



Corporate Report

NO: R002

COUNCIL DATE: January 14, 2008

REGULAR COUNCIL

TO: Mayor & Council DATE: January 10, 2008
FROM: General Manager, Finance & Technology FILE: 2550-20
SUBJECT: Policy Related to a Separation Allowance for Members of City Council

RECOMMENDATION

It is recommended that Council:

1. Receive this report as information; and
2. Adopt the policy titled "Separation Allowance for Members of City Council", which is attached as Appendix A to this report.

INTENT

The purpose of this report is to provide background information about and recommend a separation allowance policy for City of Surrey elected officials.

BACKGROUND

Many other larger Canadian cities have policies that provide for a pension and/or separation allowance for their respective municipal elected officials when they no longer hold office. The table attached as Appendix B to this report provides information in this regard in relation to several other larger Canadian cities.

DISCUSSION

The payment of a separation allowance to elected officials at the termination of their term of elected service is primarily focused on mitigating the impacts to the individual of transitioning out of their elected position back to private life.

The question of how the separation allowance is calculated needs to be addressed. After considering the practices of other cities, it is considered reasonable for the City to base the calculation of the severance allowance for its elected officials on the payments that the City would have made to the Municipal Pension Plan on behalf of each elected official during their

term of service as if they were part of the Municipal Pension Plan. Elected officials are not eligible to be part of the Municipal Pension Plan. The contribution to the Pension Plan that the City makes on behalf of the Corporation's employees amounts to approximately 9.5% of each employee's salary annually.

If a reserve is established from which to fund a separation allowance for Surrey's elected officials that is based on the contribution that the City would make to the Municipal Pension Plan as if the elected officials were part of that Municipal Pension Plan, the City would need to deposit in this reserve approximately \$50,000 annually (based on 2008 Council salaries) to fund the separation allowance payments to the Mayor and eight Councillors, which payments would be made when the Mayor or individual Councillors resigned from or were not re-elected to City Council. The amount deposited in the reserve would need to be adjusted annually to reflect any changes to the salaries of City Council in the future. The reserve would be the funding source for the separation payments when they are payable.

Based on the practices of other larger Canadian municipalities, it is recommended that the severance allowance payment be "capped" when a Council member has reached an accumulated total of 12 years of elected service.

Application of Policy:

It is recommended that the separation allowance policy take effect on the date of the inaugural meeting of Council after the 2008 municipal election and that the terms of service of Council members prior to this date not be recognized for the purposes of severance allowance payments.

Other Considerations:

It is considered prudent for the following conditions to be included in any separation allowance policy:

1. ***Maximum Cap*** - The term of service could be a combination of service as a Councillor and service as the Mayor provided that the service is continuous service as an elected official and reflects the most recent years of service on City Council.
2. ***Official in Good Standing*** - The allowance should only be payable to those elected officials that leave office in "good standing"; and
3. ***Death of an Elected Official*** - Should the term of service of an elected official conclude as a result of the death of the elected official, the estate should become the beneficiary of the severance allowance.

Proposed Policy:

A draft policy titled "Separation Allowance for Members of City Council" that is based on the above discussion/recommendations is attached as Appendix A to this report. If Council adopts such a policy, a Council separation allowance reserve will be established as part of the 2009 budget process from which to fund separation allowance payments in the future.

Other Information:

Under the Community Charter, City Council remuneration may be addressed by way of a Council resolution (i.e., a policy) and does not require a by-law.

Legal Services has reviewed this report and is satisfied.

CONCLUSION

Based on the practices of other larger Canadian cities and the discussion in this report, it is recommended that Council adopt the draft policy titled “Separation Allowance for Members of City Council”, which is attached as Appendix A to this report.

Vivienne Wilke, CGA
General Manager,
Finance & Technology

POLICY: SEPARATION ALLOWANCE FOR MEMBERS OF CITY COUNCIL

1. Except as otherwise provided in this policy, each City Council member who resigns from Council or is not successful in re-election to City Council, will receive a separation allowance from the City of Surrey in accordance with this policy.
2. The separation allowance paid to a City Council member will be equivalent to the contribution that the City of Surrey would have made to the Municipal Pension Plan on behalf of the Council member, treating the Council member as if the Council member were an employee of the City, for each year that the Council member has served on City Council up to a maximum of 12 years of service subject to:
 - a. the service on City Council being continuous; and
 - b. the service being the most recent 12 years of service for those Council members who serve on City Council for continuous terms longer than 12 years.
3. This policy takes effect on the date of the inaugural meeting of City Council after the 2008 municipal election (i.e., payments to members of City Council will only include service on City Council after the December 2008 inaugural meeting of City Council).
4. The allowance will only be payable to a Council member if that Council member is leaving office in “good standing”.
5. Each member of City Council eligible for a separation allowance will have the following options in relation to how the separation allowance will be paid:
 - a. As a lump sum payment or as a series of equal monthly payments commencing upon the date of his/her resignation from Council or at the conclusion of his/her term of office if he/she is not re-elected; or
 - b. As a lump sum payment or as a series of equal monthly payments commencing in January of the year following the date of his/her resignation from Council or at the conclusion of his/her term of office if he/she is not re-elected; or
 - c. In such other pattern of payments as the member requests provided that the payments must be fully paid out within two years of the year in which the Council member resigns or is not re-elected to City Council.
6. Where the term of service of a Council member concludes as a result of the death of the Council member, the separation allowance will be paid to the estate of the Council member.

Larger Canadian Municipalities Outside of the Lower Mainland

CITY	PENSION	SEVERANCE PAYMENTS
Halifax	The City contributes 10.36% of the Elected Officials salary toward an RRSP.	None
Ottawa	Elected Officials participate in the Ontario Municipal Employees Pension Plan (OMERS). The city contribution is currently about 9.5%	None
Toronto	Elected Officials participate in the Ontario Municipal Employees Pension Plan (OMERS). The city contribution is currently about 9.5%	1 month of salary for each year of service up to a maximum payment of 12 months. The payments are based on the elected officials current salary at the time of retirement.
Hamilton	Elected Officials participate in the Ontario Municipal Employees Pension Plan (OMERS). The city contribution is currently about 9.5%	None
Edmonton	The City makes a bi-weekly payment to the elected official equivalent to the city contribution to Municipal Employee's Pension Plan. This contribution is currently about 11%.	3 weeks for each year of service after October 2001 to a maximum of 6 months salary. The payments are based on the elected officials current salary at the time of retirement.
Calgary	The City contributes 2% of the elected officials salary in each year to an RRSP on behalf of each elected official.	2 weeks for each year served up to a maximum of 52 weeks of salary. The payments are based on the elected officials current salary at the time of retirement.
Winnipeg	The City contributes 2% of the elected official's salary in each year of service to an RRSP on behalf of the elected official.	None

Other Larger Lower Mainland Municipalities

CITY	PENSION	SEVERANCE PAYMENTS
Langley Township	None	None
North Vancouver City	None	The City provides a lump sum payment to each retiring elected officials equal to the contribution the City would have made in each year had the elected official been part of the Municipal Sector of the BC Pension Plan during their term of office. In Surrey, the City's current contribution on behalf of employees is 9.47% of the employee's current annual salary.
West Vancouver City	None	None
North Vancouver District	None	None
Richmond	None	The City provides a lump sum payment to each retiring elected officials equal to the contribution the City would have made in each year had the elected official been part of the Municipal Sector of the BC Pension Plan during their term of office. In Surrey, the City's current contribution on behalf of employees is 9.47% of the employee's current annual salary.
Vancouver	Elected officials participate in the Municipal Sector of the BC Pension Plan with the City paying the same share as for other City employees. This was a "grandfathered" provision of the BC Pension Plan and is not currently available to other municipalities.	None
Coquitlam	None	None
Burnaby	None	None