Minute No. 483
Report – Executive Policy Committee – July 8, 2015

Item No. 7 Restructuring the City of Winnipeg Employees' Group Life Insurance Plans

COUNCIL DECISION:

Council concurred in the recommendation of the Executive Policy Committee and adopted the following by consent:

1. That the attached 2015 Civic and Police Employees' Group Life Insurance Plans By-law (Plans) together with supporting schedules be enacted.

2. That the City of Winnipeg Civic Employees' (Civic) and Police Employees' (Police) Group Insurance Plan By-Laws No. 5644/91 and 5643/91 respectively be repealed.

3. That the Winnipeg Public Service be instructed to incorporate a new corporation as permitted by the attached regulation approved by the Province of Manitoba (the "Regulation") and as set forth herein, which corporation shall be named The Civic and Police Employees' Group Life Insurance Plans Corporation (the "Municipal Corporation").

4. That Mike Ruta (the designated employee), Chief Financial Officer, Linda Burch Director of Corporate Services and Mike Bereziak, Manager of Labour Relations and Total Compensation, be appointed as board members of the Municipal Corporation for a three-year term commencing from the date of incorporation.

5. That the City of Winnipeg, through its Manager of Financial Services in the Corporate Finance Department, be authorized to act as investment manager for the Municipal Corporation.

6. That the City of Winnipeg be authorized to enter into and delegate authority to the Chief Administrative Officer (CAO) to negotiate and approve any and all documents and agreements relating to investment management by the Corporate Finance Department and any cost sharing and/or administrative services agreements between the City and the Municipal Corporation.

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

Report – Executive Policy Committee – July 8, 2015

DECISION MAKING HISTORY:

Moved by His Worship Mayor Bowman,

That the recommendation of the Executive Policy Committee be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 8, 2015, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

ADMINISTRATIVE REPORT

Title: **Restructuring the City of Winnipeg Employees' Group Life Insurance Plans**

Critical Path: Executive Policy Committee (EPC), Council

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
Mike Ruta	Mike Ruta	Mike Ruta	M. Jack COO

RECOMMENDATIONS

1. That City Council:

- Enact the attached 2015 Civic and Police Employees' Group Life Insurance Plans By-law (Plans) together with supporting schedules.
- Repeal the City of Winnipeg Civic Employees' (Civic) and Police Employees' (Police) Group Insurance Plan By-Laws No. 5644/91 and 5643/91 respectively.
- Instruct the Public Service to incorporate a new corporation as permitted by the attached regulation approved by the Province of Manitoba (the "Regulation") and as set forth herein, which corporation shall be named The Civic and Police Employees' Group Life Insurance Plans Corporation (the "Municipal Corporation").
- Appoint Mike Ruta (the designated employee), CFO, Linda Burch Director of Corporate Services and Mike Bereziak, Manager of Labour Relations and Total Compensation as board members of the Municipal Corporation for a three year term commencing from the date of incorporation.
- Authorize the City through its Manager of Financial Services in the Corporate Finance Department to act as investment manager for the Municipal Corporation.
- Authorize the City to enter into and delegate authority to the Chief Administrative Officer (CAO) to negotiate and approve any and all documents and agreements relating to investment management by the Corporate Finance Department and any cost sharing and/or administrative services agreements between the City and the Municipal Corporation.

2. 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 repeal and enact by-laws. Council approval is also required to incorporate a new corporation, to appoint members to its Board of Directors (the "Board"), and delegate approval to the CAO to negotiate and approve documents and agreements.

EXECUTIVE SUMMARY

The proposal is essentially an administrative change that will transition control of the group life insurance plans from the Winnipeg Civic Employees' Benefits Program (WCEBP) and the Winnipeg Police Pension Board to the Municipal Corporation controlled by the City of Winnipeg. Transferring responsibility to the Municipal Corporation will provide stronger assurance that the investment earnings of the insurance plans remain tax-exempt.

Costs for the administration of the plans will essentially stay the same and there are no adjustments to the employee and employer contribution rates or the benefits available to employees and pensioners.

IMPLICATIONS OF THE RECOMMENDATIONS

This report concludes the process to obtain Council approval of a new by-law and incorporation of the Municipal Corporation to oversee the Group Insurance Plans.

HISTORY

On September 24, 2014, Council approved the following recommendations:

1. That Council request the Province of Manitoba to pass a regulation pursuant to Subsection 212(2) of The City of Winnipeg Charter that authorizes the City to incorporate a municipal corporation controlled by the City for the purposes of operating the Group Life Insurance Plans (Plans).
2. That subject to passage of the provincial regulation pursuant to Subsection 212(2) of The City of Winnipeg Charter, the City Solicitor / Director of Legal Services be instructed to prepare for submission to Council the governing by-law for the Municipal Corporation and the restructuring of the Plans, in accordance with the terms and conditions of such regulation and the City's restructuring proposal as set forth in this Report.
3. That Council delegate authority to the Chief Administrative Officer to negotiate and approve any and all documents and agreements relating to the Municipal Corporation and the restructuring of the Plans.
4. That Council approves an additional over-expenditure of up to $150,000 beyond the original amount approved by EPC on September 18, 2013 for professional services related to the incorporation of Newco and the restructuring of the Plans.
5. That in accordance with the current by-laws governing the Plans, the Public Service be instructed to obtain written reports with respect to the restructuring of the Plans from the

Boards and a Fellow of the Canadian Institute of Actuaries, to be submitted to Council for consideration along with the bylaw to be submitted pursuant to Recommendation 2 hereof.

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

On May 27, 2015 Council approved the following recommendation:

- That pursuant to provisions in the City of Winnipeg Civic Employees' (Civic) and Police Employees' (Police) Group Insurance Plan By-Laws No. 5644/91 and 5643/91 respectively, City Council receive the attached letters from the Winnipeg Civic Employees' Benefits Program (WCEBP) together with a letter from Smith Pension & Actuarial Consultants with respect to the proposed restructuring of the City of Winnipeg Employees' Group Life Insurance Plans.

Much of the history may be found in the above noted reports to Council which are attached (Appendix B) for reference purposes. Since the date of the last report the City received approval from the Province of Manitoba as set out in the attached regulation (Appendix C) to proceed with incorporation of the Municipal Corporation to oversee the Plans. The Municipal Corporation will be named The Civic and Police Employees' Group Life Insurance Plans Corporation. As noted in the recommendations above, Council approval is requested to appoint three members of the Public Service to serve on the Board. The Winnipeg Police Association and Civic Unions have each appointed one person to represent them on the Board.

Some of the major provisions proposed in the new by-law and schedules (Appendix A) include:

- The new by-law does not change the benefits provided by either plan or the employer or the employee contributions to the Plan.
- To ensure that the Plan remains non-taxable, the City must control the Plan through ownership of the Municipal Corporation. On June 29, 2015, the Province of Manitoba registered Regulation 110/2015 entitled "City Corporation to Administer Group Life Insurance Plans Regulation".
- The City will transition administration of the Plan with the assistance of the staff at the WCEBP.
- A new Board will be constituted, comprised of five individuals appointed as follows:
    - one appointee of the Winnipeg Police Association appointed on behalf of the Police Plan.
    - one appointee selected by a majority of the civic unions appointed on behalf of the Civic Plan
    - two appointees of Council (see Recommendation 1); and
    - a designated employee (as defined in the City of Winnipeg Charter) appointed by Council (see Recommendation 1).
- Council will repeal the existing two group insurance by-laws.
- Following incorporation and establishment of the new Board, it will be necessary to address administrative changes affecting taxable benefits to reflect the proposal made to the Canada Revenue Agency (CRA). These changes have been communicated to the Boards of the Civic and Police pension plans and are included in previous attachments.

- Board Members or former Board Members, any current or former Director, any members or former members of any committees of the Civic Board or Police Board and any of the Civic Board's or Police Board's current or former employees or officers, and each of their respective heirs, executors and administrators are indemnified under the new by-law from claims or liabilities provide they have acted in good faith.
- The Municipal Corporation will pay all costs and expenses attributable to the operation, administration, structuring, restructuring, amending and/or reorganizing of the respective Plans including, without limitation, all professional fees. In this regard, the City originally approved fees for restructuring of the Plans totaling $150,000 from City budgets. A further $150,000 was approved in the report to Council dated September 24, 2014 to be recovered from the Municipal Corporation. In addition the City will be determining from discussions with WCEBP an appropriate administrative charge for investment and administrative services to be provided to the Municipal Corporation. Any additional FTE assistance resulting from transition of the Plans to the City will be considered in the 2016 operating budget process with a view to full recovery of costs incurred.
- Recommendation 1 requests delegation from Council to the CAO permitting the CAO to negotiate and approve any and all documents and agreements relating to investment management by the Corporate Finance Department and any cost sharing and/or administrative services agreements between the City and the Municipal Corporation.
- Although fiduciary responsibilities have been removed from the new by-law, they will be replaced by the duties that the Board will have under*The Corporations Act (Manitoba)*.
- Clause 149(1)(d.5) of the Income Tax Act exempts from tax a corporation that is owned by a municipality in Canada provided that the corporation's "income for the period … from activities carried on outside the geographical boundaries of the (municipality) does not exceed 10% of its income for the period".

Summary

- Incorporation of the Municipal Corporation will permit the City to secure tax exempt status with respect to future income earned by the Plans. CRA has extended tax exempt status to the end of 2015 to permit the restructuring to take full effect for purposes of addressing the taxation issue.
- There will be a new governance structure as set out above and in the attached which clearly places control over the Plans in the Municipal Corporation controlled by the City.
- A transition plan will need to be negotiated with the WCEBP to facilitate transfer of the administration of the Fund from WCEBP to the City.
- The issue of taxable benefits for Plan members has not been resolved and will require further discussion with CRA. Until a resolution is reached, the City will continue to report taxable benefits in the same manner as present.

FINANCIAL IMPACT

Financial Impact Statement **Date:** **June 18, 2015**

Project Name:

Restructuring the City of Winnipeg Employees' Group Life Insurance Plans

COMMENTS:

There are no financial implications related to the recommendation of this report.

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

CONSULTATION

In preparing this report there was consultation with:

Legal Services
Corporate Support Services
Filmore Riley
Smith Pension & Actuarial Consultants

OURWINNIPEG POLICY ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: CFO Office
Prepared by: Mike Ruta
Date: June 30, 2015

APPENDIX A

GROUP INS By-law Schedules (2)june4.p

APPENDIX B

Report to Council.pdf

APPENDIX C

City Corporation Reg.pdf