



To: General Purposes Committee
From: Mike Kirk
General Manager, Human Resources
Re: Purchase of Service

Date: August 8, 2002
File: -

Staff Recommendation

That funding for the purchase of past service be offered to all interested employees, and that such funds be reimbursed to the City through a payroll deduction program.

Mike Kirk
General Manager, Human Resources

Att. 1

FOR ORIGINATING DIVISION USE ONLY
CONCURRENCE OF GENERAL MANAGER

Staff Report

Origin

The Pension Corporation recently changed the rules for purchase of service for non-contributory service (primarily probation periods). Staff can now purchase service time before the year that they retire. This is a change in that previously members of the Fire-Rescue Department could buy back their service in the year that they retired (in a lump sum payment), with the City paying half the cost.

In May of this year, the IAFF Local 1286 approached the City with a proposal which would essentially mean that the City would cover the cost of this purchase, and the employee would repay the funds through a payroll deduction program (see attachment 1). At the time that the union made this proposal, they had expressed interest in delegating to the General Purposes Committee, however, they were advised that there were broader implications which would involve not just the Fire-Rescue Department but also other City staff, and therefore, staff would be developing a report to Council.

Analysis

As mentioned above, currently members of the Fire-Rescue Department can buy back their probationary service (6 months) in the year that they retire. The City covers half the cost, as per the Collective Agreement. This service is bought back at the rate they are currently earning it rather than at the rate it was earned. Thus, if the City were to forward all funds now for purchasing service there would be a net savings, because future earnings will be higher than their current earnings. It is problematic to calculate exact costs since exact retirement dates and difference in earnings are unknown.

IAFF Local 1286 has put forward three options for consideration which are:

1. The City forward funds to cover the purchase of service to the Pension Corporation and have the employees pay back via payroll deduction
2. The City incrementally forward the funds to the Pension Corporation based on the City's ability to pay. This option is possible as the Pension Corporation has allowed up to 5 years for employees to buy back their service. This option would also have the members pay back through payroll deduction.
3. The City forward to the Pension Corporation only those funds that the employee pays for directly.

The Union has proposed that any costs to the City, as a result of the "loan" would be offset by an "appropriate" interest rate.

When looking at the above options it is true that if these options were pursued there would be a net savings to the City due to the nature of buy back in the last year of retirement, as per the Collective Agreement.

Although this request came from the Fire Union, it is incumbent on staff to look at all of our employees. If the City were to provide this service to the Fire Union it is reasonable to assume that this service should also apply to all City employees. If this service was made available to all staff under the same scenario as that recommended by the IAFF Local 1286, the exposure to the City would be \$2,781,000. This is not a cost as it would be repaid on a payroll deduction but it is an exposure to the City which could be covered through cash flow. To ensure there is no loss of revenue thus no cost to the City, for payroll deduction programs, such as the computer purchase plan, past practice has been for the interest rate to be based on the current rate of interest the City earns through its investments. The approximate current interest rate on the City's investments is 5%.

Financial Impact

Although there is a potential exposure to the City of \$2.7 million, this proposal would be cost neutral in terms of the purchase because the payroll deduction would be based on the interest rate earned on investments. There is also long term saving to the City by paying for the purchase of IAFF Local 1286 members' service at current rates of pay rather than the rate they earn when they retire.

Conclusion

The proposal from IAFF Local 1286 for the City to forward funding to the Pension Corporation for Purchase of Service is practical and doable provided that, at the very least, it is cost neutral.



Mike Kirk
General Manager, Human Resources

SMK:smk



RICHMOND FIRE FIGHTERS ASSOCIATION

Local 1286 of the International Association of Fire Fighters

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May 7, 2002

Delegation to General Purposes Committee

Mr. Richard McKenna
City Clerk
6911 No.3 Road
Richmond, BC
V6Y 2C1

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Dear Mr. McKenna,

Please accept this letter as notice of our desire to make presentation before the General Purposes Committee on May 21, 2002. The purpose of our delegation will be to discuss the new pension legislation and it's effect on the IAFF workforce. The delegation will also discuss possible funding options as they pertain to the collective agreement and the new legislation.

1450-02
x-ref: 1017-c5

Please find attached a package that contains a report and supporting information. If any more information is required please do not hesitate to call Tim Wilkinson at 604 274-8848.

Sincerely,

Tim Wilkinson
Secretary
IAFF, Local 1286
cc: Geoff Lake
Jim Hancock
Gail Tremere





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REPORT TO COUNCIL

TO: General Purposes Committee **DATE:** May 7, 2002
FROM: Richmond Fire Fighters Association, IAFF Local 1286
RE: Early Pension Buy Back Program **File No.:** 1450-02

IAFF RECOMMENDATION

That a plan be adopted, where the City Of Richmond forward all funding for this initiative immediately, and be repaid through a process of payroll deduction.

Tim Wilkinson
Secretary, IAFF, Local 1286



IAFF REPORT

ORIGIN

At a meeting held on April 22, 2002, the Employer offered to allow IAFF, Local 1286 members the opportunity to buy back their first six months of contributions as described in the new pension legislation. While this offer is generous it does present some members with financial issues. Further, there should be a clearer understanding of the benefits for both the city and the IAFF membership in looking at alternate plans to finance this offer. This report will address the concerns that are identified above.

ANALYSIS

The executive of IAFF, Local 1286 has reviewed the new legislation, service levels of the membership, in conjunction with the buy back offer presented on April 22, 2002. This review has led us to realize that for both the City and the membership to realize the maximum benefit of this offer several issues must be addressed. Can all members afford to take part in this offer? Secondly, can the City afford to finance all members at once or is there a need to limit members in some orderly fashion? Finally, what are the future implications to this change in legislation?

The IAFF executive believes that a plan, which would have the City Of Richmond forward all funding for this initiative immediately, and repaid through a process of payroll deductions is the most cost effective for both the City and the membership. This proposal addresses many of the issues that were previously identified. Firstly, through payroll deduction over several years the monthly payment would be well within most members' budgets. Secondly, the City would be able to accurately forecast both costs and revenues by acting immediately. Finally, in the future it may be prudent for both the City and the Union to enter into an agreement where members would accrue pensionable time beginning on their first day of employment.

OPTIONS

1. The City Of Richmond forward all appropriate funds to the BC Municipal Superannuation plan sufficient to purchase the first six months of service as per the new regulations. The member's portion could be reimbursed to the City Of Richmond by direct payment or through payroll deduction.
2. The City Of Richmond incrementally implement a plan to forward all appropriate funds to the BC Municipal Superannuation plan sufficient to purchase the first six months of service as per the new regulations. This incremental plan would give senior members the first right of refusal. The member's portion could be reimbursed to the City Of Richmond by direct payment or through payroll deduction.



The City Of Richmond only forward those funds to the BC Municipal Superannuation plan sufficient to purchase the first six months of service as per the new regulations that are requested and funded directly by the member.

FINANCIAL IMPACT

Option1, based on a review of the membership, as it is currently constituted, IAFF executive has identified an area of mutual benefit. This being; savings both for the City and the member. If this plan is instituted immediately the City and the member will receive this benefit at it's lowest cost as a members current salary determines the purchase of service at the time of purchase. For example fire fighter A has a salary of \$44, 000/yr. as a first year fire fighter, if the service is purchased immediately the cost would be approximately \$3,278. In one year from now the salary will be \$46,932/yr and the purchase price of service would be approximately \$3,500. In two years the salary would be \$52,000 and the purchase price of service would be approximately \$3,800.

The IAFF executive realizes that there is a cost to a loan that is subsequently repaid through payroll deduction; the executive has no issue with the City Of Richmond recovering these costs through the charging an appropriate interest rate that would have the payroll deduction plan be revenue neutral.

Option 2 may have some merit in that it would allow the city to budget their portion of the cost over the next five years. The draw back is the increase in cost as the years go by, not only in incremental allowances under the collective agreement but also in future wage settlements that have a direct impact on the cost of pensionable service.

Option 3 may reduce the City Of Richmond's total output because some employees may not be able to fund their portion on a one- time basis. While this may have some cost cutting virtues the draw back would be in the area of morale where some employees may feel that this is not the area where a responsible, caring and forward thinking employer would cut.

FUTURE IMPLICATIONS

With the change in the legislation surrounding pensions it may be prudent for both the Employer and IAFF, Local 1286 to flag this item as a issue that requires amending in the collective agreement. This could be accomplished at the negotiation table in 2003 or with a letter of understanding.



CONCLUSION

The implementation of program where an employer and employee enter into an agreement that would have the employer forward funding for the purchase of pensionable service immediately and the employee repaying through payroll deduction would be the most efficient and financially responsible.

Tim Wilkinson
Secretary, IAFF, Local 1286

NEW RULES

Purchase of Service Bulletin

Want to buy time.... (For Pension Purposes)??

Purchase of service rules for leaves of absence, non-contributory time and arrears have changed. Starting April 1, 2002 you have five years or until you terminate (whichever is earlier) to purchase past service. **This time frame expires on April 1, 2007.**

Effective April 1, 2007 you can only purchase service which occurred during the previous five years.

You can purchase service for

- Leave of absence which includes maternity, parental, other leave
- Other service – e.g. probationary service
- Arrears

The schedule below provides the estimated costs of purchase for six months.

Estimated Costs of Purchase (For Service in Municipal Plan)	
Current Annual Salary	Estimated Cost For 6 Months Service
\$ 15,000	\$ 1,078
\$ 20,000	\$ 1,437
\$ 25,000	\$ 1,796
\$ 30,000	\$ 2,156
\$ 35,000	\$ 2,515
\$ 40,000	\$ 2,881
\$ 45,000	\$ 3,278
\$ 50,000	\$ 3,674
\$ 55,000	\$ 4,071
\$ 60,000	\$ 4,468
\$ 65,000	\$ 4,865
\$ 75,000	\$ 5,658
\$ 80,000	\$ 6,055
\$ 85,000	\$ 6,452
\$ 90,000	\$ 6,848
\$ 95,000	\$ 7,245

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For details, please refer to B. C. Pensionfacts – Purchase of Service or visit your website at Pensions.bc.ca

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If you are interested in Purchasing the service, please complete the attached Purchase of Service Application and submit to the Benefits Coordinator, Finance Department as soon as possible.

This will be a major undertaking for the City and the Pension Corporation. Your patience is appreciated.

BC Pensionfacts

Purchase of Service

CPP, MPP, PSPP, and TPP

You may be able to increase your future pension benefits by purchasing past service time.



If you are a member of the College, Municipal, Public Service or Teachers' Pension Plans, you may be able to increase your future pension benefits. You may be able to purchase periods of service that you worked with an employer under the same pension plan that you are currently contributing to, provided:

- you were not making contributions during the period that you wish to purchase, and
- you are currently a member of the same pension plan.

You should know:

Purchase of service rules for leaves of absence, non-contributory time and arrears have changed. Starting April 1, 2002 (March 1, 2002 for College Pension Plan) you have five years or until you terminate employment (whichever is earlier) to purchase past service. Beginning April 1, 2007, you may only purchase periods of service that occurred during the previous five years, provided you apply to purchase prior to terminating employment with your current employer.

Types of Service

Purchasing service means paying for periods of employment that have not been counted as service with the pension plan. Such purchases may increase your pension benefit. Once you have terminated employment with your current employer, you are no longer eligible to purchase any period of previous service (except "Arrears"—see over). Purchase options include:

Arrears

If you were not enrolled in the plan at the correct time, you may be able to make up any missing contributions. The Pension Corporation may notify you of any arrears period you may have. If you think that you were not enrolled at the correct time, please verify with your employer or the Pension Corporation.

Leave of Absence

If you took a maternity, parental or other leave period, you may be eligible to purchase the leave period.

Other Service

If you had employment service before you became a regular contributor to the plan—such as during a probationary period—you may be eligible to purchase that period of service.

For more detailed information on purchasing service, please see our web site at pensions.bc.ca.

Pension Buy Back

April 22, 2002 / 4pm.

In Attendance:

IAFF
Geoff Lake
Greg Deane

Chiefs
Jim Hancock

HR
Gail Tremeer
Caroline Beaton

Caroline informed the group that effective April 1, 2002 there would be a five-year window of opportunity (April 1 2007) to purchase any service that may be applicable.

IAFF has a clause in the collective agreement that allows a member to purchase back probationary periods of employment at a 50% sharing formula with the city. At this time the city believes that payment must be a one-time lump sum.

Lake requested the city look into the opportunity for members to borrow the money from the city and pay it back through payroll deductions.

Gail Tremeer discussed some options around the timing of the payments; the city will have to decide on this, as there is budgetary issues to address.

Lake indicated that IAFF would make a presentation to the appropriate committee (TAG?) regarding this issue. Lake also indicated that there might be some members buying back some federal service.

Meeting adjourned, 4:30 PM.

5. The Plan meets the requirements of Section 38 of the EI Regulations, specifically that, when combined with an employee's weekly EI benefit, the payment will not exceed the claimant's normal weekly earnings from employment and an employee's accumulated leave credits will not be reduced.
6. Income tax rules or regulations may require a payback of Employment Insurance earnings depending upon the tax rules in effect at the time an employee is receiving benefits. Under the SUB Plan, the Employer does not guarantee any specific level of earnings but is liable only for the payment of the benefit as described above. The Employer, under no circumstance, will be responsible for any paybacks arising from changes to or the application of the tax regulations.

(g) **Protection of Unborn Child**

Upon the request of a pregnant employee, the Employer shall endeavor to temporarily transfer the employee out of the Suppression Division for the duration of the pregnancy; in any event, the employee shall be relieved of Suppression duties. The employee shall not suffer any loss of pay or benefits during the time of temporary transfer or relief.

In the event a pregnant employee has not requested a temporary transfer as outlined in the paragraph above, and if in the opinion of the Fire Chief, is no longer able to effectively perform their duties as a direct result of the pregnancy, the Employer reserves the right to temporarily transfer the pregnant employee until termination of the pregnancy. An employee shall suffer not loss of pay or benefits during the temporary transfer.

26. SUPERANNUATION AND RETIREMENT

- 26.1 All employees eligible shall be covered by the provisions of the Pension (Municipal) Act.
- 26.2 Subject to Section 9(1) of the Pension (Municipal) Act R.S.B.C. 1979 c.317, the City agrees to participate as to one-half the cost determined by the Commissioner of Municipal Superannuation to extend the pensionable service of an employee covered by this Agreement up to a maximum of six months. It is understood that this extension shall represent that period of time served by the employee in a probationary capacity as an employee of the Richmond Fire Department and which has not heretofore been considered as pensionable service. This benefit shall be subject to the following conditions:

- (a) Only an employee with a vested interest in the Pension (Municipal) Act and who has reached the minimum age of retirement as defined in the Pension (Municipal) Act shall be eligible; and
 - (b) An employee who wishes to take advantage of this benefit shall give at least six (6) months' notice in writing in advance of the date at which he wishes to retire and makes such arrangements as may be necessary as regards his own contribution.
- 26.3 Each employee bound by this Agreement shall, upon reaching the maximum retirement age of 60 years, be Superannuated from the Fire Department, effective the end of the calendar month in which he reaches his 60th birthday.
- 26.4 Each employee eligible for Superannuation shall, prior to the effective date of his Superannuation, be entitled to such amount of annual vacation for the calendar year in which the effective date falls, as is in Clause 16.5(c) of this Agreement provided.
- 26.5 Each employee shall take all due Annual Vacation and Public Holiday time, and all due accumulated paid leave time, prior to the effective date of such employee's Superannuation.

27. JURY DUTY

Any employee called for Jury Duty or as a Crown Witness will be allowed time off during the period of such duty. The employee's regular pay will be continued and any remuneration received for such duty will be remitted to the Personnel Director.

28. WORKERS' COMPENSATION BOARD

- (a) Employees absent from duty due to personal injury by accident arising out of and in the course of their employment, shall receive full salary during such absence for so long as the Workers' Compensation Board remits their compensation allowance to the City.
- (b) Notwithstanding Subsection (a) above, employees absent from duty due to personal injury by accident arising out of and in the course of their employment, shall receive normal net take-home pay (as opposed to regular gross pay) for so long as the Workers' Compensation Board remits their time-loss compensation to the City.

In the event that an employee was acting in a higher capacity (pursuant to the provisions of Clause 9) at the time the injury was sustained, then "normal net