Agenda – Executive Policy Committee – January 10, 2018

REPORTS

Item No. 7 Winnipeg Police Pension Fund Letter of Credit

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That Council receives 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. McNeil

EXECUTIVE SUMMARY

The City was advised by the Winnipeg Police Pension Board that a solvency exemption was not granted.

The City has secured a Letter of Credit of sufficient value to offset the solvency deficiency obligation at a cost for one year of $104,905. This Letter of Credit's fee is projected to increase annually by $10,000.

RECOMMENDATIONS

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

REASON FOR THE REPORT

Recommendation No. 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
October 27, 2017	October 29, 2017	$34,571,185
October 30, 2017	November 29, 2017	$34,831,886
November 30, 2017	December 29, 2017	$35,093,253
December 30, 2017	January 29, 2018	$35,355,288
January 30, 2018	March 1, 2018	$35,617,992
March 2, 2018	March 29, 2018	$35,881,368
March 30, 2018	April 29, 2018	$36,145,417
April 30, 2018	May 29, 2018	$36,410,141
May 30, 2018	June 29, 2018	$36,675,541
June 30, 2018	July 29, 2018	$36,941,620
July 30, 2018	August 29, 2018	$37,208,378
August 30, 2018	September 29, 2018	$37,475,818
September 30, 2018	October 26, 2018 (Expiry Date)	$37,743,943

The fee associated with this Letter of Credit is $104,905.

The annual projected fees to 2021, which are subject to change due to the requirement for annual Actuarial Valuations, are documented in the Financial Impact Statement.

Recommendation No. 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/DISCUSSION

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.”

The City was advised by the Winnipeg Police Pension Board (the “Board”) that a solvency exemption was not achieved. The City had a choice to either:

- increase its monthly contribution to the Plan by an estimated $3,563,000 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 calculations 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: December 14, 2017

Project Name:

Winnipeg Police Pension Fund Letter of Credit

First Year of Program 2017

	2017	2018	2019	2020	2021
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 96,255	$ 105,000	$ 115,000	$ 125,000	$ 135,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 96,255	$ 105,000	$ 115,000	$ 125,000	$ 135,000
Less: Existing Budget Amounts	96,255	105,000	115,000	125,000	135,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

This schedule is prepared on a calendar year basis and the fee for 2017 is $96,255. 2018 and future year costs for the Letter of Credit are to be determined based on Actuarial Valuations. Sufficient funding for the 2018 amount is available in the Winnipeg Police Service operating budget. Budgets for 2019 to 2021 have not yet been approved by Council.

(Original signed by T. Yanchishyn)
Tanis Yanchishyn
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with: n/a

OURWINNIPEG POLICY ALIGNMENT

Section 02 of OurWinnipeg (A Sustainable City) provides policy guidance and states social, environmental and economic sustainability are essential to Winnipeg's long-term well-being. The Police Letter of Credit aligns with economic sustainability goals.

SUBMITTED BY

Department: Corporate Finance
Division: Financial Services/Treasury
Prepared by: Rob Provencher
Date: November 29, 2017
File No: n/a

Attachments: n/a