Agenda – Executive Policy Committee – March 7, 2012

REPORTS

Item No. 1 The Winnipeg Civic Employees' Benefits Program – Amendments to the Pension and Disability Plan Trust Agreements

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council approve amendments to the Pension and Disability Plan Trust Agreements governing the Winnipeg Civic Employees' Benefits Program (collectively the "Trust Agreements") as set forth in this report and the draft amended Trust Agreements attached hereto as Amended and Restated Pension Trust Agreement (Appendix A) and Amended and Restated Disability Plan Trust Agreement (Appendix B), subject to approval of such amendments by a double majority of the Signatory Unions.

2. That Council enact "A By-law of The City of Winnipeg to continue The Winnipeg Civic Employees' Benefits Program" attached hereto as Appendix D.

3. That By-Law No. 5300/89 entitled "The City of Winnipeg Employee Benefits Program" be repealed.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Issue: **The Winnipeg Civic Employees' Benefits Program – Amendments to the Pension and Disability Plan Trust Agreements**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Ruta	M. Ruta	M. Ruta	P. Sheegl

RECOMMENDATIONS

1. That Council approve amendments to the Pension and Disability Plan Trust Agreements governing the Winnipeg Civic Employees' Benefits Program (collectively the "Trust Agreements") as set forth in this report and the draft amended Trust Agreements attached hereto as Amended and Restated Pension Trust Agreement (Appendix A) and Amended and Restated Disability Plan Trust Agreement (Appendix B), subject to approval of such amendments by a double majority of the Signatory Unions.

2. That Council enact "A By-law of The City of Winnipeg to continue The Winnipeg Civic Employees' Benefits Program" attached hereto as Appendix D.

3. That By-Law No. 5300/89 entitled "The City of Winnipeg Employee Benefits Program" be repealed.

4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Council approval is required to reflect changes in the Trust Agreements resulting from a report that was submitted and approved by Council on July 20, 2011 relating to increases in contribution rates and adjustments in Program benefits, effective September 1, 2011.

In addition, Council approval is required to enact and repeal by-laws. The new by-law has been drafted to provide clarity regarding the continuation of the Employee Benefits Program under the Trust Agreements.

IMPLICATIONS OF THE RECOMMENDATIONS

In July, 2011, Council approved contribution rate increases of ½ per cent of pensionable earnings each year, commencing September 1, 2011, for 4 years to an average of 10% of pensionable earnings. Increases in 2012 to 2014 are effective January 1st. Council approval was contingent upon the following:

a. the Winnipeg Civic Employees' Benefits Program (WCEBP) addressing the remaining shortfall in the future service cost of the Program's pension and disability benefits by approving a plan to adjust benefits effective no later than September 1st, 2011; and
b. approval by a double majority of the Signatory Unions of the above-noted increases to employee contributions, as contributions are matched.

On July 27, 2011, the Board of Trustees of the WCEBP approved changes in Program benefits effective September 1, 2011 to reflect the remaining shortfall relative to future service benefit costs. On June 5, 2011, the WCEBP confirmed that a double majority of the Signatory Unions had approved the proposal to increase employee contributions.

Proposed revisions reflecting the changes recommended in the report adopted by Council have now been incorporated into the Pension and Disability Plan Trust Agreements attached as Appendices A and B respectively. A summary of the proposed changes to the Pension Trust Agreement is also attached hereto as Appendix C.

In summary, the proposed amendments to the Pension Trust Agreement include the following:

- The Plan previously included separate financial accounts and reserves with the following balances at December 31, 2010:
    - Main Account – General Component - $3.3 billion
    - Main Account – Future Contribution Reserve - $149 million
    - Plan Members' Account –Enhancement Cost Reserve - $9.8 million
    - City Account - $82 million

  The Future Contribution Reserve in the Main Account was funded from past actuarial surpluses with the purpose of financing a portion of the shortfalls each year between contribution rates and Program benefit costs. Because the actions taken by the City and the signatory unions effective from September 1, 2011 were intended to eliminate these shortfalls, the two components of the Main Account can now be merged. The Plan Members' Account and the City Account will continue under the proposed new agreement.

- Under current provisions, actuarial surpluses first top-up the Future Contribution Reserve to a target level and thereafter are allocated 50% each to the Plan Members' and City Account. Under the proposed revisions to the Pension Trust Agreement, the assets of the Main Account must reach 105% of the Program's actuarial liabilities before actuarial surpluses in excess of this level are allocated 50% each to the Plan Members' and City Accounts.

- When funding deficiencies arise, the City Account and Plan Members' Account will be used to fund the deficiencies to the extent that there is a balance in both Accounts. This same provision will remain in the proposed provisions. Funding for the cost-of-living adjustments

(COLA) would first reduce to 75% of the Consumer Price Index (CPI) (from 80% of CPI currently) then to 50% of CPI, with 50% of these reductions being funded by the City Account if there is a positive balance.

- The proposed Pension Trust Agreement would set the maximum rate of employer contributions to the Program (covering both pension and long-term disability benefits) at 10% of pensionable earnings (compared with 8% of pensionable earnings under the existing Pension Trust Agreement). Contributions could only increase above this level by mutual agreement of the City and the signatory unions. Neither the City nor the other participating employers are responsible for making any additional contributions in respect of future unfunded pension liabilities.

- If actuarial surpluses result after adjustments are made to fund deficiencies and after the Main Account's assets exceed 105% of the Program's actuarial liabilities, in general terms, COLA would increase to 75% of CPI with an equal share of the actuarial surplus allocated to the City Account. Thereafter, the Plan Members' and City Accounts would receive 50% each of remaining surplus. The balance of the City Account will continue to be available to reduce employer contributions, while the Plan Members' Account can be used to improve benefits or reduce employee contributions.

It should be noted that a number of proposed amendments are included in the text of the Pension Trust Agreement which reflect the intent of the above and provide further revisions to clarify other clauses as required.

The proposed amendments to the Disability Plan Trust Agreement are not substantive and are consequential on the changes to the Pension Trust Agreement.

HISTORY

On November 25, 2009, Council approved an increase in employer contributions to the Winnipeg Civic Employees' Benefits Program to an average of 8% of pensionable earnings, effective January 1, 2010 (up from an average of 6.7%). Subsequently, on July 20, 2011, Council approved a report recommending increases in the average contribution rate to 10% of pensionable earnings on the basis of a four year phase-in period commencing on September 1, 2011.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 21, 2011

Project Name: The Winnipeg Civic Employees' Benefits Program – Amendments to the Pension and Disability Plan Trust Agreements

	2011	2012	2013	2014	2015
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: There is no financial impact relating to the recommendations in this report.

Original signed by R. Abeysekera

R. Abeysekera, Campus Controller

CONSULTATION

In preparing this Report there was consultation with:

Legal Services Department

SUBMITTED BY

Department: Corporate Finance
Division: Office of the Chief Financial Officer
Prepared by: M. Ruta, Chief Financial Officer
Date: March 1, 2012
File No.



Appendix A - Proposed Changes to



Appendix B - Proposed Changes to



Appendix - C - Summary



Appendix D - By-Law