Minutes – Executive Policy Committee – April 13, 2016

REPORTS

Item No. 5 Single Source Negotiations – Consulting assistance required to review the Winnipeg Police Pension Plan (WPPP)

EXECUTIVE POLICY COMMITTEE DECISION:

The Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service:

1. That single source negotiations with Smith Pension & Actuarial Consultants Inc. be approved for actuarial services to the City in relation to the review of the Winnipeg Police Pension Plan (WPPP) in the estimated amount of up to $75,000.00 pursuant to B4.1 (f) of the Materials Management Policy where the compatibility of a supply with existing property or services is the paramount consideration.

2. That single source negotiations be approved with Lawson Lundell LLP to provide legal services to the City in relation to the review of the WPPP in the estimated amount of up to $75,000.00 pursuant to B4.1 (e) of the Materials Management Policy where the cost of solicitation of competitive offers is reasonably anticipated to exceed the benefits thereof.

DECISION MAKING HISTORY:

Moved by Councillor Morantz,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: **Single Source Negotiations – Consulting assistance required to review the Winnipeg Police Pension Plan (WPPP)**

Critical Path: Executive Policy Committee

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
Mike Ruta	Mike Ruta	Mike Ruta	D. McNeil

RECOMMENDATIONS

1. That single source negotiations with Smith Pension & Actuarial Consultants Inc. be approved for actuarial services to the City in relation to the review of the Winnipeg Police Pension Plan (WPPP) in the estimated amount of up to $75,000 pursuant to B4.1 (f) of the Materials Management Policy where the compatibility of a supply with existing property or services is the paramount consideration.

2. That single source negotiations be approved with Lawson Lundell LLP to provide legal services to the City in relation to the review of the WPPP in the estimated amount of up to $75,000 pursuant to B4.1 (e) of the Materials Management Policy where the cost of solicitation of competitive offers is reasonably anticipated to exceed the benefits thereof.

REASON FOR THE REPORT

As the estimated total amount to be paid by the City for each of the proposed consultant services is estimated to exceed $35,000 and the consultant services are not related to a capital project included in the capital budget, authorization for the single source negotiations is required from Executive Policy Committee (EPC) pursuant to Administrative Standard FM-002.

EXECUTIVE SUMMARY

The City has undertaken to review the WPPP and requires professional actuarial and legal assistance to complete this review.

IMPLICATIONS OF THE RECOMMENDATIONS

Once approved, the City will be able to commence the review of the WPPP.

HISTORY

On December 14, 2011, Council approved a Report entitled "Winnipeg Police Plan – Solvency Exemption". Recommendation No. 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."

At the beginning of 2013 the members of the Police Pension Plan voted in significant numbers to reject the election for solvency exemption. As a result, the City was required to obtain an Irrevocable and Unconditional Standby Letter of Credit to secure solvency deficiency obligations to the Winnipeg Police Pension Board in Trust for the WPPP. For 2016, the letter of credit is estimated to be $32 million requiring the City to pay fees of approximately $94,000 annually.

The WPPP is a defined benefit plan. Throughout North America many municipal and senior levels of government have undertaken reviews to determine whether efficiencies might exist in operating defined benefit plans differently. The review of the WPPP will commence in 2016 with completion of the review resulting in a report to EPC and Council setting out recommendations for Council consideration.

On December 11, 2013, EPC approved single source negotiations with Western Compensation & Benefits Consultants Inc. (WCBC) for actuarial services on an as required basis for a term not to exceed five years. Effective April 1, 2014, Don Smith, formerly principal actuary from Western Compensation & Benefits Consultants Inc. has continued to provide the pension and actuarial consulting services previously provided by WCBC to the City through Smith Pension & Actuarial Consultants Inc. WCBC provides other actuarial services under its contract with the City. A public bid solicitation would not be required pursuant to the Agreement on Internal Trade because the proposed services would be provided by licensed professionals that are exempt from the application of the Agreement on Internal Trade. The single source negotiations would be permitted under Section B4.1(f) of the Materials Management Policy (MMP) based on compatibility of the supply with existing services.

Lawson Lundell LLP are pension lawyers who have extensive experience across Canada with respect to the review and evaluation of pension plans, including the Regina Police Pension Plan and Saskatoon Police Pension Plan. The Company was involved in the development of the Winnipeg Civic Employees' Benefits Program between 2000 and 2002 and worked closely with Don Smith when that Program was created. A public bid solicitation would not be required pursuant to the Agreement on Internal Trade because the proposed services would be provided by licensed professionals that are exempt from the application of the Agreement on Internal Trade. The single source negotiations would be permitted under Section B4.1(e) of the Materials Management Policy where the cost of solicitation of competitive offers is reasonably anticipated to exceed the benefits thereof.

It is in the opinion of the Department the proposed Contractors have the skills and resources to satisfactorily complete the work.

A separate assignment has already been awarded for labour relations assistance to Taylor McCaffrey, LLP who provide regular assistance to the City relating to labour contracts for an amount not to exceed $35,000. The City regularly uses the services of Taylor McCaffrey, LLP to

assist with labour negotiation issues. They are very familiar with respect to the City's labour contracts and related by-laws. Since these services will be less than $35,000 and relate to the labour relations aspects of the pension plan, the Public Service has already awarded this contract on a single source basis.

All consultants will be engaged to assist the City in preparing a report for consideration of Council with respect to the WPPP. Budget funding will be allocated proportionately to all three consultants including Smith Pension & Actuarial Consultants Inc, Lawson Lundell, LLP and Taylor McCaffrey, LLP. Depending on the extent of the review, a request for additional funding may be forwarded for approval at a later date.

The estimated value of each contract is less than $5M. After EPC approval of single source negotiations, the CFO has the authority to award contracts where the value is not expected to exceed $5 million under the authority delegated under Administrative Standard FM-002, provided there are sufficient funds in a budget approved by Council.

FINANCIAL IMPACT

Budget has been set aside in 2015 to assist with consulting services. (Transferred to the Commitment Reserve fund)

Financial Impact Statement

Date: February 17, 2016

Project Name:

First Year of Program **2016**

Single Source Negotiations – Consulting assistance required to review the Winnipeg Police Pension Plan (WPPP)

	2015	2016	2017	2018	2019
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	$ 150,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 150,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	150,000	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Budget has been set aside in 2015, which was subsequently transferred to the Commitment Reserve fund.

(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 (as to legal issues)

Materials Management Division

OURWINNIPEG POLICY ALIGNMENT

N/A

SUBMITTED BY

Department: Corporate Finance
Division: Chief Financial Office - Administration
Prepared by: Mike Ruta, Chief Financial Officer
Date: February 17, 2016