation, and that all conditions to enter into the plan are completed.

Recommendation #4: That the Table Officers be authorized to select:
- the two UBCM trusteed board members of the MPP Trusteed Board,
- the two alternate UBCM trusteed board members of the MPP Trusteed Board,
- the two UBCM members of the MPP Council of Partners and
- the exempt trusteed board member,

and that the selected individuals be ratified by the UBCM Executive.

Recommendation #5: That with respect to a phase in of rates, the increase/decrease in employer contribution rates resulting from rate reform will be phased in over a maximum three year period, in a formula approved by the Table Officers and the Member Services Committee.