



Municipality of the District of Argyle

Item: Municipal pension plan update

Date: December 9, 2024

Vision statement

Argyle is the community of choice to invest, live and play.

Mission statement

Argyle invests time & talent in growth opportunities in fishing, tourism, and renewable energy sectors.

Argyle provides affordable taxation while providing safe and healthy communities and strives to engage and inform our residents on decisions that affect them most.

Argyle provides high class, accessible recreational and cultural facilities and helps celebrate its unique heritage and culture and welcomes new residents to our region.

CAO's Recommendation:

Recommend that Argyle engage actuarial services to compare our existing pension plan with the defined benefit Public Service Superannuation Plan (PSSP) recently made available to municipalities. The estimated cost of this work shall be disclosed to Council once known.

A third party, actuarial comparison, is a proper way to accurately and independently evaluate the pros and cons of the PSSP for Argyle.

Suggested motion:

Move to authorize the CAO in engaging a third-party actuarial comparison of our current pension plan with the Public Sector Superannuation Plan.

Background:

As part of a comprehensive review of compensation for municipal staff, a detailed comparison was made by internal staff (not via consulting firm). The levels of analysis included a review of salary, benefits, leave (i.e. sick and vacation), pension and other benefits. The objective of the work is to ensure that staff in the municipality are provided with competitive salary and benefits when compared to other regional and similarly sized municipalities.

The municipality has resources to assist in this process, including a province wide survey on municipal staff compensation for common positions. This comes out every 2 years and is led

by the Association of Municipal Administrators of Nova Scotia. Our salary bands have been adjusted for major discrepancies in compensation for specific positions.

The municipality has made a comparison of vacation, sick, bereavement and other HR benefits and we stood in comparison with many of our colleagues in this respect. This is unsurprising as municipalities work collaboratively in this area. There are no major recommended amendments to our compliment of these benefits.

New perks that are pertinent to Argyle include the Council approved 4-day compressed workweek and flex time policies that enable flexibility of work time and location depending on the situation. We have found the 4-day workweek to be a game changer for those interested in choosing Argyle as their work, and is highly regarded by existing staff.

Now that compensation and benefits have been adjusted to reflect competitively with similarly sized and regional municipalities, the last piece of assessment is our pension plan contribution.

Our current pension plan is a defined contribution plan, which means the employer and employee select a percentage to contribute to the plan annually, and whatever is in the plan, is what the employee is entitled to at retirement. Our current percentage is 12%, with 6% being paid by the staff person, and 6% matched by the Municipality. A defined contribution plan places the risk of investment success on the employer. Argyle's pension plan arrangement was originally a 5% match pension arrangement.

Conversely, there is another type of pension plan available to municipalities. This alternative option is called a defined benefit plan, which means that the employer is guaranteed an annual pension allotment. So instead of defining the contribution, it defines the amount of pension an employee would be entitled to. Individual municipal defined benefit plans placed the risk of investment success on the municipality. This is why many municipalities moved from defined benefit to defined contribution years ago.

A pension plan comparison was performed internally, and we reviewed the following regional plans:

Defined Contribution Plan

Town of Digby	Maximum 14%, municipal contribution max at 7%
Municipality of Yarmouth	Maximum 18%, municipal contribution max at 13%
Municipality of Barrington	Maximum 14%, municipal contribution max at 7%
Municipality of Shelburne	Maximum 12%, municipal contribution max at 6%.

Defined Benefit Plan

Municipality of Digby	Moved to Public Service Superannuation Plan (PSSP)
Town of Yarmouth	Moved to Public Service Superannuation Plan (PSSP)

Regional assessment

Overall, the Shelburne District and Argyle District share the lowest pension contribution of all units. Of those units on defined contribution, the richest plan was in the District of Yarmouth.

The percentage of municipal contribution would increase as staff earned more years of service. We are also aware of other subsidiary organizations increasing to 16% defined contribution.

We noted that two units opted to join the Public Sector Superannuation Plan. This Plan was only recently made available to municipalities. In my preliminary discussions with the organization, there are many compelling reasons to consider this Plan instead of simply increasing the percentage of contribution in our existing arrangement. The following information was shared with me from the PSSP, some wording changes by me for common text.

Items of Note for a PSSP plan admission (new start):

- *All members transfer to the PSSP with zero service and begin to accrue service on the day they join the PSSP.*
- *Purchase of service.*
 - *Individual employees would have the option to purchase prior service.*
 - *If money from a defined contribution plan are used for the purchase it should be communicated to the Superintendent of Pensions by the employer.*
- *Contribution Rates – to be matched by the municipality.*
 - ***8.4% of pensionable earnings up to the year's maximum pensionable earnings (YMPE), and***
 - ***10.9% of pensionable earnings above the YMPE.***
 - ***The YMPE for 2024 has been set to \$68,500 or \$5,708.33 per month.***

High-level timeline:

- *PSSPTI approval – depends on date of Board meeting.*
- *Admission Agreement completion, 1 to 3 months*
- *Posting Files (training and testing), 1 month*
- *Other onboarding activities, 1 to 2 months*

Member Education:

A fair amount of work is done by the employer with respect to educating staff, boards, and elected officials on the requirements and impacts of joining the PSSP. The PSSPTI requests that the employer makes reasonable efforts to notify members about the proposed transfer and explain to them the implications of the proposed transfer. The education sessions are the responsibility of the employer and not delivered by the NSPSC. The NSPSC must remain neutral and cannot be perceived as having influence on a proposed plan transfer. It is recommended that the employer engage the services of an actuarial firm familiar with the PSSP to present the pros and cons of a transfer to the PSSP. During this time, the role of NSPSC is that of a consultant that provides clarification of the PSSP rules and the process for joining the PSSP.

Cost of admission:

All in cost of admission is typically less than \$10,000, and includes legal and other costs. The benefit of the PSSP plan is that it is managed by a non-profit firm and typical broker investment fees do not apply.

Here are links to information you may find valuable in understanding more about the PSSP.

Public Superannuation Plan Act & Plan Text

[*Public Service Superannuation Plan | Nova Scotia Public Service Superannuation Plan \(nspssp.ca\)*](#)

2023-24 Annual Report

[*Plan Performance | Nova Scotia Public Service Superannuation Plan*](#)

Pension Benefit Calculation

[*How your pension is calculated | Nova Scotia Public Service Superannuation Plan*](#)

Member Guide

[*Your Member Guide | Nova Scotia Public Service Superannuation Plan*](#)

COLA

[*Cost of Living Adjustment | Nova Scotia Public Service Superannuation Plan*](#)

Council considerations

Potential participation in the PSSP defined benefit plan will increase Argyle and staff investment in the pension plan. The participation in a defined benefit plan would be a significant increase in security for our staff. We will be among the first group of municipalities looking to join the plan. Participation in a large plan such as this offers the same protection as provincial public servants. There is much to consider in this option, and staff is not qualified to provide expert level assessment of the coverages and cost.

There are major differences in the PSSP defined benefit plan compared to prior options available to municipalities. Deficits are defined by actuaries and make assumptions around the life of the plan. For individual municipal units, these assumptions were often costly, forcing deficit payments from the municipality. The PSSP plan is able to use more conservative estimates for a variety of reasons.

In addressing this compensation gap as well as how different assumptions can be used, we require additional expertise in the area. Also, considering this is for staff, independent information would be preferable. The PSSP recommends that the first step in this consideration is to **engage an Actuary to assess and compare both plans, and prepare a report to Council with accurate, independent assessments**. The cost of which is not known until the request is made and shall be provided to at least three actuarial firms in Nova Scotia. At this point, the plan is very interesting, and worth further consideration.

MGA considerations:

Pension plans 45 (1) In this Section, “full-time employee” means an employee who is employed in full-time, continuous employment.

(2) The council shall establish a pension plan to provide pensions for full-time employees in such manner as the council shall, by policy, determine.

(3) The council may, by policy, establish pension plans to provide pensions for some or all other employees of the municipality in such manner as the council may, by policy, determine.

(4) A pension plan may include employees of a board, commission or other body corporate established by the municipality alone or jointly with other municipalities.

(5) The council may, by policy, establish a pension plan to provide a pension for the mayor or councillors or both.

(6) The municipality, the employees and, where a pension plan is established for the mayor or councillors, those for whom the pension plan is established, shall make contributions to the plan’s cost. (7) A pension plan may

provide for annual increases in the pensions paid pursuant to the plan, but the increases shall not exceed the lesser of (a) six per cent; or (b) the percentage increase in the cost of living in the preceding year, as measured by the change in the Consumer Price Index for Canada prepared by Statistics Canada.

(8) The Pension Benefits Act applies to a pension plan established pursuant to this Section.

Financial considerations:

An increase in our pension plan was overdue. 6% cost to Argyle is below municipal market. When considering the nature of the increase, the percentages offered by the PSSP (8.4% of pensionable earnings up to \$68,500 and 10.9% of earnings above \$68,500) the gap is worth investigating, especially when the product provides guaranteed earnings post-retirement to pension members.

Other considerations would be simply to increase our defined contribution percentage. This increase would move our investment from 6% to between 7.5%-9%.