

COMMITTEE AGENDA



TO **Corporate Administration, Finance and Enterprise Committee**

DATE April 23, 2013

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 6:00 p.m.

DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

CAFE-2013.P1 Compensation Information Workshop

Presentation by:

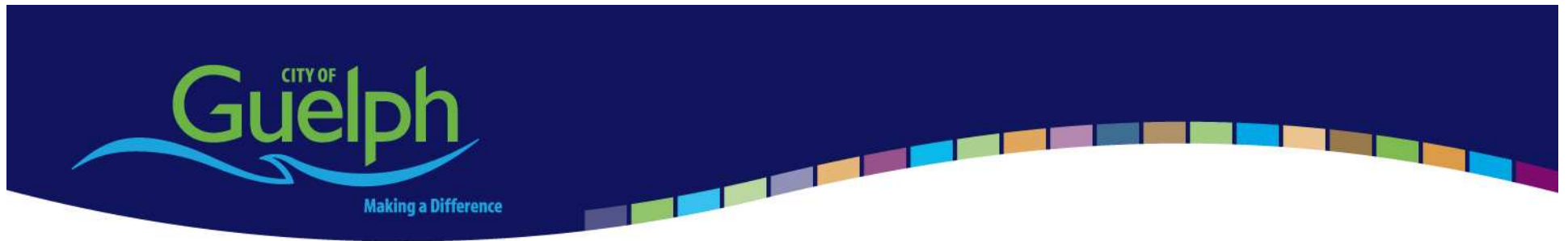
Mark Amorosi, Executive Director, Corporate & Human Resources
David Godwaldt, General Manager, Human Resources

- Setting the Context
- Compensation Principles
- Total Compensation
 - Salaries & Wages
 - Benefits
 - Overtime
 - OMERS
- Council Role
- Actions & Recommendations
- Questions

CAFE-2013.12 Compensation Information

That the April 23, 2013 report entitled "Compensation Information", be received.

Adjourn

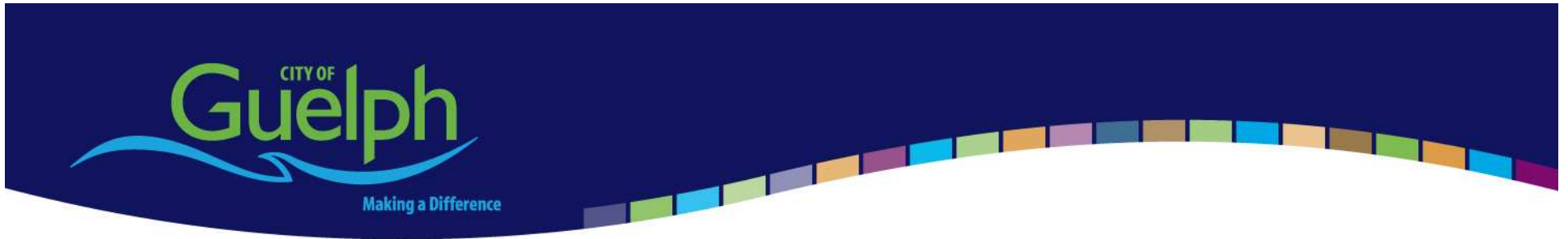


Special CAFE's Workshop

April 23, 2013

Agenda

- Context
- Compensation Principles
 - Costs
- Total Compensation
 - Salaries, Benefits, Overtime, OMERS
- Council Role
- Staff Actions/Recommendations
- Questions



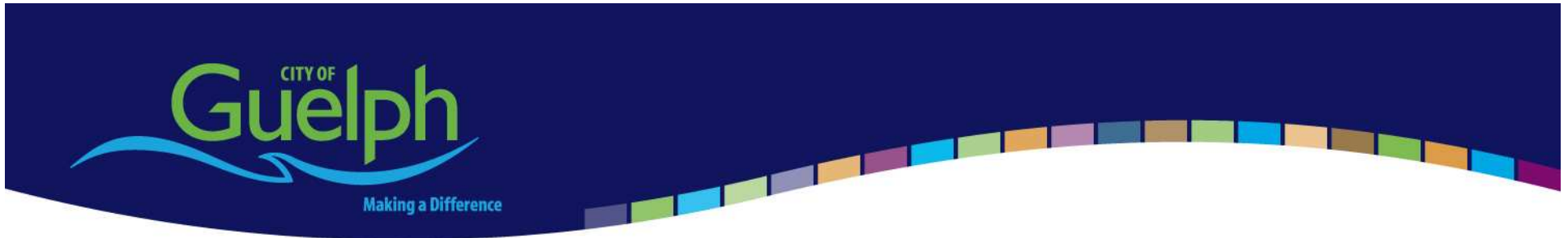
Setting the Context

- Mission

To build an exceptional City by providing outstanding municipal service and value.

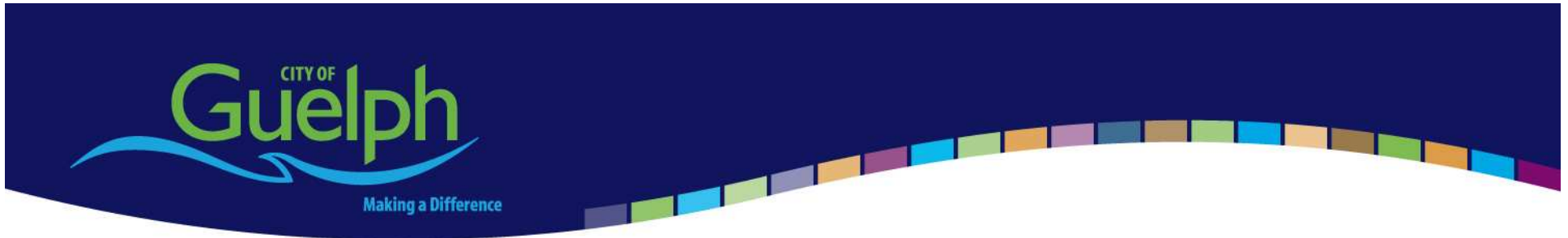
- Open Government

- Participation
- Innovation
- Transparency
- Accountability



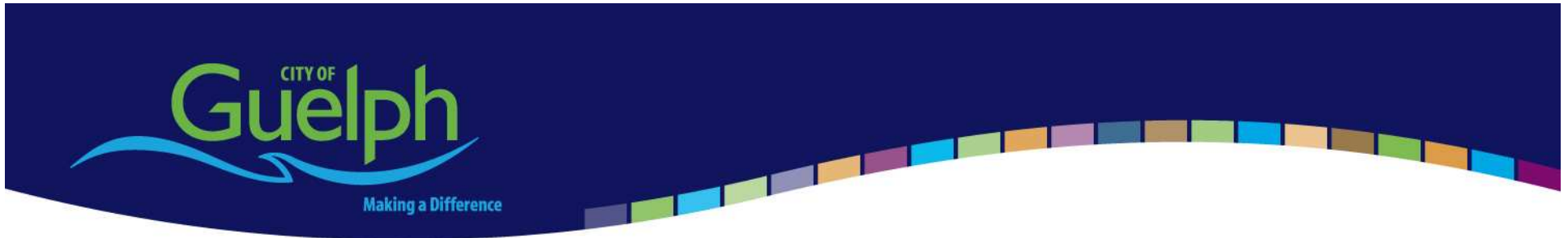
Setting the Context

- Establish Human Resources as the informative and trusted source for data about compensation that Council and the community is seeking
 - Open
 - Accessible
 - Reliable
 - Timely
- Annual Report
 - Meaningful analysis, key performance indicators and municipal comparators



Setting the Context

- Municipal Financial Information Reports are being used by members of the public
- Leading to misunderstanding in the community
- Province of Ontario advises not to use FIR data for comparison (there is not the rigour in the collection of data to permit an apples to apples comparison)

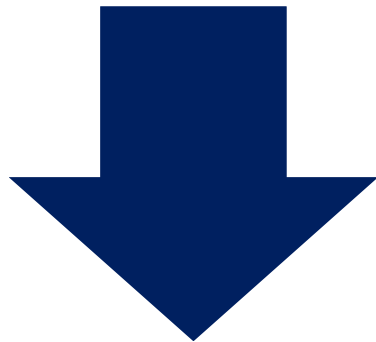


Setting the Context

Good local example:

- Land Ambulance Services (LAS) in 2008 was contracted to a privately-run service provider. We paid the salaries of the paramedics but this expenditure was not reported on our FIR as a compensation cost.
- In 2009 LAS was brought in house. This saved money. However, now the salaries of paramedics appeared as a compensation cost on our FIR.
- Without this knowledge it might appear that compensation costs increased when the City actually achieved an overall savings.

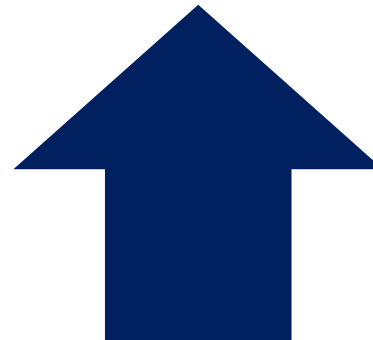
Compensation Principles

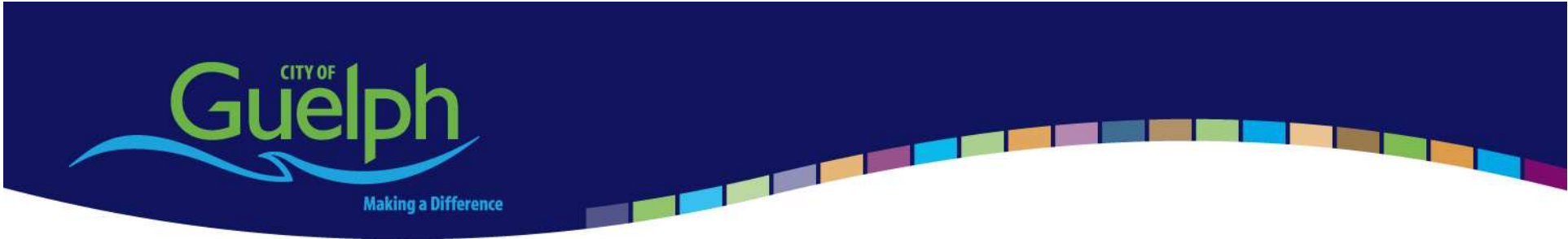


Competitive
(Attracting and Retaining Talent)



Affordability





Compensation as a % of Operating Costs

2009	2010	2011	2012 (prelim)
44.86%	44.95%	47.82%	46.00%

* Excluding Public Health, The Elliot and BIA

Components – Total Compensation

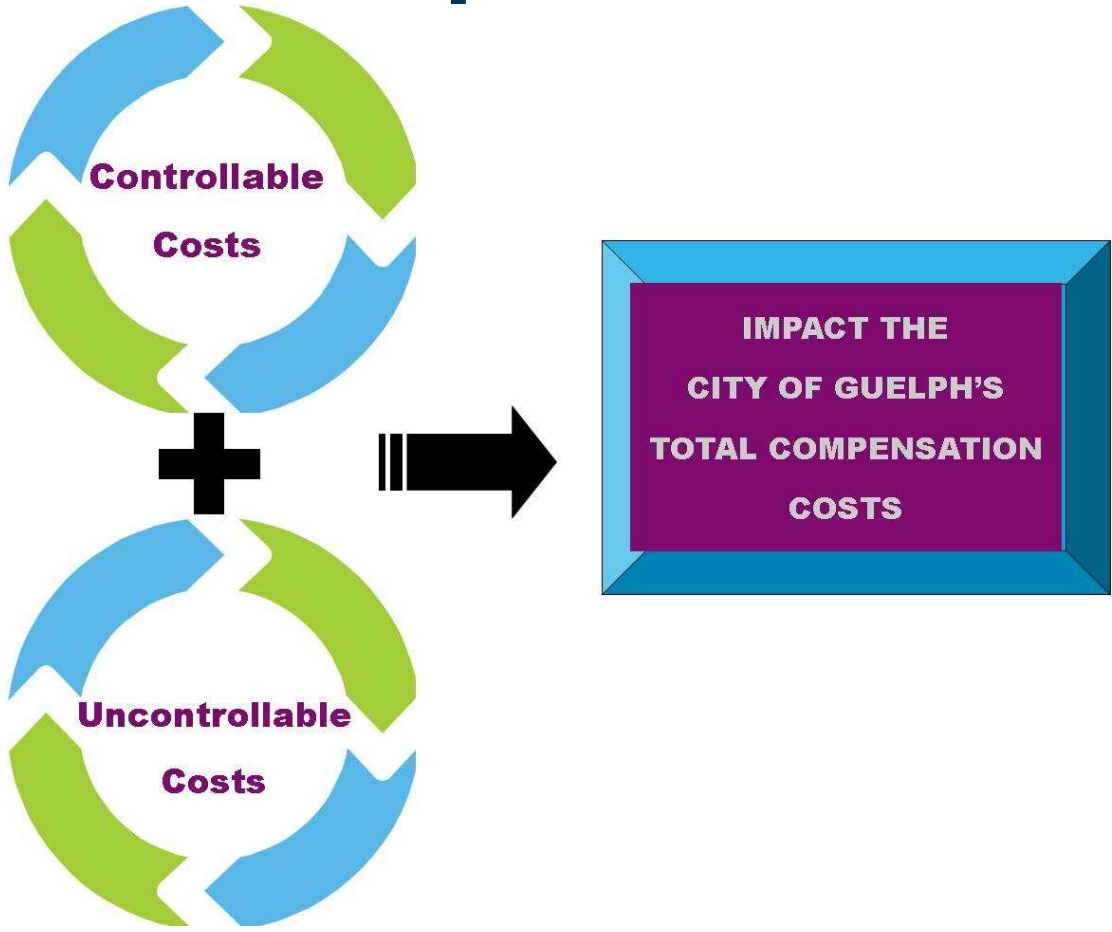
Salaries/Wages

Benefits

Overtime

OMERS

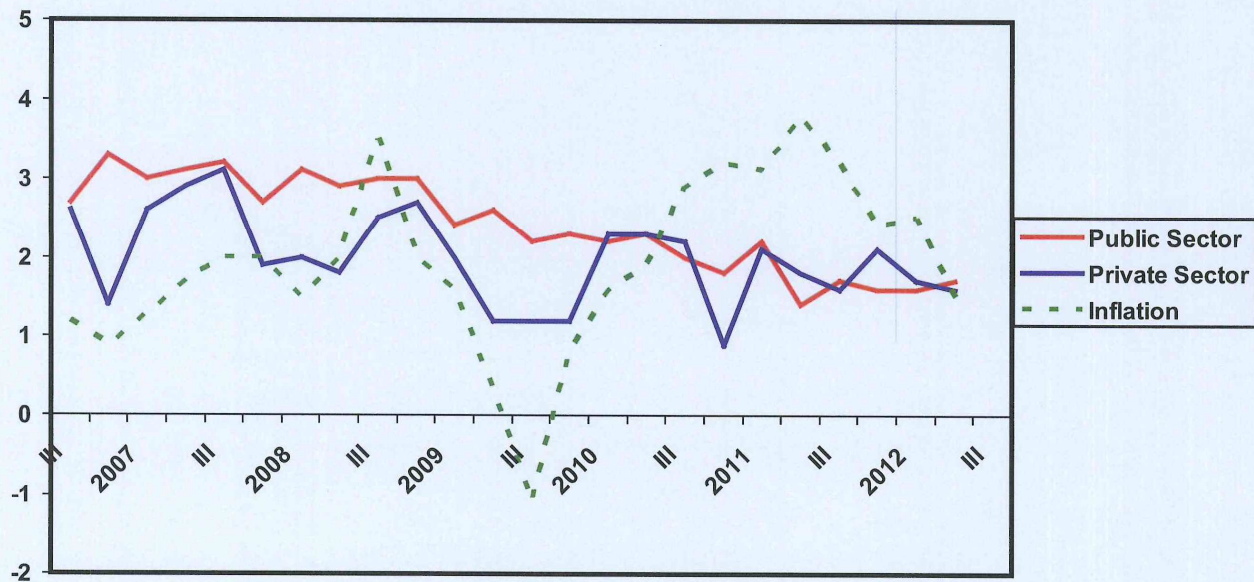
Influencers - Impact



SALARIES & WAGES

Overview

Wage and Inflation Trends – Last 5 Years

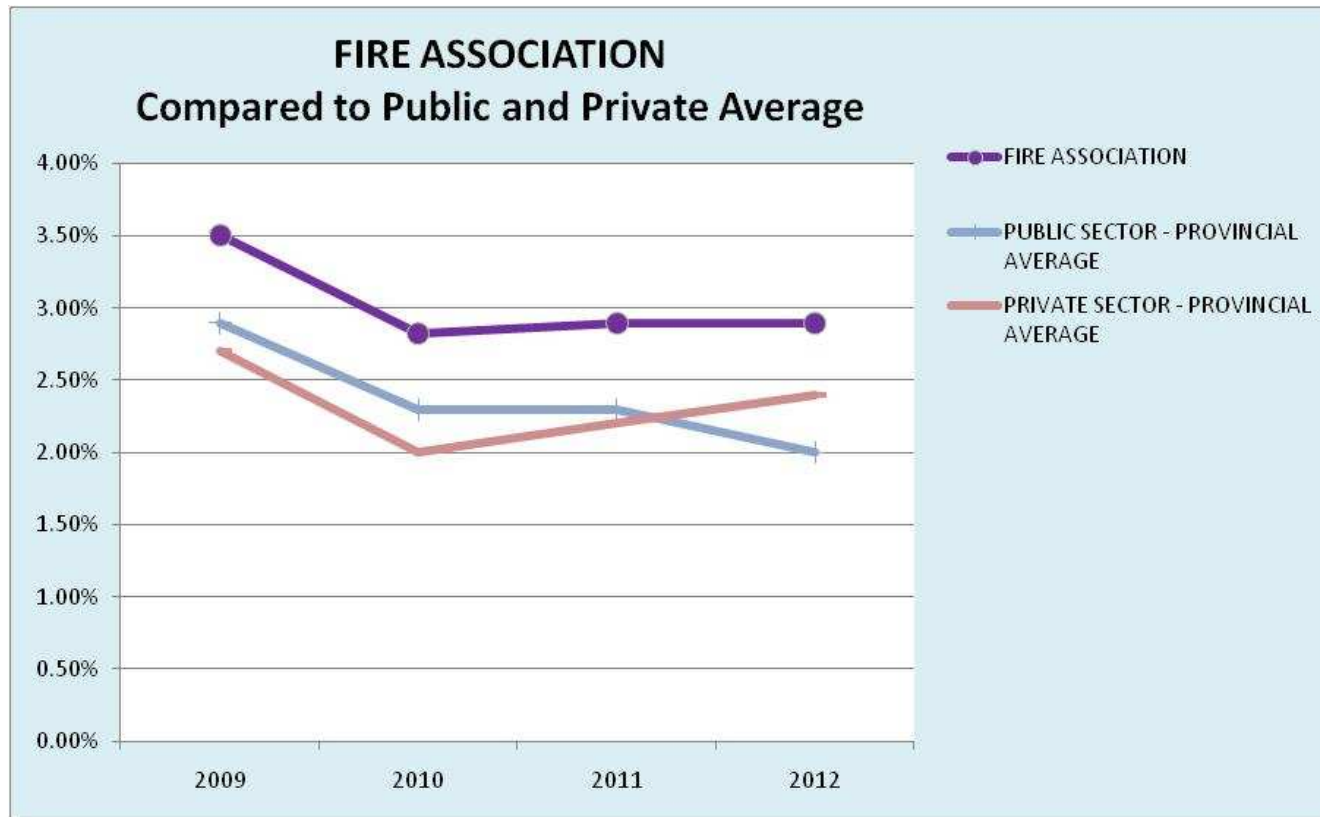


Source: Municipal Bargaining Update November 16, 2012 Hicks Morley

Note: Above is base wages only – there are other elements of private sector compensation not included.

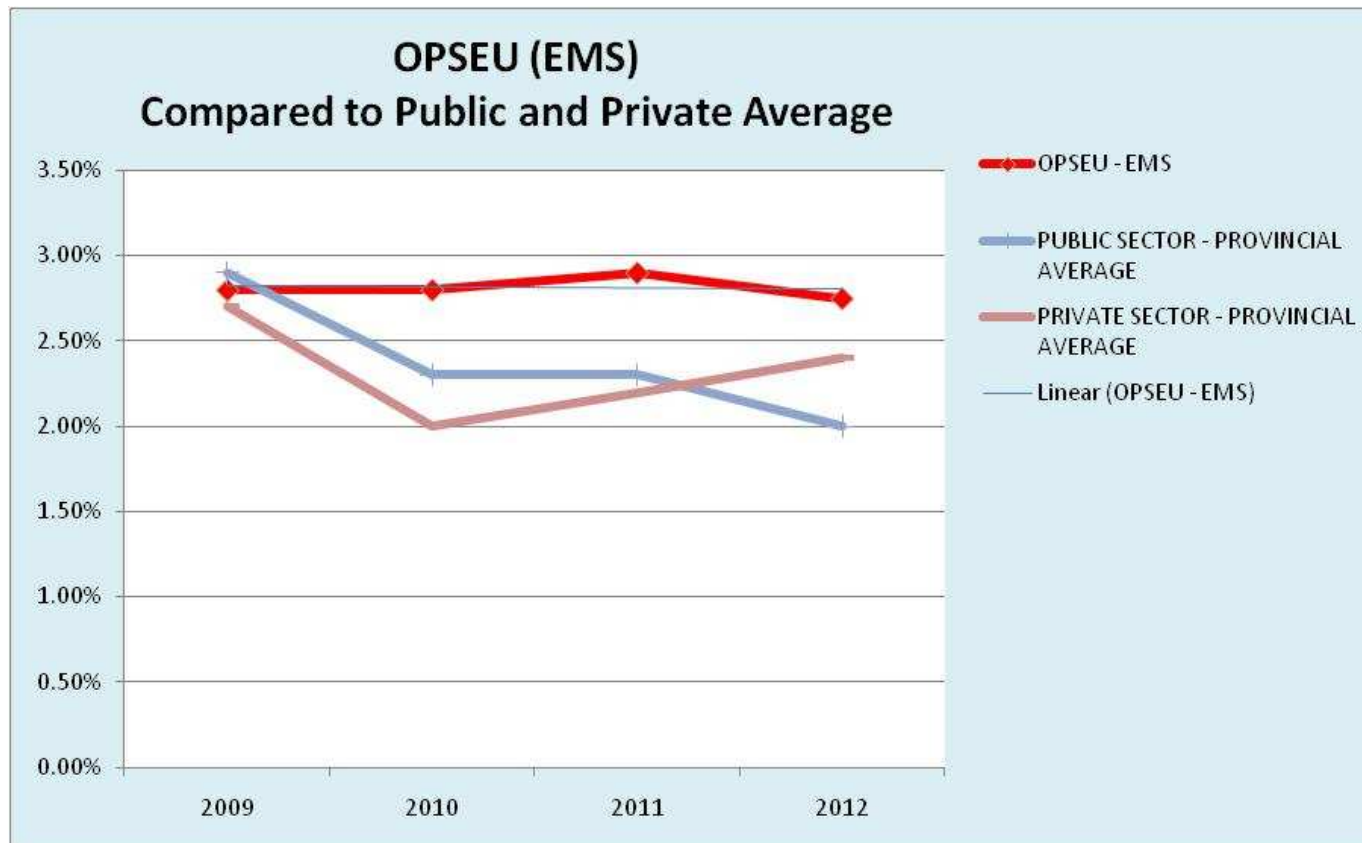
City of Guelph

Economic Increase History vs Provincial and Private Sector Averages



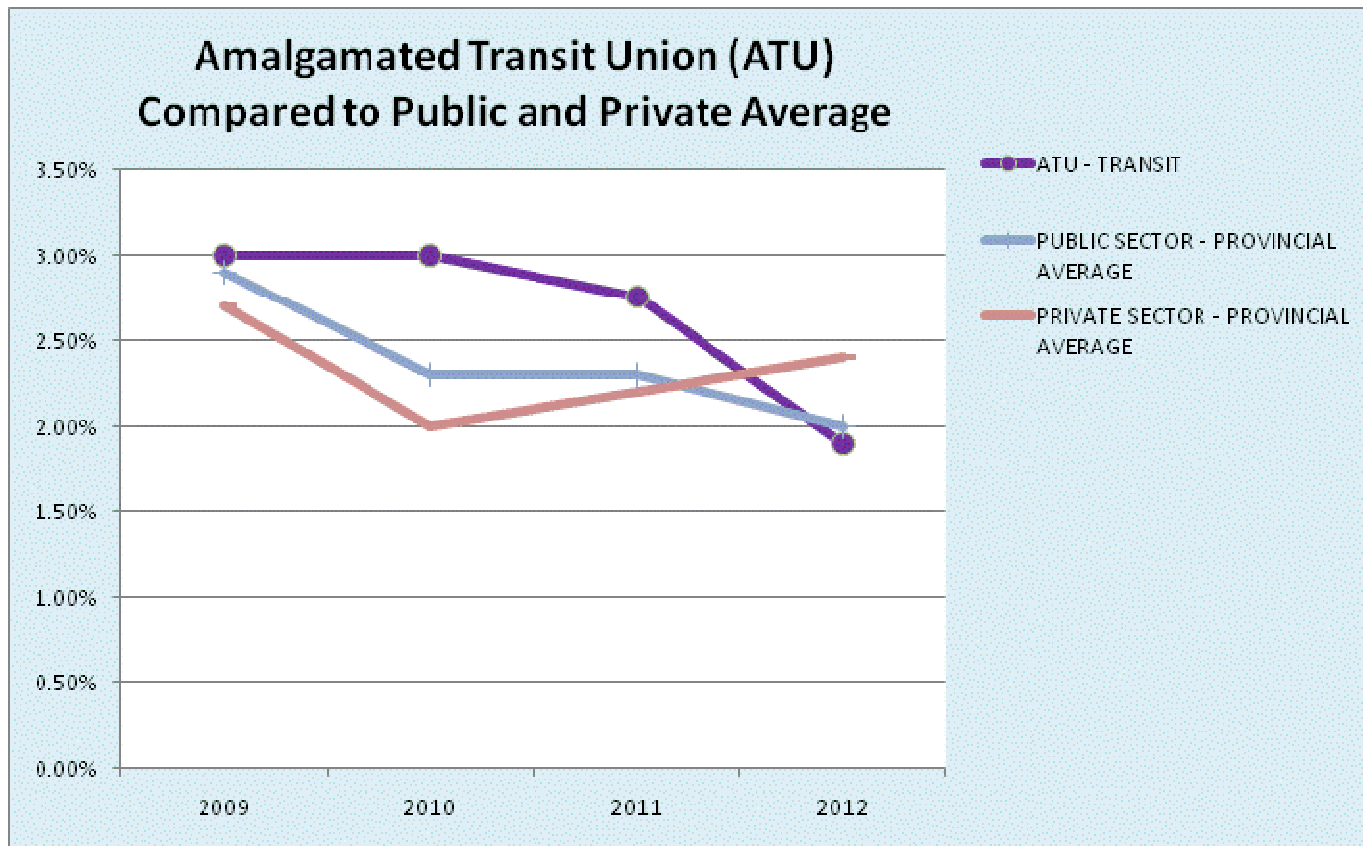
City of Guelph

Economic Increase History vs. Provincial and Private Sector Averages



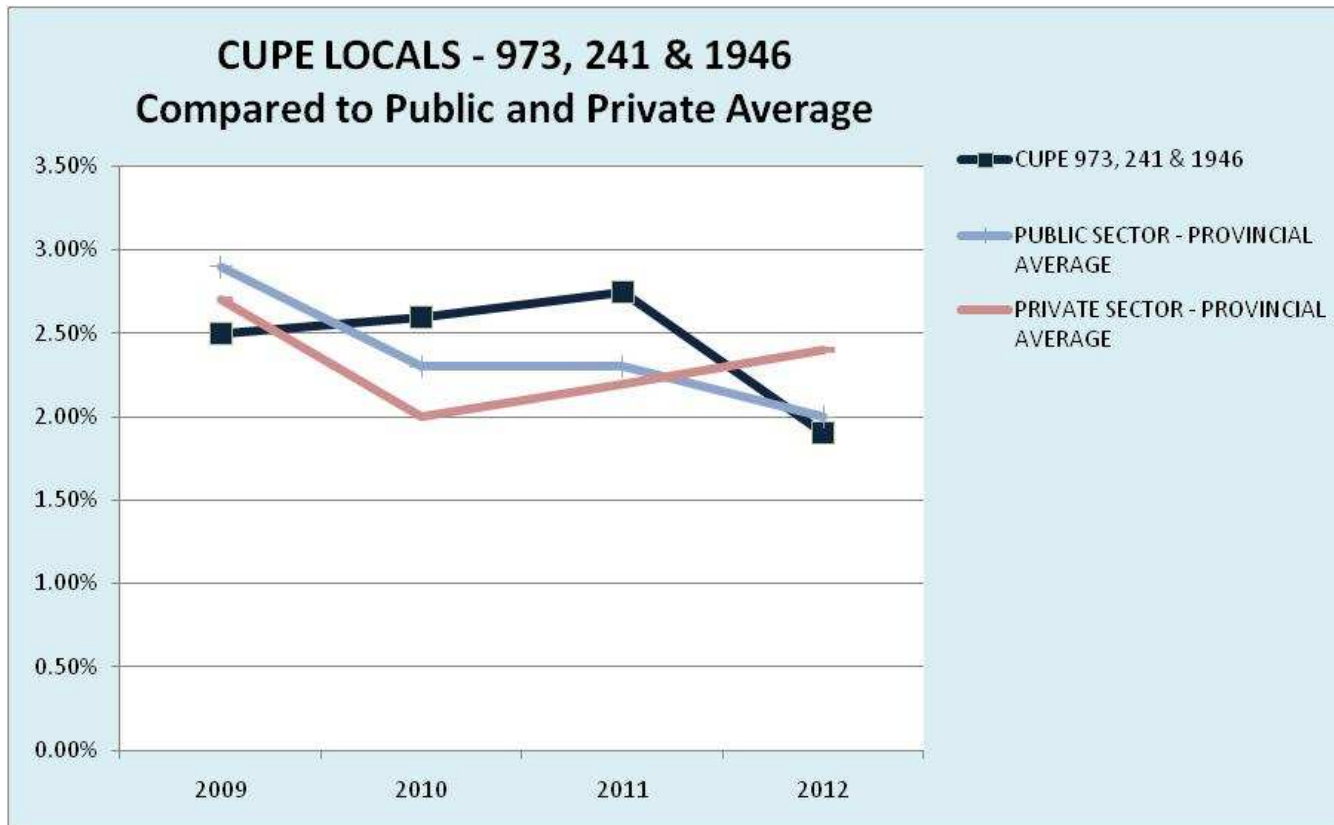
City of Guelph

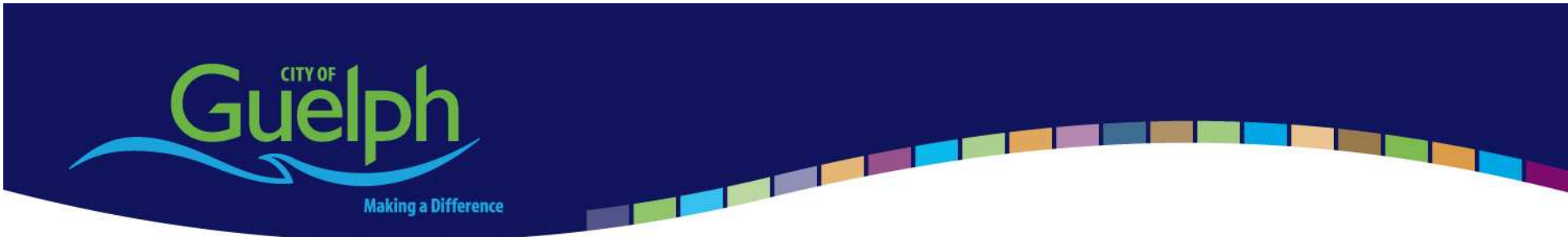
Economic Increase History vs. Provincial and Private Sector Averages



City of Guelph

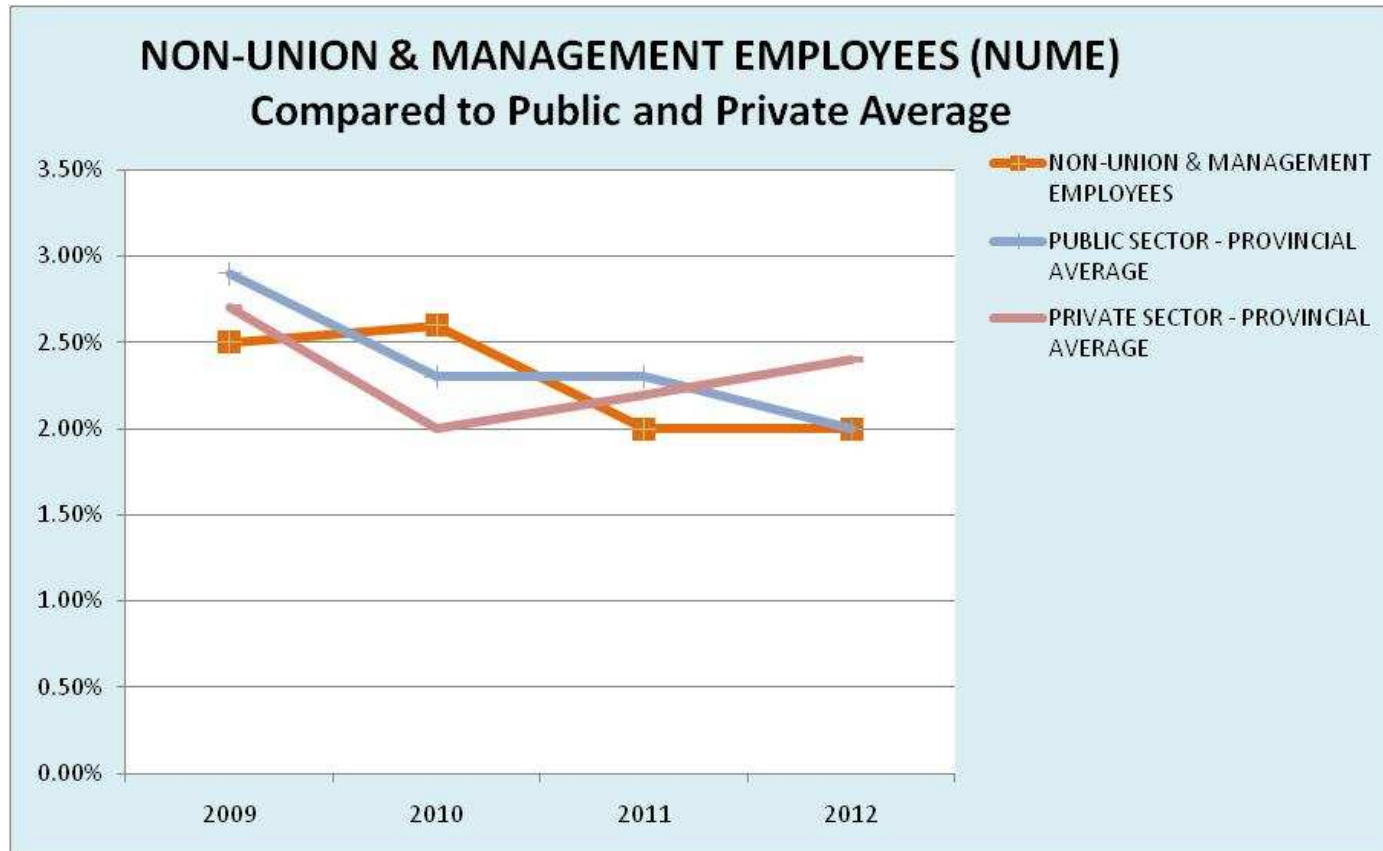
Economic Increase History vs. Provincial and Private Sector Averages

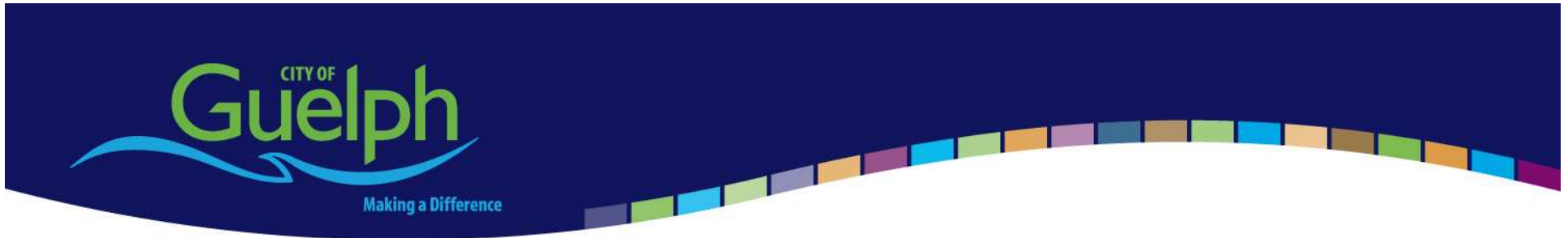




City of Guelph

Economic Increase History vs. Provincial and Private Sector Averages





Council Role

Controllable:

1. Set union bargaining mandates
2. Approve NUME yearly salary adjustments
3. Set NUME Compensation Policy

Uncontrollable:

1. Legislation
2. What other municipalities & the province does

Salary/Wage Drivers

Uncontrollable

1. Ontario Pay Equity Act (enacted 1990)

- Establishing pay rates (equal pay for work of equal value)
- Pay and internal equity achieved in 1991
- Ongoing requirement to maintain via job evaluation process

2. Ontario Employment Standards Act

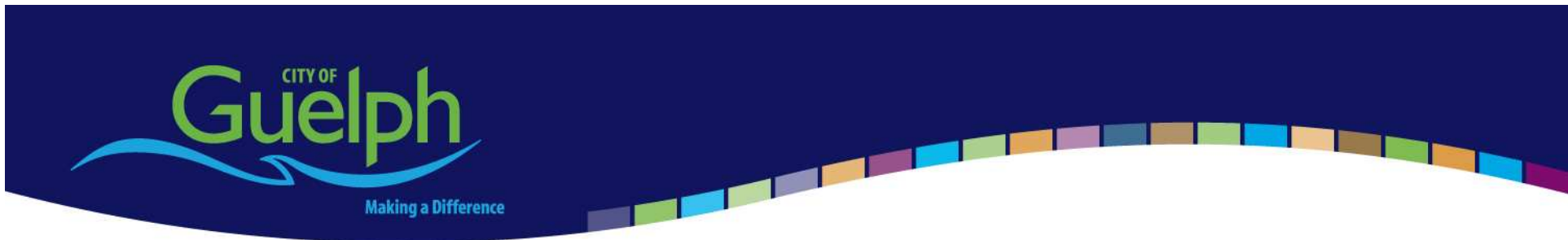
- Minimum wage changes = impact on compensation costs (COG casual positions)
- Changes to legislation may impact other payroll related costs i.e. overtime, leave provisions

Salary/Wage Drivers

Uncontrollable

3. Provincial Public Sector Bargaining Trends

- Primarily – Fire, EMS significantly influence local settlements

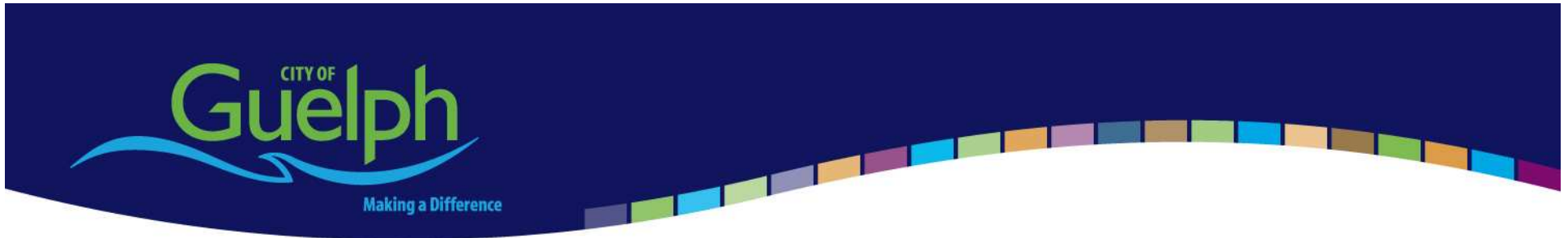


Salary & Wage Drivers

Economic Increases from 2010 – 2012 vs. the budget impact on splitting economic increases throughout the year

Employee Group	Average Increase 2010 - 2012	Average Impact on Annual Earnings & Budget
Fire Association	2.87%	2.57%
OPSEU (EMS)	2.77%	2.57%
ATU – Transit	2.83%	1.67%
CUPE – Locals 973, 241 & 1946	2.70%	2.03%
Non-Union & Management	2.20%	1.20%

Note: This does not include the 2% deduction applied to wages in 2010 for CUPE 241, 973 & NUME

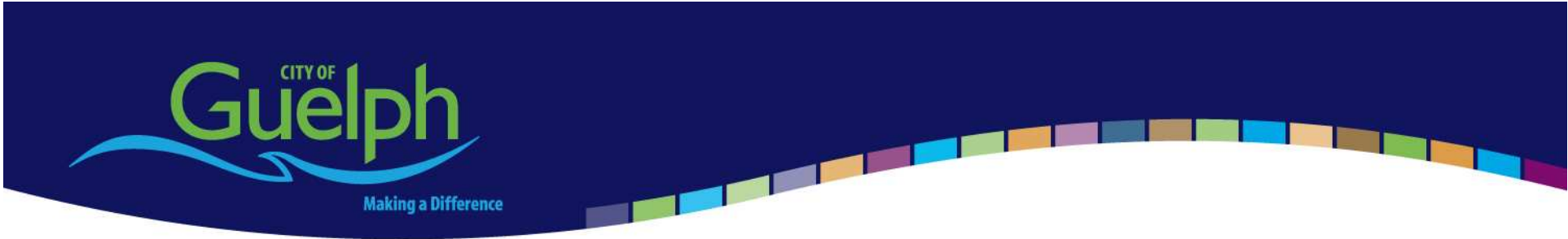


Salary/Wage Drivers

Process for determining Non-Union & Management Salaries and Economic Increases

Council approved criteria for City of Guelph comparator group:

1. Size of municipality
2. Organizational Structure and scope of services (Tier)
3. Average Family income for residents with the municipality
4. Number of Employees working for the municipality
5. Operating Budgets
6. Geographic location/employment market

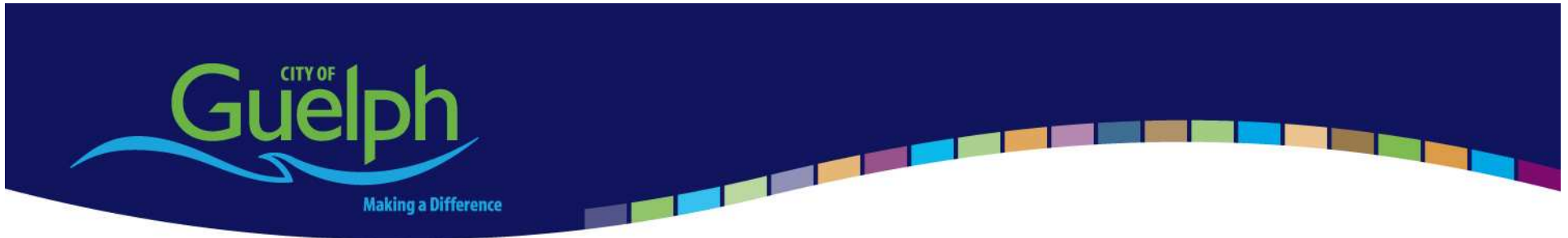


Salary/Wage Drivers

Process for determining Non-Union & Management Salaries and Economic Increases

Comparator group approved by Council

City of Barrie	City of Hamilton	City of Waterloo
City of Burlington	City of Kingston	Region of Waterloo
City of Brampton	City of Kitchener	City of Greater Sudbury
City of Brantford	City of Mississauga	Region of Halton
City of Cambridge	City of Oakville	Region of Peel
City of Chatham-Kent	City of Vaughan	Wellington County



Salary/Wage Drivers

Process for determining Non-Union & Management Salaries and Economic Increases

- Council sets competitive position for Non union salaries
- Currently 55th percentile (ranking within comparator group- 18 municipalities) as a target
- Council approves annual increases where appropriate to maintain the City's competitive position

Salary/Wage Drivers

Job Evaluation Plan and Process

- Pay Equity is legislated – Internal Equity through Job Evaluation Process – for CUPE 973, 241, Library
- Measures Skill, Knowledge, Responsibility and Working Conditions
- New Job Evaluation plan for NUME in 2011
- The process captures any change to positions

Council Role

- Set union bargaining mandates for economic increases that balance fairness and taxpayer affordability

Staff Actions

Progression Pay

- Current Pay structure has 5 steps to job rate
- Job Rate 100% of job
- Each step provides for 5% increase
- Progression Pay reduces the % increase between steps and is tied to performance
- Recommend budgeting for NUME positions at job rate to allow progression pay – provides for less fluctuation in budget and greater management oversight for NUME salaries

Collective Bargaining

- Continue to seek collective agreements that balance fairness and taxpayer affordability

BENEFITS

Benefits

1. Statutory - Uncontrollable

Canada Pension Plan (CPP)

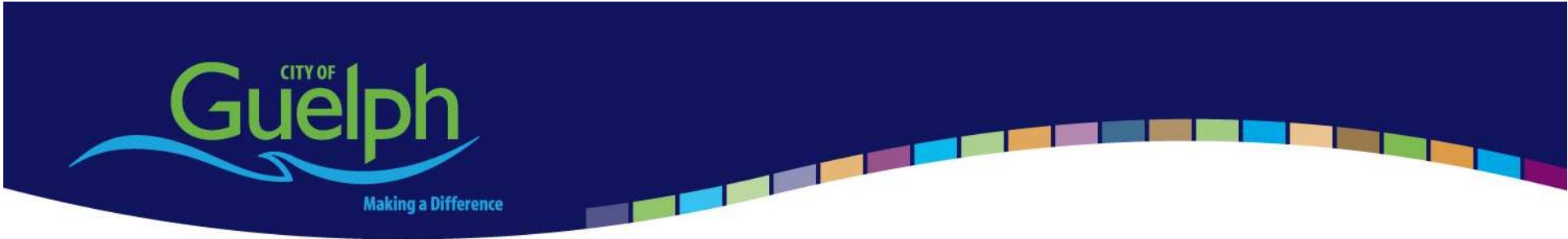
Employment Insurance (EI)

Employer Health Tax (EHT)

Workplace Safety Insurance Board (WSIB)

Ontario Municipal Employees Retirement Savings (OMES)

- Total Statutory Benefits 2012 = \$ 15,028,080
- % of Payroll 2012 = 15.1%



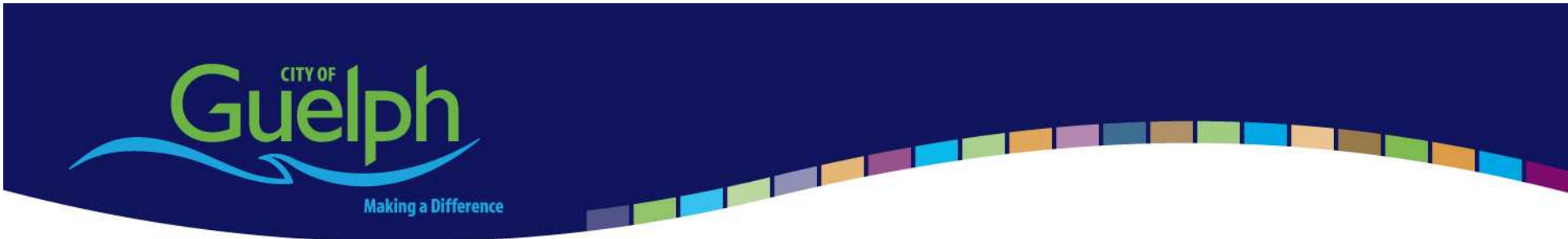
Statutory Benefits

1. Canada Pension Plan

- All employees are subject to CPP
- City must match employee contribution \$ for \$
- Maximum amount increases approx. 2%/yr
- 2012 Max employee contribution = \$2,306 (based on \$50,100 salary)

- 2012 CPP Employer contributions = \$3,151,048
- 3.18% of 2012 Payroll Costs

Contributions	2010	2011	2012
City Costs	\$2,696,309	\$2,933,952	\$3,151,048
Difference		\$237,643	\$217,096



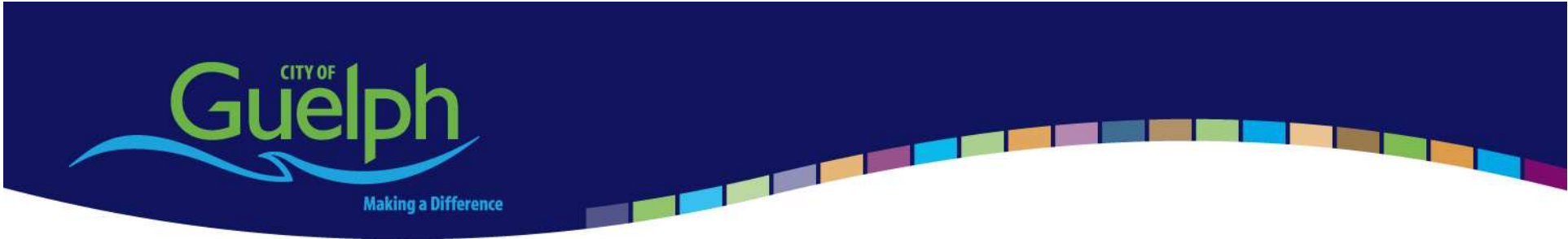
Statutory Benefits

2. Employment Insurance (EI)

- All employees are subject to EI
- Maximum amount increases approx. 2%/yr
- City’s contributions varies (1.69% to 1.4%) depending on type of sick leave program
- 2012 Max employee contribution = \$ 839

- 2012 EP Employer contributions = \$1,472,666
- 1.48% of 2012 Payroll Costs

Contributions	2010	2011	2012
City Costs	\$1,191,599	\$1,347,357	\$1,472,666
Difference		\$155,758	\$125,309



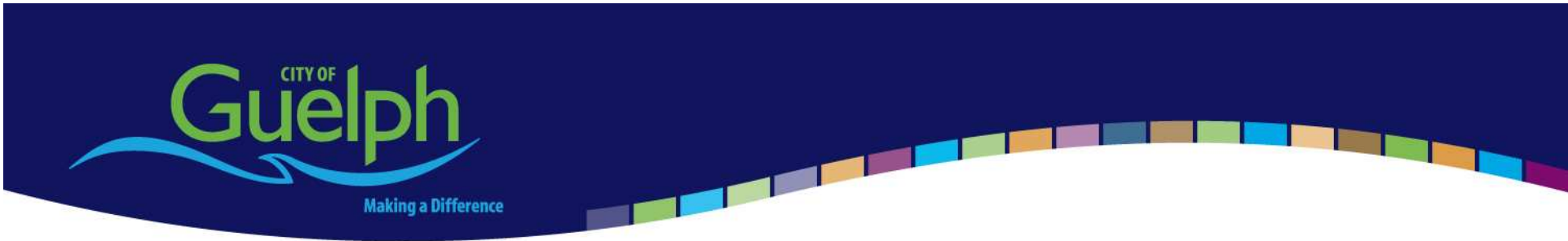
Statutory Benefits

3. Employer Health Tax (EHT)

- Employer Health Tax replaced OHIP
- Paid by City 1.95% on all earnings

- 2012 EHT contributions = \$1,907,867
- 1.90% of 2012 Payroll Costs

Description	2010	2011	2012
EHT Paid	\$ 1,615,759	\$ 1,774,008	\$ 1,907,867
Increase		\$158,249	\$133,859



Statutory Benefits

3. Workplace Safety and Insurance Board

- Paid by City (employees exempt)
- The City is a Schedule 2 Employer which mean we are self-insured. We pay an administration fee plus the cost of claims (wages and services)
- Employee’s can’t sue the employer for illness or injury on the job
- **.39%** of 2012 Payroll Costs

Description	2010	2011	2012
WSIB Costs	\$ 367,672	\$ 331,351	\$ 387,350

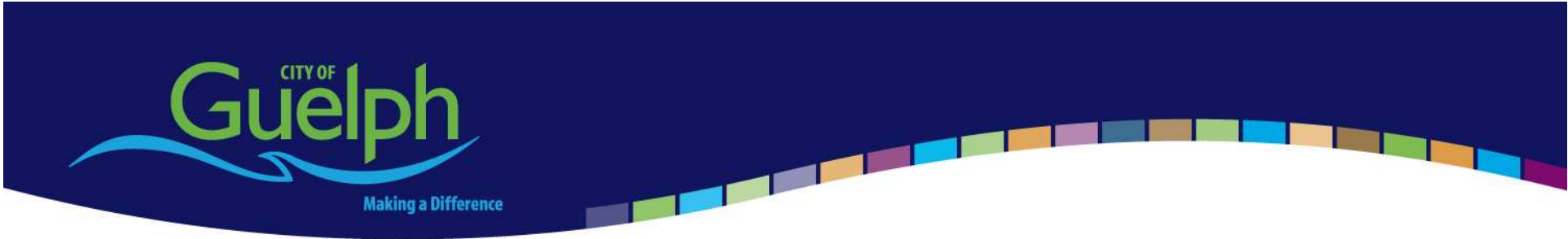
This doesn't include monies put into reserves for Bill 111 Presumptive Legislation

Council Role

Statutory benefits are out of City's ability to control – set by other levels of government

Staff's Actions

Legal obligation to be in compliance with statutory benefit payments



Benefits

1. Employer Paid – Limited Control

- Extended Health and Dental
- Life Insurance
- Short Term Disability (STD)
- Long Term Disability (LTD)
- Accidental Death & Dismemberment (AD&D)

- Employer Paid Benefits 2012 = \$ 7,746,722
- % of Payroll = 7.81%

Benefit Type	2010	2011	2012
Extended Health & Dental	\$4,588,788	\$4,892,738	\$5,375,196
Life Insurance, LTD, STD & AD&D	\$1,565,402	\$1,934,685	\$2,371,526
Total Employer Paid	\$6,154,190	\$6,827,423	\$7,746,722
Increased Cost		\$ 673,233	\$ 919,299

Benefit Drivers

- Utilization
- Use of brand name vs. generic
- Intro of new drugs (i.e. biologics)
- Delisting of OHIP paid services to private plans
- Service provider fees
- Inflation
- Aging work-force
- Wage increase (benefits % of wages)
- Some benefits are taxable and when CRA includes certain employer paid benefits as taxable this may impact CPP, EI and OMERS costs

Employer Paid Benefits

Average Benefit Cost per employee

Extended Health and Dental Benefits Only

Year	HRBN (Human Resources Benchmarking Network)	Guelph
2010	\$3,272	\$3,602
2011	\$3,217	\$3,679
2012	Not Available Yet	\$4,091

Employer Paid Benefits – Paid Sick Leave and Costs

Description	2010	2011	2012
Average Sick Day	9.9	10.2	10.7
Total Cost	\$2,156,525	\$2,608,682	\$3,012,100
HRBN*	9.1	8.9	9.6
CBOC**	8.1	8.4	Not Available

Note: Include paid sick days and short-term disability only

* HRBN – Human Resources Benchmark Network

** CBOC – Conference Board of Canada

Council Role

- Set union bargaining mandates for benefit enhancements
- Approve NUME benefits and plan design changes

Benefit Facts

- Admin costs of benefits have been actively managed to find efficiencies and opportunities for savings – i.e. upwards of 1 million since 2006
- The number of employees and usage level year/year influence costs
- City of Guelph trending above municipal average for past 3 years

Staff's Actions

- 2013 Implemented Attendance Support Plan - Goal to decrease absenteeism by 10% - to align with benchmark organizations
- Through plan design and administrative changes, seek to decrease benefit cost burdens on City budgets through collective bargaining
- Recommend Plan Design changes that balance fairness and affordability
- 2013 Re-tendering for City Benefit provider to achieve savings

Overtime

Overtime - Drivers

- Mandatory Staffing Levels (i.e. Fire Services)
- Extended Sick Leaves
- Workload
- Service Delivery
- Employer Paid Benefits 2012 = \$ 3,135,021
- % of Payroll = 3.2%

Council Role

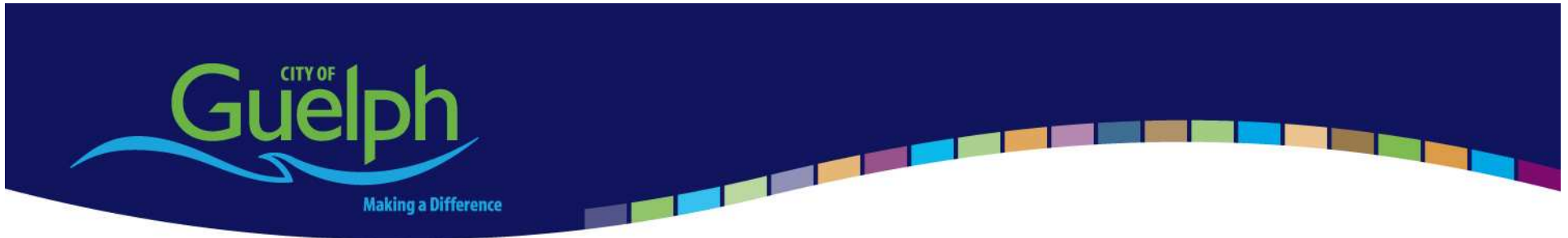
Approval of:

1. Annual Budget
2. Service Delivery Levels

Staff Action

1. Audit Overtime Costs
2. In depth overtime analysis and reporting (target 2013) – recommend Management actions – audit work plan
3. Implement strategies to control overtime costs and triggers of overtime i.e. sick absences

OMERS



OMERS - Pension

Ontario Municipal Employees Retirement System (OMERS)

- Established in 1962
- June 30, 2006 - changed to independent governance model (Sponsor's Corp., Administrators Corp.)
- 947 employers & 420,000 members (includes retirees and survivors)
- 50/50 basis on contributions
- Significant investor - infrastructure industry

OMERS - Pension

Ontario Municipal Employees Retirement System (OMERS) ...continued

- Actuarial deficit 2011 = \$7.3 billion (long term projection)
- Not the same as “deficit”, in 2011 \$2.7 billion was collected and \$2.4 billion was paid out.
- OMERS plan to deal and address deficit
 - No more contribution rate increases beyond 2013
 - Benefit changes for employees who terminate prior to retirement age – elimination of inflation indexing if return to OMERS employer
 - Shifted investment portfolio to earn more for returns

OMERS - Pension

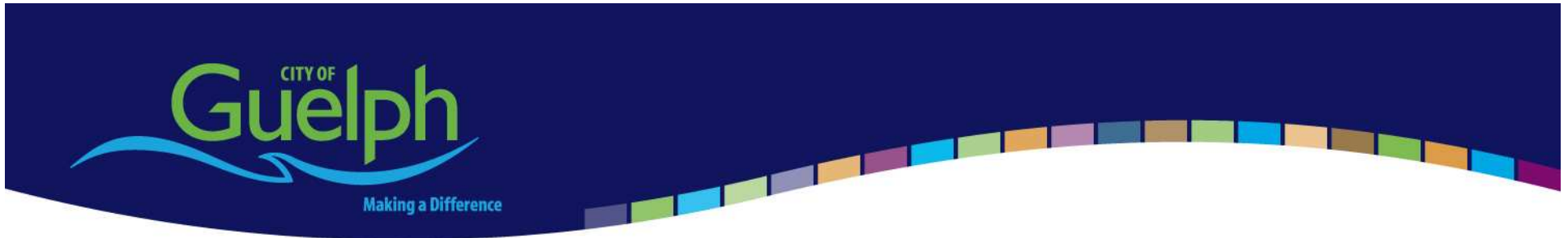
Ontario Municipal Employees Retirement System (OMERS) ...continued

- At present no additional burden on City
- City of Guelph is financially healthy
- Credit rating AA (stable) to AA (positive)
- Average OMERS pension for employee retiring in 2012 = \$28,000/yr
- Average OMERS lifetime pension for all retirees = \$18,000/yr
- **Guelph employees are within the provincial average of \$28,000/yr for 2012**
- OMERS Employer Contributions 2012 = \$ 7,976,916
- % of Payroll 2012 = **8.04%**

OMERS - Pension

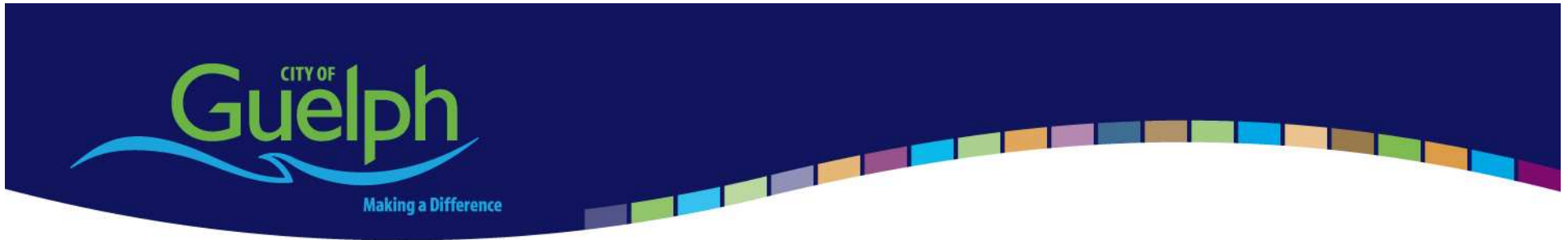
OMERS Rates and Contribution Trends

- OMERS Employer Contributions 2012 = \$ 7,976,916
- % of Payroll 2012 = **8.04%**



Council Role

- Advocacy through MEPCO (Non-profit Corporation for AMO) for changes to OMERS pension system
- Set annual budget target for Tax and Enterprise Budgets inclusive of all compensation changes.



Staff Action

1. Continued advocacy through provincial groups and associations re: OMERS costs containment strategies

SUMMARY OF ALL COMPENSATION COSTS

Compensation Description	Total Costs	% of Total Payroll (includes overtime)
Payroll (Overtime not included)	\$ 96,077,834	
Statutory Benefits (CPP, EI)	\$ 15,028,080	15.1%
Employer Paid Benefits	\$ 7,746,722	7.8%
OMERS	\$ 7,976,916	8.0%
Overtime	\$ 3,135,021	3.3%
TOTAL COMPENSATION	\$ 129,964,574	

Actions & Recommendations

Next Steps

Salaries and Wages

1. Continue to seek collective agreements that balance fairness and taxpayer affordability
2. Move to Budget NUME positions at job rate – less variability
 - essential for progression pay/pay for performance program

Next Steps

Statutory Benefits

1. No Control or Staff Action Required

Next Steps

Employer Paid Benefits

1. 2013 Implemented Attendance Support Plan – Goal to decrease absenteeism by 10 % - to align with benchmark organizations.
2. Through plan design and administrative changes, seek to decrease benefit cost burdens on City budgets through collective bargaining.
3. Recommend Plan Design changes that balance fairness and affordability.
4. 2013 Re-tendering for City Benefit provider to achieve savings.

Next Steps

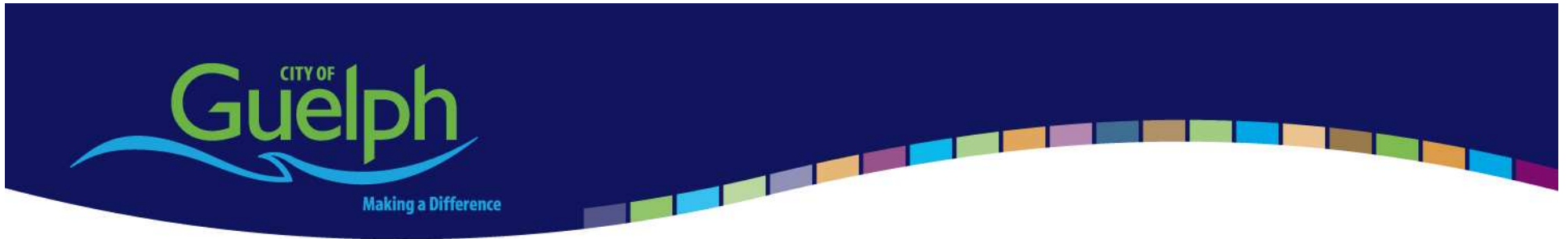
Overtime

1. Audit Overtime Costs
2. In depth overtime analysis and reporting (target 2013) – recommend Management actions – audit work plan
3. Implement strategies to control overtime costs and triggers of overtime i.e. sick absences.

Next Steps

OMERS

1. Continued advocacy through provincial groups and associations re: OMERS cost containment strategies



**THANK YOU
QUESTIONS?**

STAFF REPORT



TO Corporate Administration, Finance and Enterprise Committee

SERVICE AREA Corporate and Human Resources

DATE April 23, 2013

SUBJECT Compensation Information

REPORT NUMBER CHR-2013-20

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide an overview of the City of Guelph compensation costs and internal and external influencers, to provide Council with a comprehensive understanding of the City's total compensation costs.

KEY FINDINGS

N/A

FINANCIAL IMPLICATIONS

There are no financial implications resulting from this report.

ACTION REQUIRED

Council receive the report for information.

RECOMMENDATION

That the April 23, 2013 report entitled Compensation Information be received.

BACKGROUND

At the December 5, 2012 Budget Approval Council meeting for the 2013 Tax Supported Operating and Capital Budgets, the following motion was passed:

"That the motion of Councillor Furfaro be referred to Committee for a broad discussion around the management of FTE's and gapping".

STAFF REPORT

The purpose of this report is to inform and assist Council to better understand the components of compensation, the City's ability to exert influence or control of compensation costs and to inform Council of ongoing and proposed staff actions in this area. The report serves as important information for the broader discussion of the management of FTE's and gapping.

REPORT

During the 2013 Budget deliberations there were a number of delegations that presented to Council and relayed information regarding the City's compensation that were inaccurate and/or misleading.

Following the economic downturn in 2008 there has continued to be public scrutiny and focus on public sector compensation. Media representatives, members of the public and elected officials have raised questions about pay levels, the various components of compensation, and accountabilities for the use of public funds. All organizations, including municipalities, continue to face the dilemma of balancing the need to attract talent to deliver services or produce commodities, effectively link pay to performance and responsibly manage growth in costs, including compensation.

The City's mission is *"To build an exceptional City by providing outstanding municipal service and value."* Council has committed through the Strategic Plan to Open Government, which has as its foundation the principles of participation, innovation, transparency and accountability. Providing information on the components of the City's total compensation reflects the commitment to openness, full disclosure, and transparency.

The primary source of information related to compensation is from the Human Resources Department. For the past five years, the Human Resources Department has produced an Annual Report – which provides the basis for open, accessible, reliable and timely information for Council and the public on a number of performance indicators related to the City's workforce and to human resource activity.

In addition, the Human Resources Department actively benchmarks the City of Guelph against other municipalities through the Human Resources Benchmarking Initiative, and to the broader public and private sectors through the Conference Board of Canada.

The HR Annual Reports provide information to Council and the public key performance indicators, meaningful analysis and municipal comparators which then provides the basis for informed recommendations and decision making on actions required to improve upon or to maintain the City's performance with respect to human resource activity.

STAFF REPORT

One example of where misinformation occurred during the 2013 budget process included references by delegations concerning the City's FIR (Financial Information Report). The FIR is an obligated reporting and data collection tool used provincially to collect financial and statistical information on municipalities.

The use of FIR's does not necessarily provide an accurate picture to the community with respect to compensation. In fact, the Province of Ontario advises the public **not** to use the FIR data for comparison purposes as the data collected varies considerably from one municipality to another. Drawing conclusions based on FIR information is therefore not appropriate.

Variability in reporting which impacts 'compensation' calculations can be seen for example in the following:

- Types of entities reported – it is not possible to determine from FIR information what may/may not be consolidated in the reports. For the City of Guelph for example, the report consolidates the City of Guelph, The Elliott, WDG Public Health and the Downtown BIA. Looking at Compensation Costs from the FIR does not accurately reflect therefore the Compensation Costs for the City on its own.
- Level of contracted services – The more a municipality has 'contracted services' the higher their operating costs would be, and would reflect lower Compensation Costs not reported on the FIR
- Level of compensation charged to Capital Programs – are not included in the 'Compensation as a % of Operating Cost' calculation

Finally, the FIR information does not reflect other decision making imperatives. For example, in 2008 Land Ambulance Service was provided by Royal City Ambulance which was a privately-run service provider. The City paid a fee to Royal City Ambulance to run the service on a contract basis. In 2009, the contract with Royal City expired, and the decision was made to directly operate Ambulance Services, which resulted in cost savings to the municipality. Compensation costs for Ambulance Services when run by Royal City did not appear on the FIR reports, however are now reported, which has the effect of increasing compensation costs through the FIR reporting mechanism, yet ignores the business decision that ultimately saved money to the municipality.

There was misinformation provided during the 2013 budget process and subsequently through other venues, primarily social media, wherein statements have been made that the City's compensation costs are as much as 89% of the City's operating costs.

Preliminary calculations for the City of Guelph's 'Compensation Costs as a % of Operating Costs' (i.e. excluding The Elliott, WDG Public Health and the Downtown BIA) for 2012 is in fact 46%.

STAFF REPORT



See Appendix 1: The City of Guelph's Total Compensation as a % of Operating Costs for the years 2009-2102

TOTAL COMPENSATION

For the purpose of this report, total compensation includes salary/wages, statutory benefits, employer paid benefits, overtime and OMERS pension.

Each component of total compensation is influenced by many factors and drivers which impact the City's annual compensation expenditures. Some of the factors and drivers can be labelled as controllable or uncontrollable, which then impacts the City's ability to influence or manage these costs.

This report describes the drivers/influencers, the impact they have on compensation, Council's role and ability to influence components of compensation and staff actions and recommendations to manage rising costs.

Salaries & Wages

Attracting and retaining a diverse group of qualified employees is critical to the success for the City to deliver excellent services.

When establishing compensation entitlements, like other employers - both public and private, the City of Guelph continuously is challenged with balancing fiscal responsibility and the ability to remain competitive to attract, develop, and retain quality staff.

In the last five years, the trend of economic increases i.e. wages, in the public sector vs. the private sector has varied. In the past two years neither sector has kept pace with inflation. Recently media outlets have reported that public sector employees, particularly municipal, are earning well above their private sector counter parts.

See Appendix 2 attached, which depicts a five year history for both public and private sector wage increases. Contrary to public perception, both public and private sector wage increases have been declining since 2007, and there appears to be higher variability in the level of increases in the private sector compared to the broader public sector.

Influences on Compensation

There are various drivers and/or influencers that impact the City's compensation costs, and can be characterized as controllable and uncontrollable. Council has the ability to influence controllable drivers, with limited or no ability to influence the uncontrollable drivers.

Uncontrollable (External)

Uncontrollable drivers are those drivers that the City cannot control. They include legislative changes that impact compensation and Public Sector bargaining trends throughout Ontario.

STAFF REPORT



Legislative changes to the *Pay Equity Act* and the *Employment Standards Act* are established by the Provincial Government and the City is obligated to maintain compliance. The *Pay Equity Act* was enacted in 1990 which is essentially “equal pay for work of equal value”. *Employment Standard Act* changes can impact minimum wage and policy on the payment of other payment such as overtime, vacation pay, etc. The City is required to be compliant within both pieces of legislation and therefore Council has no ability to control the impact on our compensation budgets.

Public Sector bargaining trends, primarily with Fire and EMS (paramedics), the City has no control over other municipalities and their respective bargaining settlements. Council may approve bargaining mandates lower than the provincial trend, however, when no settlement can be achieved a decision is rendered at Interest Arbitration (Fire and EMS) which usually aligns to the standards established throughout the province.

Appendices 3 – 7 demonstrate the bargained increases for Fire, EMS, ATU, CUPE Locals 972, 241 & 1946 and the Council approved increase for Non-Union and Management Employees. In all the charts, the Public Sector - Provincial Average increases and the Private Sector - Provincial Average increase is shown to compare Guelph increases to the Province.

Job Evaluation

In 1990, the Province of Ontario implemented the *Pay Equity Act* to ensure that female dominated positions are fairly compensated in comparison to male dominated positions (equal pay for work of equal value). NUME, CUPE 973, 1946 and 241 positions are evaluated using a job evaluation tool which measures skill, knowledge, responsibility and working conditions.

Once the City achieved pay equity in the early 1990s, there is a continued requirement to maintain pay equity through regularly evaluating all positions within the above employee groups. When there are any significant changes to positions this may result in increased compensation costs for the City.

Controllable (Internal)

Controllable drivers (influencers) can be influenced by the City i.e. Council. These include providing direction to staff for union bargaining mandates, approval of Non-Union and Management Employees (NUME) yearly salary adjustments and to approve NUME compensation policy.

Bargaining Mandates

The City has been able to freely negotiate wage increases within the Provincial trend through the mechanism of splitting economic adjustments. For example, if 2% per year was the trend provincially, the City provided the increase in the form of a 1% January 1st and 1% on July 1st. The annualized budget impact is 1.5%.

Appendix 8: Economic Increase from 2010 – 2012 vs. the budget impact on splitting economic increases throughout the year.

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Non-Union and Management (NUME)

NUME Compensation is established through salary surveys, job evaluation and yearly economic increases.

Council establishes the City's competitive position for the salary grid used to pay non-union and management staff. Currently, Council has approved the 55th percentile as the City's compensation target within an approved comparator group (i.e. within the City's comparator group, 45% of the group will compensate at a higher level than the City of Guelph, and 55% will pay lower overall).

Council has approved the following criteria for establishing the comparator group for Non-Union compensation purposes:

1. Size of municipality
2. Organizational Structure and scope of services (Tier)
3. Average Family Income for residents within the municipality
4. Number of Employees working for the municipality
5. Operating Budgets
6. Geographic Location/Employment Market

Based on the above criteria, eighteen municipalities (**Appendix 9**) are included in salary surveys used to align the non-union and management (NUME) salary grid. Note that the 55th percentile is a target pay position for the NUME group as a whole, and not for each individual position. The 55th percentile is an average of representative positions within each pay grade for non-union positions.

NUME Economic Increases

NUME economic increases are approved by Council annually through the budget process. Human Resources provides Council with a yearly recommendation based on the City's comparator group and other compensation market trends, inclusive of available provincial and local private sector wage trends.

COUNCIL'S ROLE – SALARY/WAGES

Council's role is to set union bargaining mandates and NUME economic increases that balance fairness and taxpayer affordability.

STAFF ACTIONS – SALARY/WAGES

Progression Pay: The NUME salary grid is made up of 14 pay grades with 5 steps in each grade. The maximum in each grade is known as the Job Rate for the position. The start of each grade is 80% of the job rate. Employees can earn 5% more annually until they reach the job rate. This was a typical pay structure for municipalities; however, 5% merit increases are no longer the norm.

Many municipalities have moved to "open ranges" for their NUME employees, set at 80% to 100% (job rate). When hired, employee's start anywhere within the range, and merit increases are tied to performance with an average 3.5% progression.

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Human Resources staff will be aligning the pay structure as described above. Integral to moving to a progression pay program, NUME positions will have to be budgeted at job rate to allow for merit increases. This methodology provides for less fluctuation in compensation budget lines year-after-year and provides for greater management over time of NUME salary increases across the organization.

Collective Bargaining: Staff will continue to seek collective agreement settlements that balance fairness with taxpayer affordability.

BENEFITS

Similarly with salary and wages, the City's benefit program has uncontrollable and controllable drivers.

There are two types of benefits paid on behalf of employees, statutory benefits (Canada Pension Plan (CPP), Employment Insurance (EI), Employer Health Tax (EHT), Workplace Safety and Insurance (WSIB), Ontario Municipal Employees Retirement (OMERS) all of which are uncontrollable.

Employer paid benefits (extended health, dental, travel, life, short-term disability, long-term disability and accidental death & dismemberment) can be controlled to some extent.

Statutory Benefits - Uncontrollable

Uncontrollable benefits are statutory and set by other levels of government, and fund Federal and/or Provincial programs.

Canada Pension Plan (CPP) (Appendix 10)

- All employees between the ages of 18 and 70 are subject to CPP deductions
- The deduction rate and the annual maximum contributions are established by the Canada Revenue Agency (CRA) and vary yearly
- The Employer must match the employees contribution dollar for dollar
- The maximum amount increases by approximately 2% per year

Employment Insurance (EI) (Appendix 11)

- All employees are subject to EI deductions
- The deduction rate and the annual maximum contributions are established by the Canada Revenue Agency and vary yearly
- The employer must pay a percentage on the employee's contribution.
- The employer's contribution rate varies depending on the type of sick leave program provided.
- The maximum amount increases by approximately 2% per year

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Employer's Health Tax (EHT) (Appendix 12)

Ontario's Employer Health Tax Act requires every employer to pay tax on all taxable remuneration paid to staff in each taxation year. The rate the City of Guelph is required to pay is 1.95%.

This rate hasn't changed since the inception of EHT, but as wages increase so does the revenue to fund the Province's health program which ultimately impacts the City's budget for this benefit.

Workplace Safety & Insurance Benefits (WSIB) (Appendix 13)

The WSIB provides insurance benefits for employees who are injured or are ill as a result of a workplace accident. The City of Guelph is a Schedule 2 employer which means the City is self-insured and pays employees at the prescribed WSIB rate. In addition, the City is charged an administration fee which is currently 35.8% on paid claims for 2013. This is an increase of almost 8% from 2012.

Government changes to any of the statutory benefits and taxability, impacts the City's compensation costs.

COUNCIL'S ROLE – STATUTORY BENEFITS

Statutory benefits are out of the City's ability to control given that these benefits are set by other levels of government.

STAFF ACTIONS – STATUTORY BENEFITS

The City is required to comply with all the above statutory benefits. Non-compliance could result in additional costs to the City of Guelph (i.e. fines).

Employer Paid Benefits – Limited Control

The City has some ability to influence and control employer paid benefits. These benefits include extended health & dental, out-of-country, life insurance, accidental death and dismemberment, short-term disability (STD) and long-term disability (LTD) and are negotiated with the City's unions.

The benefit program is divided into three (3) groups.

1. **Administrative Services Only (ASO)** applies to Extended Health & Dental Benefits. The City pays for all eligible expenses plus and administration fee to the benefits Carrier.
2. **Insured Benefits** applies to life insurance, accidental death and dismemberment, and long-term disability. The City pays a premium based on claims experience and risk prescribed by the Carrier's underwriter. These benefit costs are impacted by increases in base salary and they are all based on the employee salary.
3. **Adjudication Services Only/Self Insured** applies to the City's short-term disability plan. The City pays a flat fee to have short-term disability claims adjudicated by the Carrier. Upon receipt of approval and duration

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to pay from the Carrier, the City's payroll department pays the employee directly through direct deposit.

Employer paid ASO benefits are impacted by:

- Rising market costs of drugs;
- Introduction of new costly market drugs i.e. biological pharmaceuticals;
- Increase in service provider fees;
- Aging workforce requiring more medical treatments or services; and
- Provincial government delisting of services.

Insured benefits are impacted by the City's experience and the insurance industry as a whole. (**Appendix 14** - Employer Paid Benefit Costs 2010 – 2012)

Although Human Resources provides benchmarking information in the annual report based on the Conference Board of Canada (CBOC) and the Human Resources Benchmarking Network (HRBN), it is difficult to compare the cost per employee as plan design, demographics, and experience all influence the premiums and rates. (**Appendix 15** – Average Benefits Cost Per Employee Guelph vs. Benchmark).

Employer Paid Benefits – Sick Leave Plans (Appendix 16)

The City offers various sick leave plans within each union/employee group. In 2012, through the collective bargaining process, the City moved two union groups from accumulated sick leave plans to six (6) sick days per year plus a short-term disability plan. The Guelph Professional Firefighters' Association is the only remaining employee group that has accumulated sick leave.

COUNCIL'S ROLE – EMPLOYER PAID BENEFITS

Council sets bargaining mandates for benefit enhancements or concessions. Council also approved NUME benefits and any plan design changes that impact costs for the City.

STAFF ACTIONS – EMPLOYER PAID BENEFITS

Human Resources has noted in the HR Annual Report that the City is trending above the benchmarks for sick leave and benefit costs.

To address this, in 2013 Human Resources implemented an Attendance Support Program with the goal of decreasing absenteeism by 10% to align with benchmark information.

Through plan design and administrative changes, staff will seek to decrease benefit costs through collective bargaining and recommend further plan design changes that balance fairness and affordability.

The City is currently reviewing benefit trends, patterns and claim experience. Human Resources will provide recommendations to Council, which include both cost control and cost avoidance strategies that balance competitiveness with sustainability. Through contract negotiations the City will recommend to Council

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bargaining mandates which protect both the interests of the employee and the City of Guelph.

Finally, Human Resources is currently re-tendering the City's benefit provider, with the objective to achieve savings through the anticipation of lower rates and rate guarantees for multiple years.

PREVIOUS STAFF ACTIONS

Human Resources have initiated a number of cost saving measures over the past six (6) years which have lessened the impact of rising benefit costs. Measures include:

- Consolidating the benefits under one Carrier
- Negotiating a 3 year rate guarantee
- Changing to an ASO arrangement rather than premium based

These changes garnered approximately \$1,000,000 in un-incurred expenses.

OVERTIME

Overtime at the City is budgeted by each Service Area depending on their forecasted needs to meet work plan objectives and past trends in the delivery of key services.

Overtime is required and approved for a variety of reasons, including: service to protect the health and safety of the community (e.g. winter control, water main breaks).

Some overtime is required under collective agreements due to mandatory staffing levels or absences (i.e. Fire).

Workload and extended sick leaves are also reasons that overtime may be required and approved.

Overtime costs at the City have varied from year to year. For 2012, overtime costs for all City departments was \$3.1 million, which represents 3.2% of payroll.

COUNCIL'S ROLE – OVERTIME

Council approves the annual budget which includes overtime costs predictions from the various Service Areas. These predictions are based on overtime costs experience and Service Delivery Level expectations also approved by Council.

STAFF ACTIONS – OVERTIME

Staff continually monitor overtime costs to ensure overtime worked is value added and in compliance with our collective agreements and policy. The City's Internal Auditor will be conducting an in depth analysis of overtime, which is targeted for 2013. Staff will endeavour to make the required information system changes to

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provide more detailed reporting on overtime (e.g. Overtime due to mandatory staffing, overtime due to extended sick leave etc.).

STATUTORY BENEFITS – ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Employee pensions are another component of compensation that is in effect deferred income. In municipalities, both the employer and employee contribute to the Ontario Municipal Employees Retirement System (OMERS) on a shared basis.

During the 2013 budget process, Council heard a delegation regarding the OMERS pension system where in a number of misleading and/or inaccurate statements were made. The following section provides factual information regarding OMERS, its current financial position and the role of municipalities within its governance framework.

BACKGROUND

OMERS was established in 1962 to serve local government employees across Ontario. Today, OMERS represents 947 employers and almost 420,000 members, retirees and survivors, including:

- Municipal workers
- Children's Aid Society workers
- Firefighters
- Emergency Services staff
- Police
- School Board staff (non-teaching)
- Transit workers
- Hydro workers

OMERS is a multi-employer pension plan, wherein contributions are shared equally between employers and employees on a 50/50 basis – unlike most other public sector pensions.

Retirees receive what is termed a defined benefit plan pension that pays a monthly pension on retirement that is based on a formula that takes into account years of service and earnings.

Individual municipalities have no unilateral ability to influence contribution rates, investment decisions or plan design changes through OMERS. The avenue for cities to voice concerns/views/interests to OMERS has been through the Association of Municipalities of Ontario, and more specifically through the Municipal Employers Pension Center of Ontario (MEPCO), a non-profit organization established through AMO. MEPCO advocates regularly to OMERS to voice municipal employer concerns regarding financial commitments, contribution rate requirements and suggests plan design changes.

MEPCO has been clear with OMERS that municipalities, including Guelph, are committed first and foremost to ensuring that limited property tax dollars are, as a priority, put toward the important services to the community that citizens receive every day. MEPCO has also submitted to OMERS that cities can no longer afford

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contribution rate increases. OMERS has agreed to no further rate increases beyond the 2011-2013 increases already in place.

GOVERNANCE STRUCTURE

On June 30, 2006, the *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act, 2006)* changed the OMERS governance model to an independent one. Replacing the Province as sponsor, the OMERS Sponsor Corporation (SC) is directed by current and former members, and local government organizations that employ them.

The Sponsors Corporation has the final say on plan design (the structure and type of benefits offered) and contribution rate changes. These types of decisions require a two-thirds majority of the employer and employee representatives on the Corporation Board.

The *OMERS Act, 2006* continued the existing OMERS Corporation as the OMERS Administration Corporation (AC) responsible for pension administration, investment strategy, investments and preparation of the Plan valuation.

Both Boards of Directors have equal numbers of member (i.e. employee) and employer representatives, and the Sponsors Corporation determines the composition of both Boards.

FINANCIAL STATUS

The OMERS Primary Pension Plan is financially healthy, with \$55 billion of net assets, as at December 31, 2011 – an increase of \$11 billion since 2008, reflecting strong returns across its asset classes.

Since 1999, OMERS has become a significant investor in the infrastructure sector, and have been valued partner in addressing the infrastructure challenges for all cities.

Like many other pension plans, the OMERS Plan is however currently in an actuarial deficit position. At the end of 2011, the deficit was about \$7.3 billion, due for the most part to three factors:

- losses stemming from the 2008 global financial crisis, and how they are accounted for in deficit calculations;
- a lower 2011 investment return resulting from the European debt crisis and other factors; and
- Rising Plan costs as member's age.

An "actuarial deficit" represents a long-term financial projection. It is based on best estimates for the next 80 years of numerous factors such as wages, life expectancies, retirement ages, investment returns and, of course, the pension benefits that have been promised. An actuarial deficit is a point-in-time measure of the gap between the Plan's assets and an actuarially determined liability "target".

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An actuarial deficit is not the same as deficit wherein expenditures exceed revenues. To demonstrate that OMERS is not in a 'deficit' position, 2011 information from OMERS shows that \$2.7 billion in contributions were collected, and paid \$2.4 billion to retirees.

Pension law requires that plans such as OMERS take steps to return the fund assets to 100% of the Pension Plan's long-term obligations over time when reflecting an actuarial deficit. OMERS has a strategy to return the Plan to a fully funded position, consisting of three components:

1. an investment strategy designed to generate stable net returns of 7% to 11% per annum on average
2. temporary contribution rate increases phased in over three years from 2011 to 2013
3. a temporary benefit reduction starting in 2013 that impacts Plan members who leave their employment before they are eligible for retirement

Based on current projections, the OMERS deficit will continue to grow to about \$10 billion by the end of 2012, and then will begin to shrink until it is eliminated over the next 10 to 15 years.

The actuarial deficit is not an indication of OMERS ability to pay pensions in the short term.

The economic recession has had a significant impact on all public sector pensions – however OMERS has developed a sustainable financial plan to deal with the effects of the recession.

OMERS has had a provincially approved plan in place since 2010 to deal with the actuarial deficit through temporary employer and employee contribution rate increases, benefit changes and a strong investment strategy .

At present, there will be no additional burden placed on municipalities including Guelph beyond the current provincially approved plan to fund the actuarial deficit as has been implied in the past.

The City of Guelph is NOT in danger of going broke as has been suggested. In fact, the City of Guelph is financially healthy as reflected by the City most recently having had its credit rating improved from AA (stable) to AA (positive) – a signal that Guelph's long term financial health is strong.

OMERS PENSION FACTS:

The average OMERS retiree receives an average pension of \$28,000. The City of Guelph average employee retiree pension is within the provincial average.

Seventy-percent of an OMERS retiree pension is derived from OMERS investment returns, with the remaining thirty percent derived from equal employer/employee contributions.

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COUNCIL'S ROLE

Council's continued advocacy through MEPCO (a non-profit corporation for AMO) for changes to OMERS pension system.

Council sets the annual budget target for Tax and Enterprise budget inclusive of all compensation changes.

CONCLUSION

There are many factors that influence the many elements of compensation. This report has endeavoured to provide information to improve understanding of the components of compensation, inclusive of those that are uncontrollable and those where some control is possible.

The City of Guelph provides a wide range of services to the City which are delivered by and through staff. The ongoing challenge is for the City to be able to attract and retain qualified, capable staff that are committed to public service, to compensate them fairly and to be competitive with other organizations in the face of increasing labour market competition, while managing costs to the taxpayer.

CORPORATE STRATEGIC PLAN

Innovation in Local Government

2.3 Ensure accountability, transparency and engagement

DEPARTMENTAL CONSULTATION

N/A

COMMUNICATIONS

N/A

ATTACHMENTS

Appendix 1 – The City of Guelph's Total Compensation as a % of Operating Costs

Appendix 2 – Wage and Inflation Trends (Last 5 years – including public and private sector averages)

Appendix 3 – Fire Association Economic Increase 2009 – 2012

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Appendix 4 – OPSEU (EMS) Economic Increase 2009 – 2012

Appendix 5 – Amalgamated Transit Union Economic Increase 2009 – 2012

Appendix 6 – CUPE Locals 972, 241 & 1946 Economic Increase 2009 – 2012

Appendix 7 – Non-Union and Management Economic Increase 2009 – 2012

Appendix 8 – Economic Increase 2010 – 2012 vs. Budget Impact on Splitting Increases

Appendix 9 – City of Guelph Compensation Comparator Group

Appendix 10 – Canada Pension Plan (CPP) Costs

Appendix 11 – Employment Insurance (EI) Costs

Appendix 12 – Employer Health Tax (EHT) Costs

Appendix 13 – Workplace Safety & Insurance Benefits Costs

Appendix 14 – Employer Paid Benefits Costs

Appendix 15 – Average Benefit Costs Per Employee Guelph vs. Benchmark

Appendix 16 – Employer Paid Benefits – Sick Leave Plan Costs

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“original signed by Lynne MacIntyre”

Report Author

Lynne MacIntyre
Manager, Compensation, Benefits, HRIS & Payroll
519-822-1260 ext. 2256
E: lynne.macintyre@guelph.ca

“original signed by David Godwaldt”

Approved By

David Godwaldt
General Manager,
Human Resources
519-822-1260 ext. 2848
E: david.godwaldt@guelph.ca

“original signed by Mark Amorosi”

Recommended By

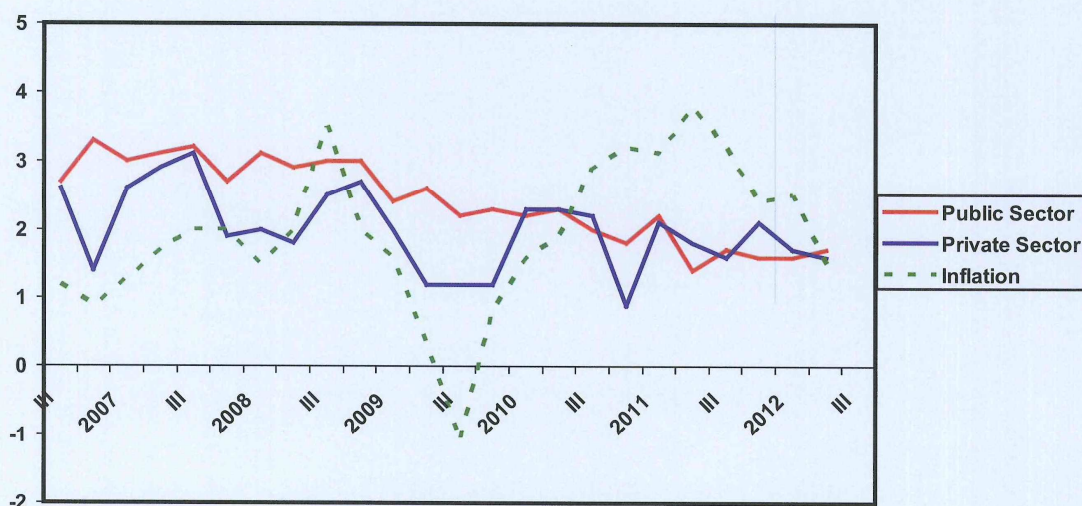
Mark Amorosi
Executive Director,
Corporate and Human Resources
519-822-1260 ext. 2281
E: mark.amorosi@guelph.ca

Appendix 1 – The City of Guelph’s Total Compensation as a % of Operating Costs

2009	2010	2011	2012 (Preliminary)
44.86%	44.95%	47.82%	46.00%

Appendix 2 – Wage and Inflation Trends – Last 5 years (as reported by Hick Morley November 16, 2012 Municipal Bargaining Trends)

Wage and Inflation Trends – Last 5 Years

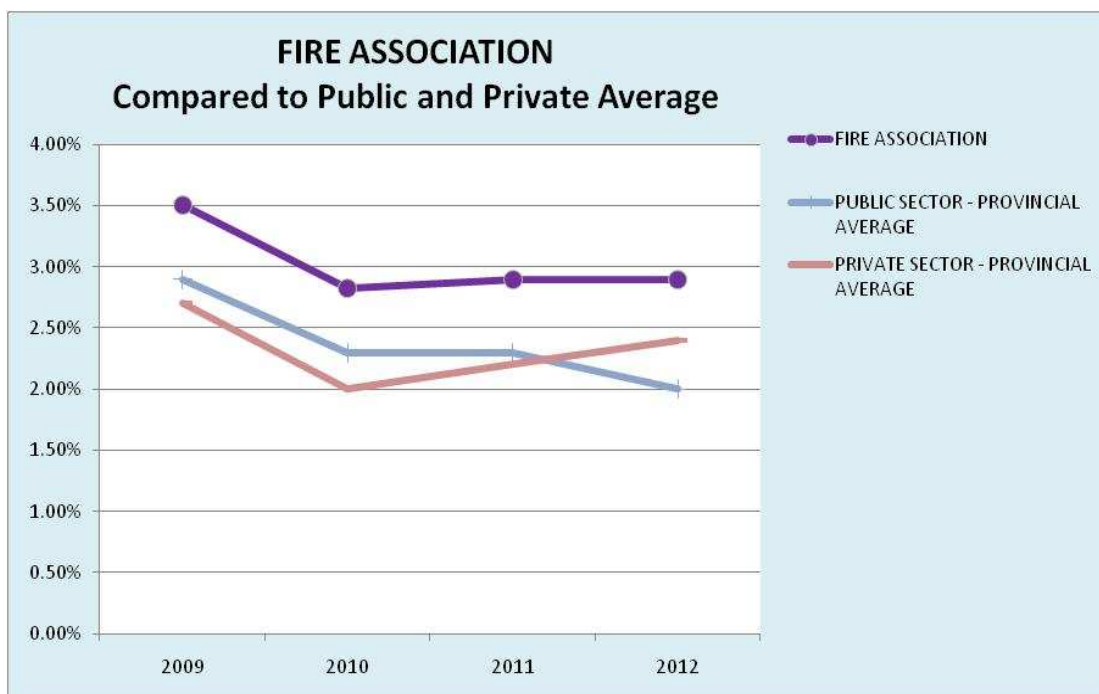


Note: base wages only – there are other elements of private sector compensation not included.

Appendix 3:

Fire Association Economic Increase 2009 – 2012

Compared to Public Sector – Provincial Average and Private Sector – Provincial Average

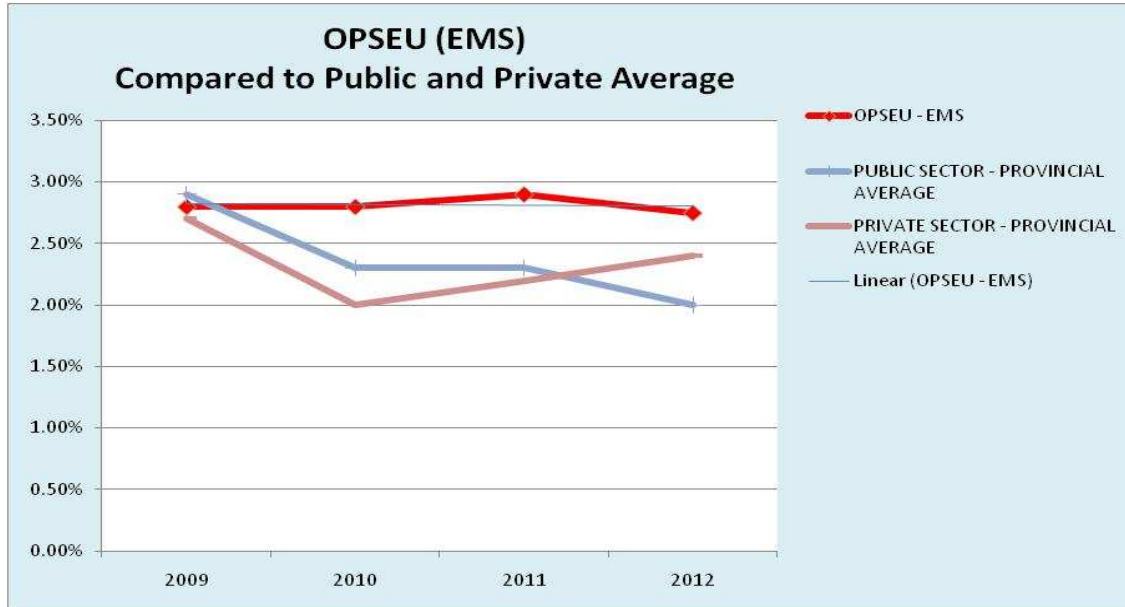


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Appendix 4:

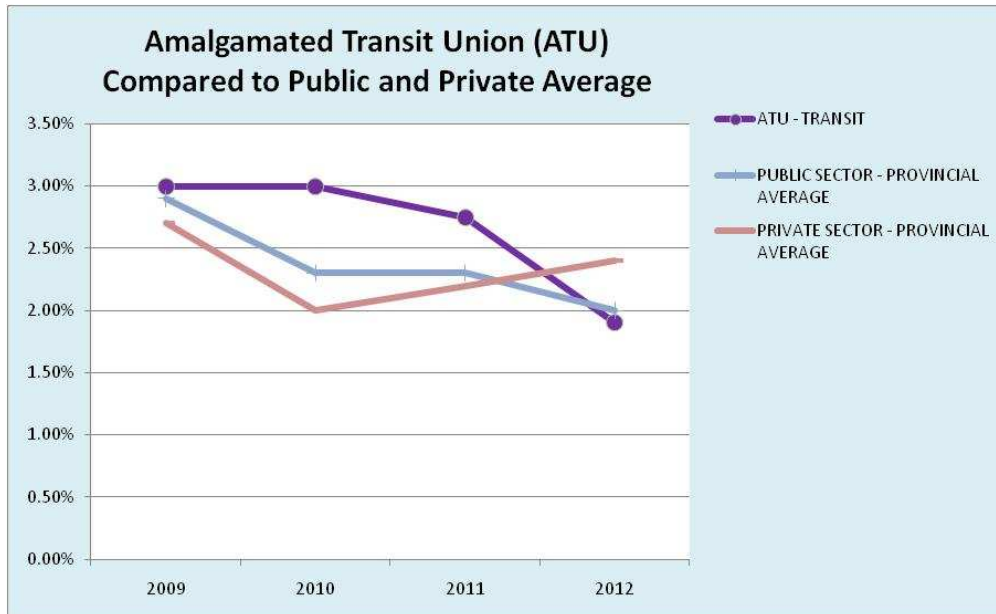
OPSEU (EMS) Economic Increase 2009 – 2012

Compared to Public Sector – Provincial Average and Private Sector – Provincial Average



Appendix 5:

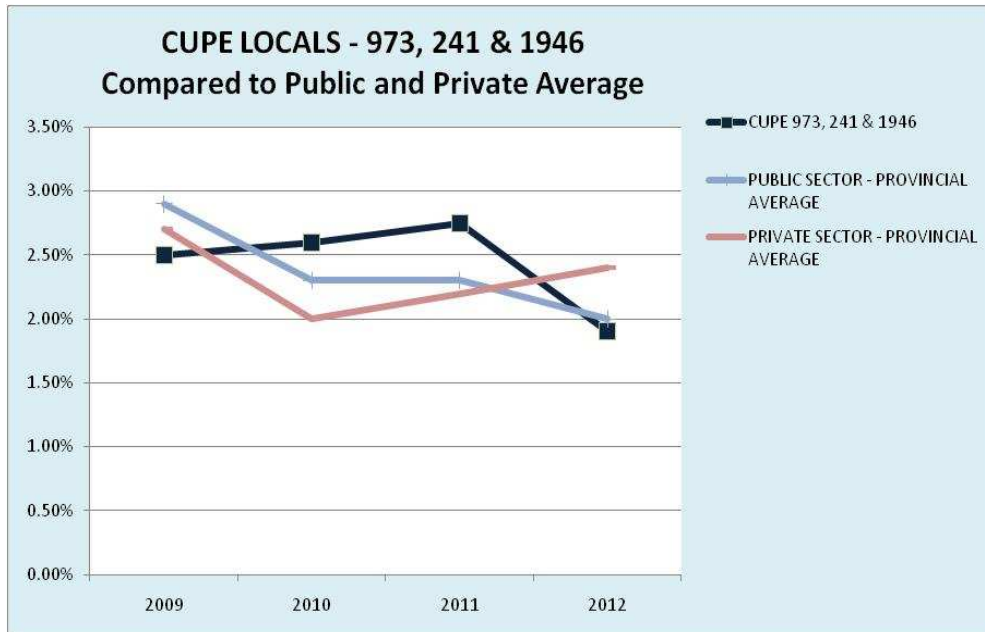
Amalgamated Transit Union (ATU) Economic Increase 2009 – 2012 Compared to Public Sector – Provincial Average and Private Sector – Provincial Average



Appendix 6:

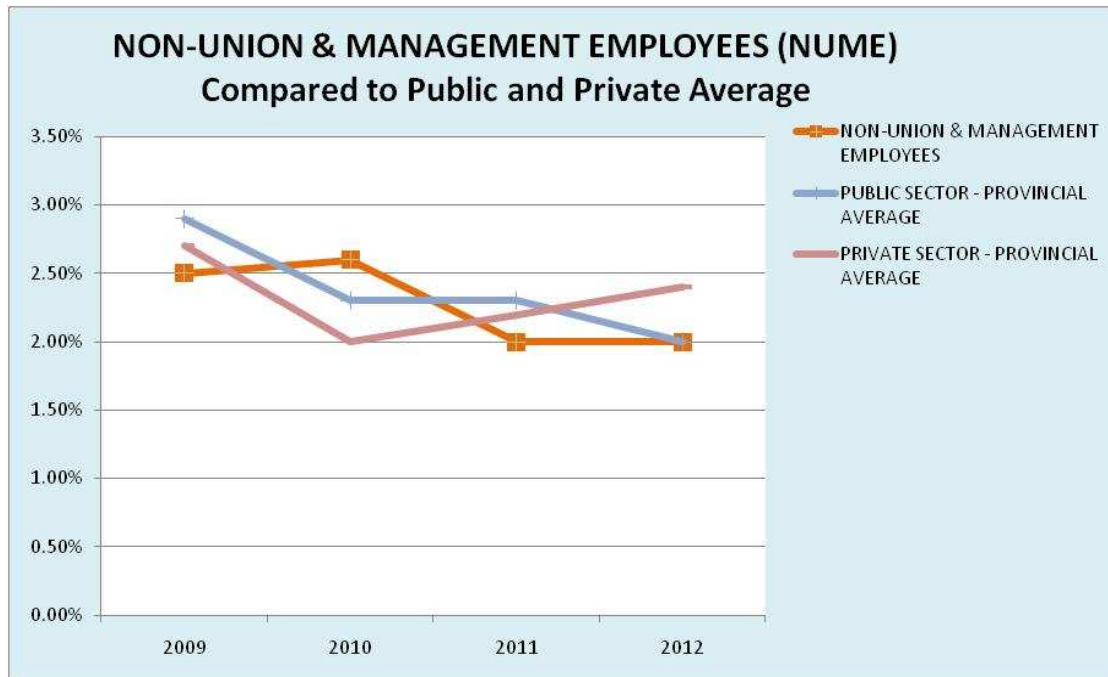
CUPE Local 973, 241 & 1946 Economic Increase 2009 – 2012

Compared to Public Sector – Provincial Average and Private Sector – Provincial Average



Appendix 7:

Non-Union and Management (NUME) Economic Increase 2009 – 2012 Compared to Public Sector – Provincial Average and Private Sector – Provincial Average



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Appendix 8 Economic Increase from 2010 – 2012 vs the Budget Impact on Splitting economic increases throughout the year.

Employee Group	Average Increase	Average Impact on Annual Earnings & Budget
Fire Association	2.87%	2.57%
OPSEU (EMS)	2.77%	2.57%
ATU (Transit)	2.83%	1.67%
CUPE Local 973, 241 & 1946	2.70%	2.03%
Non-Union & Management	2.20%	1.20%

Appendix 9 – City of Guelph Compensation Comparator Group (Council Approved)

City of Barrie	City of Hamilton	City of Waterloo
City of Burlington	City of Kingston	Region of Waterloo
City of Brampton	City of Kitchener	City of Great Sudbury
City of Brantford	City of Mississauga	Region of Halton
City of Cambridge	City of Oakville	Region of Peel
City of Chatham-Kent	City of Vaughan	Wellington County

Appendix 10 – Canada Pension Plan Costs

Maximum Amount	2010	2011	2012
Maximum Contribution	\$2,163	\$2,217	\$2,306
Earnings at Maximum	\$47,200	\$48,300	\$50,100
Average Earnings Full-time Staff	\$59,721	\$61,469	\$63,530
Total ER Contributions	\$2,694,299	\$2,931,941	\$3,151,048

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Appendix 11 – Employment Insurance Costs

Maximum Amount	2010	2011	2012
Maximum Contribution Employee	\$747	\$764	\$839
Earnings at Maximum	\$43,200	\$44,200	\$45,900
Average Earnings Full-time Staff	\$59,721	\$61,469	\$63,530
Total ER Premiums Paid	\$1,191,599	\$1,347,357	\$1,472,666

Appendix 12 – Employer’s Health Tax Costs

Description	2010	2011	2012
T4 Earnings	\$ 82,968,752	\$ 91,352,633	\$ 99,212,855
EHT Payable	\$ 1,615,758	\$ 1,774,007	\$ 1,907,967

Appendix 13 – Workplace Safety & Insurance Benefits Costs

Description	2010	2011	2012
WSIB Costs	\$ 367,672	\$ 331,351	\$ 387,350

Appendix 14 – Employer Paid Benefits Costs

Type of Benefit	2010	2011	2012
Extended Health, Dental	\$4,588,788	\$4,892,738	\$5,375,196
Life Insurance, LTD, STD & AD&D	\$1,615,978	\$1,934,685	\$2,371,526
Total Employer Paid Benefits	\$6,204,766	\$6,827,423	\$7,746,722

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Appendix 15 – Average Benefits Costs Per Employee Guelph vs. Benchmark

Extended Health and Dental Benefits Only		
Year	HRBN	Guelph
2010	\$3,272	\$3,602
2011	\$3,217	\$3,679
2012	Not Available Yet	\$4,091

Appendix 16 – Employer Paid Benefits – Sick Leave Plan Costs

Description	2010	2011	2012
Average Sick Day	9.9	10.2	10.7
Total Cost	\$2,156,525	\$2,608,682	\$3,012,100
HRBN	9.1	8.9	9.6
CBOC	8.1	8.4	Not Available

Note: Includes paid sick days and short-term disability only