Agenda - Executive Policy Committee - July 7, 2010

REPORTS

Item No. 2 The Winnipeg Civic Employees Benefits Program - Transfer of Funds within the Program
eFile EX

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That, in accordance with Section 7.10 of the Pension Trust Agreement, Council approve the transfer of funds from the Future Contribution Reserve to the General Component of the Main Account within The Winnipeg Civic Employees' Benefits Program, effective January 1, 2010, as determined by the Program's Board of Trustees in April 2010.

ADMINISTRATIVE REPORT

Issue: **The Winnipeg Civic Employees' Benefits Program – Transfer of Funds Within the Program**

Critical Path: **Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Ferrier, City Treasurer	M. Ruta	M. Ruta	A Robinson, Deputy CAO

RECOMMENDATIONS

1. That, in accordance with Section 7.10 of the Pension Trust Agreement, Council approve the transfer of funds from the Future Contribution Reserve to the General Component of the Main Account within The Winnipeg Civic Employees' Benefits Program, effective January 1, 2010, as determined by the Program's Board of Trustees in April 2010.

REASON FOR THE REPORT

Approval of a transfer of funds within The Winnipeg Civic Employees' Benefits Program, specifically from the Future Contribution Reserve to the General Component of the Main Account, must be approved by City Council and a double majority of the Signatory Unions in order to be implemented. The transfer has been unanimously agreed to by the Trustees of the Program in April, 2010.

IMPLICATIONS OF THE RECOMMENDATIONS

The Board of Trustees is seeking the approval of the City of Winnipeg and the Signatory Unions to implement the proposed transfer of funds within the Program (effective January 1, 2010) from the Future Contribution Reserve to the General Component of the Main Account, in accordance with the determination made by the Board in April 2010.

If the City of Winnipeg and a Double Majority of the Signatory Unions approve of the transfer, the Board of Trustees will implement the transfer within the Program.

The transfer of funds identified in the report is within the Winnipeg Civic Employees' Benefits Program (internal to the Program only) and does not have any impact on the City's operating, capital or reserve funds.

HISTORY

In July 2009, the Board of Trustees recommended to the City of Winnipeg and the Signatory Unions that the Program's employee and employer contribution rates each be increased to an average of 8% of pensionable earnings, effective the first pay period of January 2010. This contribution rate increase was approved as recommended.

The increase in contribution rates was initiated in advance of being required to do so in response to a formal funding deficiency in accordance with subsection 8.2(e) of the Pension Trust Agreement

Had the increase in contribution rates occurred in response to a disclosed funding deficiency, Subsection 8.2(e) also would have required a transfer of funds from the Future Contribution Reserve to the General Component of the Main Account equal to the actuarial present value of the expected future increase in contributions in respect of present Program members (subject to maintaining a minimum balance in the Future Contribution Reserve equal to 5% of the Program's actuarial liabilities).

The above-referenced fund transfer provision in subsection 8.2(e) of the Pension Trust Agreement recognizes that, as a result of the increase in contributions, the future annual shortfall in contributions relative to the cost of future service benefits earned under the Program will reduce by the amount of the increase and that the annual draw on the Future Contribution Reserve will be correspondingly reduced. The resulting transfer of funds to the General Component of the Main Account increases the funding of the Program's accrued benefits.

Had subsection 8.2(e) applied, approximately $80 million would have been transferred from the Future Contribution Reserve to the General Component of the Main Account, effective January 1, 2010.

Although the fund transfer cannot occur in accordance with subsection 8.2(e) of the Pension Trust Agreement (as the contribution increase was not implemented in response to a formal funding deficiency), the Board of Trustees has determined that such a fund transfer is appropriate in order to increase the funding of the Program's accrued benefits, and, to the extent available, to offset a portion of the unamortized balance of the 2008 investment loss.

While the transfer cannot occur under subsection 8.2(e) of the Pension Trust Agreement, it can occur under Section 7.10 with the approval of the Signatory Parties to the Program. Section 7.10 – *Extraordinary Power to Modify Account or Reserve Balances* states as follows:

> *Despite any other provision of this Agreement, if the Trustees unanimously determine that the balance of an Account or Reserve should be adjusted for any reason they consider appropriate, the Board may, by unanimous resolution to that effect, and with the approval of the City and a Double Majority of the Signatory Unions, alter any balance, provided that at all times the sum of the balances of the General Component of the Main Account, the*

Future Contribution Reserve, the Unallocated Portion of the Plan Members' Account, the Enhancement Cost Reserve and the City Account must equal, as of the end of any Program Year after 2002, the Market Value of the Pension Fund's assets on that date.

In April 2010, the Board of Trustees (inclusive of all 14 Trustees) unanimously determined that a transfer of funds should be made, effective January 1, 2010, from the Program's Future Contribution Reserve to the General Component of the Main Account, equal to the actuarial present value of the contribution increase which was effective the first pay period of January 2010 over the present Program members' expected future service under the Program (subject to maintaining a minimum balance in the Future Contribution Reserve equal to 5% of the Program's actuarial liabilities).

The amount of the proposed transfer is estimated to be approximately $80 million, with the exact amount to be determined in conjunction with the actuarial valuation of the Program, as a December 31, 2009, that is currently being carried out.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 7, 2010

Project Name: **The Winnipeg Civic Employees' Benefits Program - Transfer of Funds Within the Program**

	2010	2011	2012	2013	2014
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: **The transfer of funds identified in the report is within the Winnipeg Civic Employees' Benefits Program and does not impact any of the City's operating, capital, or reserve funds.**

Original signed by R Abeysekera

R Abeysekera, Campus Controller

CONSULTATION

In preparing this Report there was consultation with:

The Winnipeg Civic Employees' Benefits Program

SUBMITTED BY

Department: Corporate Finance
Division: City Treasurer's Division
Prepared by: Jo-Anne Ferrier, City Treasurer
Date: June 7, 2010
File No.