APPENDIX - C

Winnipeg Civic Employees' Benefits Program

SUMMARY OF PROPOSED CHANGES TO PENSION TRUST AGREEMENT, EFFECTIVE SEPTEMBER 1, 2011

Revised November 18, 2011

WCBC Western Compensation & Benefits Consultants

Pension Trust Agreement Articles/Sections with Substantive Changes Proposed

7. Structure of Pension Fund

7.7 Actuarial Surpluses

8. Funding Deficiencies

8.4 Surplus Following Funding Deficiencies

14.2 Restriction on Amendments to Program Text

Article/Section	Current Provisions	Proposed Provisions
7. Structure of Pension Fund	Main Account, consisting of: General Component Future Contribution Reserve Plan Members' Account, consisting of: Unallocated Portion Enhancement Cost Reserve City Account	Main Account Plan Members' Account City Account

Article/Section	Current Provisions	Proposed Provisions
7.7 Actuarial Surpluses	Actuarial surplus = Actuarial value of assets of General Component of Main Account (i.e. excluding Future Contribution Reserve) - Actuarial liabilities of Program (based on Funding Assumptions)	Actuarial surplus = Actuarial value of assets of Main Account - 105% of actuarial liabilities of Program (based on Funding Assumptions) *[Effectively, this would establish a "contingency reserve" of 5% of actuarial liabilities – see note below.]*
Disposition	1. Top-up Future Contribution Reserve to target level (i.e. the actuarial present value of expected shortfalls of member and matching Employer contributions relative to the cost of 1999 level benefits over the projected future service of present Program Members) 2. Allocate balance of surplus: • 50% to Plan Members' Account • 50% to City Account	Allocate: • 50% to Plan Members' Account • 50% to City Account

Note: The amount of "contingency reserve" before reporting an actuarial surplus that can be allocated to the Plan Members' Account and City Account (i.e. is available for benefit improvements and/or contribution reductions) is a policy decision for the Signatory Parties. The recommended range of this "contingency reserve" is between 5% and 10% of the actuarial liabilities of the Program. (Previously, the Future Contribution Reserve was the "contingency reserve".)

Article/Section	Current Provisions	Proposed Provisions
8. Funding Deficiencies	Funding deficiency = Actuarial liabilities of Program (based on Funding Assumptions) - Actuarial value of assets of General Component of Main Account (i.e. excluding Future Contribution Reserve)	Funding deficiency = Actuarial liabilities of Program (based on Funding Assumptions) - actuarial value of assets of Main Account *[Note that, with no Future Contribution Reserve, all assets of Main Account will be taken into account before a funding deficiency is disclosed.]*
8.2 Steps to Resolve Funding Deficiencies (in priority order)	1. If positive balances in both City Account and Unallocated Portion of Plan Members' Account, transfer an equal amount from each to the Main Account. 2. If there are no funds in the City Account but a positive balance in the Unallocated Portion of the Plan Members' Account, transfer funds from the Unallocated Portion of the Plan Members' Account. *[Note that restoring the Plan Members' Account is a priority in the event of a future actuarial surplus (under Section 8.5).]* 3. Use Best Estimate Assumptions.	1. If positive balances in both City Account and Plan Members' Account, transfer an equal amount from each to the Main Account. 2. If there are no funds in the City Account but a positive balance in the Plan Members' Account, transfer funds from the Plan Members' Account. *[Note that restoring the Plan Members' Account is a priority in the event of a future actuarial surplus (under renumbered Section 8.4).]* 3. Use Best Estimate Assumptions.

Article/Section	Current Provisions	Proposed Provisions
8.2 Steps to Resolve Funding Deficiencies (cont'd)	4. Reduce COLA to 75% of CPI. If there is a positive balance in the City Account, 50% of this portion of the reduction in the funding deficiency will be financed by the City Account and 50% by the reduction in COLA (i.e. 50/50 risk-sharing).	4. Same as current provision.
	5. Increase contribution rates to an average of 8% of pensionable earnings. As this reduces the shortfall in the funding of the 1999 level benefits, funds are transferred from the Future Contribution Reserve to the General Component of the Main Account to reduce the funding deficiency, subject to maintaining a minimum balance in the FCR of 5% of the actuarial liabilities of the Program.	5. Increase contribution rates to an average of 10% of pensionable earnings. *[Note that, in the absence of an FCR, contribution increases do not reduce the funding deficiency; rather, they increase the funding available to amortize the funding deficiency in future years.]*
	6. Reduce COLA to 50% of CPI. If there is a positive balance in the City Account, 50% of this portion of the reduction in the funding deficiency will be financed by the City Account and 50% by the reduction in COLA (i.e. 50/50 risk-sharing).	6. Same as current provision.
	7. Transfer the remaining balance of the Future Contribution Reserve to the General Component of the Main Account.	

Article/Section	Current Provisions	Proposed Provisions
8.2 Steps to Resolve Funding Deficiencies (cont'd)	8. If there is mutual agreement of the City and a Double Majority of the Signatory Unions, increase the contribution rates above 8% of pensionable earnings to amortize the remaining funding deficiency in accordance with PBA requirements for unfunded liabilities (i.e. over 15 years). 9. Reduce accrued benefits to not less than 1999 levels. If there is a positive balance in the City Account, 50% of this portion of the reduction in the funding deficiency will be financed by the City Account and 50% by the benefit reduction (i.e. 50/50 risk-sharing). 10. Reduce accrued and future service benefits as necessary to eliminate the remainder the funding deficiency or result in a contribution rate margin sufficient to amortize the remaining funding deficiency in accordance with PBA requirements for unfunded liabilities (i.e. over 15 years).	7. If there is mutual agreement of the City and a Double Majority of the Signatory Unions, increase the contribution rates above 10% of pensionable earnings to amortize the remaining funding deficiency in accordance with PBA requirements for unfunded liabilities (i.e. over 15 years). 8. Reduce accrued and future service benefits as necessary to eliminate the remainder of the funding deficiency or result in a contribution rate margin sufficient to amortize the remaining funding deficiency in accordance with PBA requirements for unfunded liabilities (i.e. over 15 years). If there is a positive balance in the City Account, 50% of this portion of the reduction in the funding deficiency will be financed by the City Account and 50% by the benefit reduction (i.e. 50/50 risk-sharing).

Article/Section	Current Provisions	Proposed Provisions
8.4 (currently 8.5) **Surplus Following Funding Deficiencies** [Operates in conjunction with Section 7.7, but specifically addresses steps (in priority order) to reverse actions taken to resolve previous funding deficiencies.]	*[Under the current Section 7.7, the assets allocated to the Future Contribution Reserve are excluded in determining an actuarial surplus.]* 1. Increase benefits to 1999 level. 2. Restore Plan Members' Account, if it was used (under subsection 8.2 (b)) to reduce a funding deficiency without a matching reduction in the City Account. 3. Decrease contribution rates to an average of 8% of pensionable earnings, if they were increased above this rate. 4. Increase Future Contribution Reserve to 5% of Program's actuarial liabilities. 5. Decrease contribution rates to 1999 level (i.e. 6.5% up to YMPE, 7.5% above YMPE). Transfer an amount equal to the actuarial present value of the expected future contribution reductions from the General Component of the Main Account to the Future Contribution Reserve.	*[Under the proposed changes to Section 7.7, an actuarial surplus will occur only after the assets of the Main Account exceed 105% of the Program's actuarial liabilities.]* 1. Restore Plan Members' Account, if it was used (under subsection 8.2 (b)) to reduce a funding deficiency without a matching reduction in the City Account. 2. Decrease contribution rates to an average of 10% of pensionable earnings, if they were increased above this rate. *[Note that the proposed provisions do not include a step corresponding to step 5 of the current provisions – that is, reducing contribution rates below 10% (e.g. to 8%) before proceeding to the subsequent steps.]*

Article/Section	Current Provisions	Proposed Provisions
8.4 Surplus Following Funding Deficiencies (cont'd)	6. Increase COLA to 75% of CPI. Finance the past service and expected future service cost of this increase with 50% of the available surplus and transfer an equal amount of surplus to the City Account (50/50 surplus sharing). The portion of the surplus corresponding to the expected future service cost of this increase is transferred from the General Component of the Main Account to the Enhancement Cost Reserve.	3. Increase COLA to 75% of CPI. Finance the past service cost of this increase with 50% of the available surplus and transfer an equal amount of surplus to the City Account (i.e. 50/50 surplus sharing). *[Note: No provision is proposed to be made for the expected future service cost of this increase, as is done under the current provisions with the ECR.]*
	7. The remaining actuarial surplus is used to top-up the Future Contribution Reserve, with the excess, if any, split 50/50 between the Plan Members' Account and the City Account (in accordance with subsections 7.7 (c) and (d)).	4. The remaining actuarial surplus is split 50/50 between the Plan Members' Account and the City Account (in accordance with subsection 7.7 (c)).

Article/Section	Current Provisions	Proposed Provisions
14.2 Restriction on Amendments to Program Text	The Plan Members' Account must be sufficient to finance both the past service and expected future service cost of any benefit enhancement.	The Plan Members' Account must be sufficient to finance the past service cost of any benefit enhancement. The employee and matching employer contribution rates must be sufficient to finance the future service cost of the Program's benefits including the enhancement.