Minute No. 44
Report - Executive Policy Committee - December 11, 2002

Item No. 5 Winnipeg Police Pension Plan - File GU-3.10 (Vol. 7)

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the restructuring of the Winnipeg Police Pension Plan as outlined in Appendix "A" be approved.

2. That the Proper Officers of the City be authorized to prepare the required amendments to By-law No. 6253/93 to reflect changes with respect to the disposition of actuarial surpluses as outlined in Appendix "A", and to do all things necessary to effect the intent of the foregoing.

Report - Executive Policy Committee - December 11, 2002

DECISION MAKING HISTORY:

Moved by His Worship Mayor Murray,
That the Executive Policy Committee recommendation be adopted.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 11, 2002, the Executive Policy Committee concurred in the administrative recommendation.

Re: **Winnipeg Police Pension Plan**

For submission to: **Executive Policy Committee**

Submitted by: **Gail Stephens, Chief Administrative Officer**

Report date: **November 27, 2002**

Recommendations:

1. **That the restructuring of the Winnipeg Police Pension Plan as outlined in Appendix "A" be adopted.**
2. **That the Proper Officers of the City be authorized to prepare the required amendments to By-law 6253/93 to reflect changes with respect to the disposition of actuarial surpluses as outlined in Appendix "A", and to do all things necessary to effect the intent of the foregoing.**

Report Summary

KEY ISSUES:

The City's Administration, Winnipeg Police Association (WPA) and the Winnipeg Police Senior Officers' Association (WPSOA) have recently concluded an agreement with respect to the disposition of current and future actuarial surpluses.

The new agreement maintains the financial security and ongoing stability of funding of the Winnipeg Police Pension Plan, provides greater assurance that the current cost of living adjustments (COLA) for pensioners (current and future) can be sustained, and offers the potential for both future pension plan improvements and reduced contributions by the City.

IMPLICATIONS OF THE RECOMMENDATION(S):

General Implications

	None
√	For the organizational overall and/or for other departments
√	For the community and/or organizations external to the City of Winnipeg
√	Involves a multi-year contract

Comment: The new agreement resolves the legal uncertainty with respect to the disposition of actuarial surpluses, and maintains the financial security and ongoing stability of funding the pension plan.

Policy Implications

	No
√	Yes

Comment: Continues the practice of sharing actuarial surpluses to the benefit of the City and plan members.

Financial Implications

√	Within approved current and/or capital budget
	Current and/or capital budget adjustment required

Comment: None

Report

RECOMMENDATIONS:

1. That the restructuring of the Winnipeg Police Pension Plan as outlined in Appendix “A” be adopted.
2. That the Proper Officers of the City be authorized to prepare the required amendments to By-law 6253/93 to reflect changes with respect to the disposition of actuarial surpluses as outlined in Appendix “A”, and to do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT:

City Council must amend By-law 6253/93 to make effective the proposed changes to the Winnipeg Police Pension Plan.

HISTORY:

- 1999 – the City and police associations begin negotiations with respect to disposition of actuarial surpluses.

- March 2001 – Council passes a motion giving effect to the interim agreement between the City and police associations whereby the City would cease contributions to the Plan for 10 bi-weekly pay periods in 2001 in the amount of $2.4 million and an equal amount of $2.4 million would be transferred from the Plan surplus to fund future cost-of-living adjustments.

- July 2002 – Council passes a motion that, in effect, extends the interim agreement for 2002 and the City takes another contribution holiday of $2.4 million and an equal amount is transferred from the Plan surplus to fund future cost-of-living adjustments.

- September 2002 – the City and police associations reach the agreement in principle with respect to the disposition of actuarial surpluses as outlined in Appendix “A”.

DISCUSSION:

- The Winnipeg Police Pension Plan benefits are generally comparable to pension plans provided by other police services.

- The current surplus allocation provision in the Plan (made pursuant to By-law 6253/93) was limited to the term between January 1, 1989 and January 1, 1995 and Plan surplus has been used to allow the City to limit its contributions to an amount equal to those made by Plan members since that time.

- The legal uncertainty with respect to the proper disposition of surplus and the related risk of litigation by the police associations caused the City and police associations to renew efforts to reach a mutually acceptable agreement that would benefit both Plan members and the City.

- As at December 31, 2001 the Plan's market value of assets was $668 million, the estimated surplus was $117 million and the excess surplus as defined by the *Income Tax Act* was $23 million. ~~— the m~~Market volatility experienced in 2002 ~~year-to-date~~ has been considerable and the surplus has been significantly eroded. It is unlikely that the Plan is in excess surplus pursuant to the *Income Tax Act* *and* therefore the City will~~is~~ not likely be required to take any further contribution holidays at this time.

SUMMARY:

- Benefits to the City
  - Provides for stable funding of the Plan
  - Reduces risk of future unf~~o~~unded liabilities
  - Provides for opportunity for reduced City contributions when actuarial surplus is in excess of amounts required to fully fund Plan benefits and Plan Stabilization Reserve (which limits the City's contributions to matching of Plan member contributions)
  - Resolves uncertainty with respect to treatment of actuarial surpluses and funding deficiencies

- Benefits to Plan Members
  - COLA is fully funded at 75% CPI increases
  - Provides protection against increases in future inflation by not limiting COLA on the basis of a fixed amount (i.e., the present Supplementary Account)
  - Benefit of indexing of deferred pensions
  - Maintains stable funding of Plan
  - Provides for 50/50 sharing of actuarial surpluses when Plan (including COLA at 75% of CPI increases) and reserves are fully funded

FINANCIAL IMPACT STATEMENT:

Project Name: Winnipeg Police Pension Plan

Date: November 27, 2002 First Year of Program

	0	1	2	3	4
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs					
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts					
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Based on current financial result in the Police Penison Plan, there is no finanical impact with respect to the recommendations

Mike Ruta, Corporate Controller

Attachment

COPY OF APPENDIX A IS ON FILE IN THE OFFICE OF THE CITY CLERK

THIS REPORT WAS PREPARED IN CONSULTATION AND CONCURRENCE WITH:

Legal Services and Labour Relations and Compensation Division of the Corporate Services Department were consulted in the preparation of this report.

THIS REPORT SUBMITTED BY:
Robert P. Gannon, Chief Financial Officer