**Minutes – Executive Policy Committee – January 10, 2018**

## REPORTS

**Item No. 7 Winnipeg Police Pension Fund Letter of Credit**

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

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

DECISION MAKING HISTORY:

Moved by Councillor Gillingham,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

# 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