Agenda – Executive Policy Committee – December 3, 2014

REPORTS

Item No. 9 Winnipeg Police Pension Fund Letter of Credit

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That Council receive this report as information pursuant to the Winnipeg Police Pension Plan Report recommendations adopted by Council February 27, 2013.

ADMINISTRATIVE REPORT

Title: **Winnipeg Police Pension Fund Letter of Credit**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
Rob Provencher, Manager of Financial Services	Mike Ruta	Mike Ruta	D. Joshi A/CAO

RECOMMENDATIONS

That Council receive this report as information pursuant to the Winnipeg Police Pension Plan Report recommendations adopted by Council February 27, 2013.

REASON FOR THE REPORT

Recommendation 3 of the February 27, 2013 Council decision requires the Chief Financial Officer to report annually to Council on the City's projected future commitments under any letters of credit issued to offset the solvency deficiency obligation for the Winnipeg Police Pension Fund.

IMPLICATIONS OF THE RECOMMENDATIONS

Based on the December 31, 2013 actuarial valuation, the City issued an irrevocable and unconditional standby letter of credit to secure solvency deficiency obligations to the Winnipeg Police Pension Board in trust for the Winnipeg Police Pension Fund.

The City's liability escalates monthly and fees of 0.30% are payable quarterly on amounts outstanding as per the schedule below.

SCHEDULE

FROM	UNTIL	AMOUNT
DATE OF ISSUE	OCTOBER 27, 2014	$29,719,731.00
OCTOBER 30, 2014	NOVEMBER 29, 2014	$29,815,831.00
NOVEMBER 30, 2014	DECEMBER 29, 2014	$29,912,242.00
DECEMBER 30, 2014	JANUARY 29, 2015	$30,008,964.00
JANUARY 30, 2015	MARCH 1, 2015	$30,105,999.00
MARCH 2, 2015	MARCH 29, 2015	$30,203,348.00
MARCH 30, 2015	APRIL 29, 2015	$30,301,012.00
APRIL 30, 2015	MAY 29, 2015	$30,398,991.00
MAY 30, 2015	JUNE 29, 2015	$30,497,287.00
JUNE 30, 2015	JULY 29, 2015	$30,595,901.00
JULY 30, 2015	AUGUST 29, 2015	$30,694,834.00
AUGUST 30, 2015	SEPTEMBER 29, 2015	$30,794,087.00
SEPTEMBER 30, 2015	OCTOBER 26, 2015 (expiry date)	$30,893,661.00

This letter of credit's fee for 2014 is $15,705.35 and the fee from December 29, 2014 to the expiry date is $75,321.67 which equates to a total fee of $91,027.02.

The annual projected fees to 2018, which are subject to change due to the requirement for annual actuarial valuations, are documented in the Financial Impact Statement.

Recommendation 2 of the Winnipeg Police Pension Plan Report adopted by Council on February 27, 2013 states: "That in the event an annual Council approval is not obtained on or before the date that falls 120 days prior to the date necessary to meet all obligations under the pension benefits legislation as determined by the Chief Financial Officer in consultation with the Actuary, that the Chief Financial Officer be delegated the authority to issue the required letter of credit for such year and determine final amounts, timing, terms, and process for such letter of credit based on legal and actuarial requirements."

The actuarial reports as at December 31st are projected to be available annually in June and the letter of credit must be filed annually by approximately the end of July. Actual filing dates will vary by year. The Chief Financial Officer will annually issue the letter of credit to comply with obligations under the pension benefits legislation as required. The Chief Financial Officer will report annually to Council on the City's projected future commitments under any letters of credit issued.

HISTORY

On December 14, 2011, Council approved a report entitled "Winnipeg Police Plan – Solvency Exemption". Recommendation 2 of the report states; "That, in the event solvency exemption is not achieved (for the Plan), the City explore all options to reduce the significant financial impact related to the solvency deficiency rules and recommend a course of action for Council approval."

The City was advised by the Winnipeg Police Pension Board, ("the Board") that solvency exemption was not achieved. In voting against solvency exemption, the members of the Plan have created a significant financial burden on the City. The City had a choice to either:

- increase its monthly contribution to the Plan by an estimated $100,000 plus monthly interest as required by legislation on the outstanding balance based on the 2013 actuarial valuation for five years (final amounts are subject to annual actuarial calculation as part of the valuation of the Plan at December 31st of each year and could differ materially), or

- obtain a letter of credit of sufficient value to offset the solvency deficiency obligations.

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 6, 2014

Project Name: **First Year of Program** **2014**

Winnipeg Police Pension Fund Letter of Credit

	2014	2015	2016	2017	2018
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	$ 15,705	$ 95,000	$ 100,000	$ 105,000	$ 110,000
Less: Incremental Revenue/Recovery					
Net Cost/(Benefit)	$ 15,705	$ 95,000	$ 100,000	$ 105,000	$ 110,000
Less: Existing Budget Amounts	$ 15,705	$ 95,000	$ 100,000	$ 105,000	$ 110,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

2015 and future year costs for the letter of credit are to be determined based on actuarial valuations. Actuarial estimates currently indicate that special monthly payments of approximately $100,000 plus monthly interest as required by legislation on the outstanding balance will be required beginning in 2014 if the Plan's solvency deficiency is not secured with a letter of credit. Interest is calculated at actuarial interest rates. Budgets for 2015 to 2018 have not yet been approved.

(Original signed by R. Hodges)
Ramona Hodges
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

SUBMITTED BY

Department: Corporate Finance
Prepared by: Rob Provencher
Date: October 1, 2014
File No.