MEMBER NOTICE

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WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

AMENDMENTS TO THE PENSION TRUST AGREEMENT

The City of Winnipeg and a Double Majority of the Signatory Unions have agreed to several changes to the Pension Trust Agreement, one of the documents that governs *The Winnipeg Civic Employees' Benefits Program*. These changes were recommended by *The Board of Trustees of The Winnipeg Civic Employees' Pension Plan (Pension Fund)* and are designed to help ensure the *Pension Plan's* continued strength and long-term sustainability.

It is important to note that the changes relate to the financial operation of the *Program*, such as the size of reserves, and actions that may be taken in case of a surplus or a deficit in the *Program*. The changes do not affect benefits for *Program* Members and do not affect the contribution rates of Members and employers.

WHY ARE THESE CHANGES BEING MADE?

Economic shifts and ongoing improvements in life expectancy have created an imbalance in the cost of benefits and contributions, with benefits costing more than the current rate of contributions. This imbalance, or funding shortfall, threatens the *Program's* long-term sustainability. Fortunately, thanks to prudent management and strong investment returns, the *Program* is currently in a strong funded position. With advice from the *Program's* legal and actuarial advisors, the *Board of Trustees* developed recommendations to enhance long-term sustainability and help protect your benefits without adjusting current benefit or contribution levels.

WHAT EXACTLY IS CHANGING?

The changes to the *Trust Agreement* affect the financial operation of the *Program*, as follows:

> **A Future Contribution Reserve (FCR) is being funded** to help cover the expected ongoing shortfall between contributions and the cost of benefits, and help the *Program* weather economic downturns and maintain benefit levels.

The *Program's* ability to reserve surplus funds is being increased from 5% to 10% of its liabilities, which will provide added financial protection against unexpected financial challenges. If surpluses do build up, they will continue to be shared equally between the employers and Members. If the surplus exceeds 10% of *Program* liabilities, this excess surplus will be accessible to reduce contributions.

Any future available surpluses will be used to reduce contributions equally for both Members and employers. The rate at which available surplus can be accessed and used to reduce contributions is further restricted. The available surplus will be used up over a period of time that is tied to the expected future service of the existing active members of the *Pension Plan*. This supports generational equity and protects against spending a surplus that might prove to be temporary.

The existing balance in the Plan Members' Account will be transferred to the Future Contribution Reserve. This move rebalances the *Program's* accounts and provides some initial funding for the new reserve.

One further change was adopted that does not have an impact on the day-to-day financial operations of the *Program*:

On *Program* termination, the Cost-of-Living Adjustment (COLA) of 50% of inflation will no longer be given priority over other benefits. While this change has no impact as long as the *Program* is ongoing, it reduces certain liabilities and helps improve the *Program's* financial position on a solvency basis, which provides greater ability for the *Board of Trustees* to manage the *Program*.

HOW WILL THESE CHANGES AFFECT MEMBERS?

While the *Program* is ongoing, there is no impact on Members and their benefits in the short term. Over the longer term, adding the Future Contribution Reserve and increasing the surplus reserve limit to 10% will improve sustainability by increasing the threshold to access surplus for contribution reductions. Should that threshold be reached, the rate at which surplus is used for contribution reductions is restricted and spread out over a period of time. These changes allow more money to remain in the *Program*, providing increased protection for benefits. Larger reserves will improve the *Program's* capacity to handle future financial and economic challenges, resulting in greater stability and security for Members.

Should the *Program* ever be terminated and wound-up with a funding shortfall, the priority given to 50% post-retirement indexing over other basic benefits is eliminated. However, this is a very unlikely scenario.

WHEN DO THE CHANGES TAKE EFFECT?

The amended *Trust Agreement* was approved effective July 18, 2025.

The changes will be implemented as of December 31, 2024 and will be included in the actuarial valuation of the *Program* as of December 31, 2024, which is scheduled to be submitted to the Office of the Superintendent – Pension Commission in September 2025. Adopting these changes in conjunction with this valuation ensures that the additional reserves are funded before any new surplus can be used to reduce contributions.

HOW DID THESE CHANGES COME ABOUT?

The structure of the *Program* and the provisions governing the operation of the *Program* and the *Board of Trustees* are set out in the *Trust Agreements*. Changes to these documents cannot be made without the agreement of the City of Winnipeg and a Double Majority of the Signatory Unions.

The Committee on Program Sustainability was tasked with performing a comprehensive review of the *Program* and recommending changes to improve the long-term sustainability of the *Program*. The *Board of Trustees* adopted all of the recommendations from this review, which have now been unanimously approved by the City of Winnipeg and the Signatory Unions.

This communication is *being issued* in accordance with subsection 2.7(2) of Manitoba's *Pension Benefits Regulation*, which requires that, within 60 days after an amendment affecting the rights, benefits or obligations of Members is made to a plan or a supporting document, the administrator must give written notice of the changes to affected Members and any bargaining agents representing affected Members.

CONTACT INFORMATION

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