WCEBP
WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

May 5, 2015

Winnipeg City Council
510 Main Street
Winnipeg, Manitoba
R3B 1B9

Dear Mayor Bowman and Members of Council:

Re: City of Winnipeg Employees' Group Life Insurance Plan -- Draft Proposed By-law

The attached report to City Council is submitted on behalf of the *Winnipeg Police Pension Board*, in its capacity as administrator of the City of Winnipeg Police Employees' Group Life Insurance Plan.

The purpose of this report is to fulfil the requirement of subsection 12(1) of the existing City of Winnipeg Police Employees' Group Life Insurance Plan By-law No. 5643/91 vis-à-vis the proposed restructuring of the Employees' Group Life Insurance Plan.

Yours sincerely,

Glenda Willis
Chief Executive Officer

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Winnipeg Police Pension Board

Report to Winnipeg City Council
Proposed Draft Employees' Group Life Insurance Plan By-law

Purpose

This report is submitted by the *Winnipeg Police Pension Board* (hereafter, the "*Board*"), in its capacity as administrator of the City of Winnipeg Police Employees' Group Life Insurance Plan, in fulfilment of the requirement of subsection 12(1) of the existing City of Winnipeg Police Employees' Group Life Insurance Plan By-law No. 5643/91 vis-à-vis the proposed restructuring of the Employees' Group Life Insurance Plan.

Background

The *Board* was provided (by the Chief Financial Officer of the City of Winnipeg) with a draft copy of the proposed By-law (and two Schedules, one for each of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan) in respect of restructuring the City of Winnipeg Employees' Group Life Insurance Plan (on April 20, 2015, with revisions on April 30, 2015).

Subsection 12(1) of the existing Police Employees' Group Life Insurance Plan By-law No. 5643/91 (excerpt attached) requires that the *Board* be provided with any proposed by-law amending or terminating the existing By-law and specifically, that the *Board* provide City Council with a written report thereon within one month of receipt of the proposed amendment or termination.

The review of the *Board* was completed and this report prepared from the *Board's* perspective, acting independently in operating and administering the City of Winnipeg Police Employees' Group Life Insurance Plan. The perspective of other parties and stakeholders, including the City of Winnipeg, and unions representing employees who are Plan members, may be different.

In September 2014, the *Board* provided the City of Winnipeg with notice of its intention to resign from all aspects of responsibility for the City of Winnipeg Police Employees' Group Life Insurance Plan (fiduciary, taxation, investment, administration) effective June 30, 2015, unless otherwise agreed by the *Board*.

Response of the *Board*

Further to its review process, the *Board* respectfully makes the following submission to City Council:

The role of the *Board* under the existing Police Employees' Group Life Insurance Plan (the "*Plan*") is to operate and administer the *Plan*. The *Board* does not have a mandate with respect to any restructuring of the *Plan*. Matters of restructuring would fall within the purview of the City of Winnipeg as the *Plan* sponsor and/or with the City of Winnipeg and its unions, as applicable.

The *Board* is not in a position, therefore, to comment on the merits or the effectiveness of the proposed Employees' Group Life Insurance Plan By-law, either from a governance perspective or from a taxation perspective (e.g., tax status of the existing Group Life Insurance Fund, taxable benefits to *Plan* members), as this is not the role of the *Board* in its capacity as *Plan Administrator.*

The *Board*, however, drawing upon its experience operating the existing *Plan*, wishes to share the following observations and technical points with City Council:

- The structure of the revised Group Life Insurance Plan is very complex, which will make it more difficult to administer and operate. Communication with *Plan* members, at a detailed level, about the specifics of the *Plan* structure and operation, will likely be challenging.

- The documents provided (i.e., draft By-law and accompanying schedules) are silent about the taxable benefit regime which is expected to accompany this *Plan* structure. The *Board* has been informed, by its consulting actuary, that an expected result is reductions in taxable benefits to members while working, and the addition of taxable benefits (versus none presently) while retired.

- The above-referenced taxable benefit regime will require detailed record keeping of contributions and premiums by individual *Plan* member (and by fund, as applicable) which the present system is not programmed to accommodate. The party to assume such administration will likely have to invest considerable time and effort to build or acquire such a system.

- There are changes to the governance provisions of the *Plan*, which may provide less protection to *Plan* members, including:

- The procedure for future amendment to the proposed By-law and/or *Plan* text is streamlined and provides for a lower threshold for approval of changes than contained in Section 12 of the existing By-law. The procedure would no longer require tabling before Council for at least one month before voting on a proposed amendment or for a two-thirds majority vote of Council if the new Board of Directors does not approve the proposed amendment.

Submitted on behalf of the
Winnipeg Police Pension Board

Glenda Willis
Chief Executive Officer
The Winnipeg Civic Employees' Benefits Program
May 5, 2015

Attachment

Excerpt – City of Winnipeg By-law No. 5643/91

Section 12 – Procedure

(1) No amendment, modification, variation, termination, merger, consolidation or division pursuant to either or both of sections 10 and 11 of this By-law shall be made without prior submission to the Board which shall, within one month of receipt thereof, provide to Council a written report on the proposed amendment, modification, variation, termination, merger, consolidation or division.

(2) On the expiration of one month from the date of the submission to the Board, the proposed amendment, modification, variation, termination, merger, consolidation or division, together with the report, if any, received from the Board, may be placed before Council. Council shall not vote on the proposal until the expiration of at least one further month.

(3) If the Board reports to Council that it does not approve of the proposed amendment, modification, variation, termination, merger, consolidation or division, it shall not be passed unless, in a recorded vote, two-thirds of the members of the whole Council vote in favour of the proposed amendment, modification, variation, termination, merger, consolidation or division.

(4) No amendment, modification, variation, termination, merger, consolidation or division of the Plan shall be made until Council has received a report thereon from a Fellow of the Canadian Institute of Actuaries.

WCEBP
WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

May 5, 2015

Winnipeg City Council
510 Main Street
Winnipeg, Manitoba
R3B 1B9

Dear Mayor Bowman and Members of Council:

Re: City of Winnipeg Employees' Group Life Insurance Plan – Draft Proposed By-law

The attached report to City Council is submitted on behalf of *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)*, in its capacity as administrator of the City of Winnipeg Civic Employees' Group Life Insurance Plan.

The purpose of this report is to fulfil the requirement of subsection 13(1) of the existing City of Winnipeg Civic Employees' Group Life Insurance Plan By-law No. 5644/91 vis-à-vis the proposed restructuring of the Employees' Group Life Insurance Plan.

Yours sincerely,

Glenda Willis
Chief Executive Officer

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WCEBP
WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

Report to Winnipeg City Council
Proposed Draft Employees' Group Life Insurance Plan By-law

Purpose

This report is submitted by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)* (hereafter, the "*Board*"), in its capacity as administrator of the City of Winnipeg Civic Employees' Group Life Insurance Plan, in fulfilment of the requirement of subsection 13(1) of the existing City of Winnipeg Civic Employees' Group Life Insurance Plan By-law No. 5644/91 vis-à-vis the proposed restructuring of the Employees' Group Life Insurance Plan.

Background

The *Board* was provided (by the Chief Financial Officer of the City of Winnipeg) with a draft copy of the proposed By-law (and two Schedules, one for each of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan) in respect of restructuring the City of Winnipeg Employees' Group Life Insurance Plan (on April 20, 2015, with revisions on April 30, 2015).

Subsection 13(1) of the existing Civic Employees' Group Life Insurance Plan By-law No. 5644/91 (excerpt attached) requires that the *Board* be provided with any proposed by-law amending or terminating the existing By-law, and specifically, that the *Board* provide City Council with a written report thereon within one month of receipt of the proposed amendment or termination.

The review of the *Board* was completed and this report prepared from the *Board's* perspective, acting independently in operating and administering the City of Winnipeg Civic Employees' Group Life Insurance Plan. The perspective of other parties and stakeholders, including the City of Winnipeg and other participating employers, and unions representing employees who are Plan members, may be different.

In June 2014, the *Board* provided the City of Winnipeg with notice of its intention to resign from all aspects of responsibility for the City of Winnipeg Civic Employees' Group Life Insurance Plan (fiduciary/trusteeship, taxation, investment, administration) effective June 30, 2015, unless otherwise agreed by the *Board*.

Response of the *Board*

Further to its review process, the *Board* respectfully makes the following submission to City Council:

The role of the *Board* under the existing Civic Employees' Group Life Insurance Plan (the "*Plan*") is to operate and administer the *Plan*. The *Board* does not have a mandate with respect to any restructuring of the *Plan*. Matters of restructuring would fall within the purview of the City of Winnipeg as the *Plan* sponsor and/or with the City of Winnipeg and its unions, as applicable.

The *Board* is not in a position, therefore, to comment on the merits or the effectiveness of the proposed Employees' Group Life Insurance Plan By-law, either from a governance perspective or from a taxation perspective (e.g., tax status of the existing Group Life Insurance Fund, taxable benefits to *Plan* members), as this is not the role of the *Board* in its capacity as *Plan Administrator*.

The *Board*, however, drawing upon its experience operating the existing *Plan*, wishes to share the following observations and technical points with City Council:

- The structure of the revised Group Life Insurance Plan is very complex, which will make it more difficult to administer and operate. Communication with *Plan* members, at a detailed level, about the specifics of the *Plan* structure and operation, will likely be challenging.

- The documents provided (i.e., draft By-law and accompanying schedules) are silent about the taxable benefit regime which is expected to accompany this *Plan* structure. The *Board* has been informed, by its consulting actuary, that an expected result is reductions in taxable benefits to members while working, and the addition of taxable benefits (versus none presently) while retired.

- The above-referenced taxable benefit regime will require detailed record keeping of contributions and premiums by individual *Plan* member (and by fund, as applicable) which the present system is not programmed to accommodate. The party to assume such administration will likely have to invest considerable time and effort to build or acquire such a system.

- There are changes to the governance provisions of the *Plan*, which may provide less protection to *Plan* members, including:

- The stated Fiduciary Responsibilities of the new Board of Directors with respect to administration and investment, which are currently contained in Section 8.2 of By-law No. 5644/91, have been deleted. Under the existing By-law, the stated fiduciary responsibilities also apply to the Investment Committee and Investment Managers.

- The procedure for future amendment to the proposed By-law and/or *Plan* text is streamlined and provides for a lower threshold for approval of changes than contained in Section 13 of the existing By-law. The procedure would no longer require tabling before Council for at least one month before voting on a proposed amendment or for a two-thirds majority vote of Council if the new Board of Directors does not approve the proposed amendment.

Submitted on behalf of
The Board of Trustees of The Winnipeg
Civic Employees' Benefits Program (Pension Fund)

Glenda Willis
Chief Executive Officer
May 5, 2015

Attachment

Excerpt – City of Winnipeg By-law No. 5644/91

Section 13 – Procedure

(1) No amendment, modification, variation, termination, merger, consolidation or division pursuant to either or both of sections 11 and 12 of this By-law shall be made without prior submission to the Board which shall, within one month of receipt thereof, provide to Council a written report on the proposed amendment, modification, variation, termination, merger, consolidation or division.

(2) On the expiration of one month from the date of the submission to the Board, the proposed amendment, modification, variation, termination, merger, consolidation or division, together with the report, if any, received from the Board, may be placed before Council. Council shall not vote on the proposal until the expiration of at least one further month.

(3) If the Board reports to Council that it does not approve of the proposed amendment, modification, variation, termination, merger, consolidation or division, it shall not be passed unless, in a recorded vote, two-thirds of the members of the whole Council vote in favour of the proposed amendment, modification, variation, termination, merger, consolidation or division.

(4) No amendment, modification, variation, termination, merger, consolidation or division of the Plan shall be made until Council has received a report thereon from a Fellow of the Canadian Institute of Actuaries.

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May 6, 2015

PRIVATE & CONFIDENTIAL

Mr. Michael Ruta
Chief Financial Officer
City of Winnipeg
4th Floor, 510 Main Street
Winnipeg, MB R3B 1B9

Via E-Mail [mruta@winnipeg.ca]

Dear Mr. Ruta:

Re: Proposed 2015 Civic and Police Employees' Group Life Insurance Plans By-law

You provided us with the current (April 30, 2015) draft of the proposed 2015 Civic and Police Employees' Group Life Insurance Plans By-law, which includes, as appended Schedules, restated plan texts for the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan. You requested that I provide the City with a report on the proposed By-law.

Background

Subsection 13(4) of the existing Civic Employees' Group Life Insurance Plan By-law No. 5644/91 and subsection 12(4) of the existing Police Employees' Group Life Insurance Plan By-law No. 5643/91 each provide as follows:

> "(4) No amendment, modification, variation, termination, merger, consolidation or division of the Plan shall be made until Council has received a report thereon from a Fellow of the Canadian Institute of Actuaries."

As the proposed new By-law will repeal By-law Nos. 5643/91 and 5644/91 and amend, through restatement, the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan, a report is required in accordance with subsection 12(4) of By-law No. 5643/91 and subsection 13(4) of By-law No. 5644/91.

This report has been prepared in order to comply with these requirements.

Commentary

We have reviewed the proposed new By-law and restated plan texts. Based on this review, we note the following:

(a) The proposed restated plan texts involve no change in benefits or basis for determining plan member or employer contributions.

(b) While the proposed new By-law involves a change in governance structure such that the plans will be operated and administered by a special purpose municipal corporation, we understand that the intended effect of this change is to permit the group life insurance funds to continue to be exempt from tax on their investment income.

(c) We understand that there is likely to be a change in the determination of taxable benefits for employees and retired members of the plans. However, this will not affect the plans' benefits and is not expected to affect the basis for determining plan member and employer contribution rates.

Opinion

Based on our review of the proposed new By-law, it is my opinion that, provided that the group life insurance funds continue to be exempt from tax on their investment income, the repeal of the existing group life insurance plan By-laws and their replacement with the proposed new By-law will not affect the contributions required to be paid to the Civic and Police Employees' Group Life Insurance Plans by the City, the other participating employees and the plans' members.

We would be pleased to answer any questions or provide any further information that the City or Council may require.

Yours sincerely,

Donald M. Smith
Fellow of the Canadian Institute of Actuaries

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