



COUNCIL REPORT

Report Date: January 5, 2023
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Meeting Date: January 17, 2023
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TO: Vancouver City Council

FROM: General Manager of Financial Services, Finance Risk & Supply Chain Management

SUBJECT: Police and Fire 2022 Fringe Benefit Rate Impact

Recommendations

- A. THAT Council approve the one-time 2022 budget increase of \$1,280,854 for the Vancouver Police Department (VPD) related to fringe benefits adjustments to reflect actual 2022 rate updates to be realigned from one-time 2022 General Government contingency budget.
- B. THAT Council approve the one-time 2022 budget increase of \$3,212,712 for the Vancouver Fire and Rescue Services Department (VFRS) related to fringe benefits adjustments to reflect actual 2022 rate updates to be realigned from one-time 2022 General Government contingency budget.

Purpose and Executive Summary

This report outlines the 2022 benefit rate changes that impact VPD and VFRS departmental budgets for 2022.

Due to the timing of Council's approval of the 2022 annual operating budget, the 2022 actual benefit rates and maximum contribution increases were unknown. Given the uncertainty of change in rates and the size of the impact, the City's practice is to include a contingency budget in General Government until the final rates are confirmed. As such, a 2022 year-end budget adjustment is required for VPD and VFRS departmental budgets to adjust the budget and reflect the actual rates for 2022. Council approval is required for Departmental Budget increases above \$750,000.

Council Authority/Previous Decisions

Council approved the 2022 Operating budget on December 7th, 2021.

Section 4.1 of the Operating Budget Policy (Number ADMIN-004), specifies the Director of Finance and the City Manager may approve (a) Budget Transfers, or (b) Budget increases to a Departmental Budget if they are not in excess of \$750,000 in aggregate for any given year for any given Department, such that the Annual Operating Budget remains balanced.

Since this budget transfer exceeds \$750,000, it requires Council to approve this budget transfer and increase to departmental budgets such that the Annual Operating budget remains balanced.

City Manager's Comments:

The City Manager concurs with the foregoing recommendations.

Context and Background

A large component of the annual budget consists of salary and fringe benefits costs. Fringe benefit budgets consist of employer portions of the benefit contribution calculated for various fringe benefits such as pension, Canada Pension Plan (CPP), Employment Insurance (EI), WorkSafe premiums (WSBC). At the time of the 2022 budget process, many of the fringe benefit rates were unknown and the fringe benefit budgets for VPD and VFRS were calculated largely using 2021 rates.

The key fringe benefit types that had rate changes or maximum contributory changes were:

- **The Municipal Pension Plan** is a defined benefit pension plan that pays a lifetime salary to the employees when they retire. Both the employee and employer contribute to the plan at a set rate. In 2022, the rate for police officers and firefighters decreased from 15.10% to 14.67%, and the rate for civilian employees decreased from 9.97% to 9.31%.
- **The Canada Pension Plan (CPP)** is a monthly taxable benefit that replaces part of employees' income when they retire. Employees and employers contribute equally on earnings that are between the Basic Exemption amount and the Year's Maximum Pensionable Earnings (YMPE). The contribution will cease once the limit is reached each year. The following January, CPP contributions will begin again. In 2022, the rate increased from 5.45% to 5.70% and the maximum contribution increased \$3,166 to \$3,500.
- **WorkSafe BC Insurance** protects the City of Vancouver against lawsuits from workers who suffer workplace injuries or occupational diseases and provides benefits to worker who are injured on the job. The WorksafeBC premium is calculated by multiplying net premium rate by the employer's assessable payroll. In 2022, the net premium rate for VPD increased from 4.42% to 4.93%, and the net premium rate for VFRS increased from 4.99% to 8.14%. The maximum contribution increased from \$4,420 to \$5,344 for VPD and from \$4,988 to \$8,824 for VFRS. The WSBC premium rate change is a significant increase due to the overall increase for costs paid out by WSBC for work related injuries.
- **Employment Insurance (EI)** provides temporary income support to unemployed workers while they look for employment or to upgrade their skills. The EI program also provides

special benefits to workers who take time off work due to specific life events, including illness, pregnancy, caring for a newborn or newly adopted child, caring for a critically ill or injured person or caring for a family member who is seriously ill with a significant risk of death. In 2022, the premium rate remained the same as in 2021 at 2.21% and the annual maximum contribution increased from \$1,245 to \$1,334.

Discussion

At the time of the 2022 budget process, many of these benefit rates were unknown and the benefit budget was calculated using only known 2021 actual benefit rates. The fringe benefit rates have been updated with the 2022 actual rates resulting in higher salaries and benefits than budgeted in VPD and VFRS. The details of the 2022 budget requirements are included in the following financial implications section.

Financial Implications

For 2022, the table below outlines the net budget required as a result of adjusting the benefits to reflect 2022 benefit rate changes:

Total 2022 Fringe Benefit Impact				\$ 4,493,566
Vancouver Police Department	2022			Net Budget required/ (reduction)
	Budget Rate	Actual Rate	% Change	
Pension - Police Officers	15.10%	14.67%	-3%	(\$1,064,708)
Pension - Civilian	9.97%	9.31%	-7%	
Canada Pension Plan (rate)	5.45%	5.70%	4%	\$ 622,420
Canada Pension Plan (max. contribution)	\$ 3,166	\$ 3,500	10%	
Employment Insurance (rate)	2.21%	2.21%	0%	\$ 165,470
Employment Insurance (max. contribution)	\$ 1,245	\$ 1,334	7%	
WorkSafe BC (rate)	4.42%	4.93%	10%	\$ 1,557,672
WorkSafe BC (max. contribution)	\$ 4,420	\$ 5,344	17%	
Total 2022 Net VPD Budget required				\$ 1,280,854

Vancouver Fire and Rescue Services	2022			Budget required
	Budget Rate	Actual Rate	% Change	
Pension - Firefighters	14.67%	14.67%	0%	-
Pension - Civilian	9.31%	9.31%	0%	
Canada Pension Plan (rate)	5.70%	5.70%	0%	\$ 178,319
Canada Pension Plan (max. contribution)	\$ 3,166	\$ 3,500	10%	
Employment Insurance (rate)	2.21%	2.21%	0%	\$ 32,714
Employment Insurance (max. contribution)	\$ 1,245	\$ 1,334	7%	
WorkSafe BC (rate)	4.99%	8.14%	39%	\$ 3,001,679
WorkSafe BC (max. contribution)	\$ 4,988	\$ 8,824	43%	
Total Net VFRS Budget required				\$ 3,212,712

The Pension Corporation’s rates were released in late 2021 and there are separate rates for Police officers and civilian staff. The 2022 pension budget for VPD was budgeted with 2021 rates and the updated lower 2022 rates resulted in a budget reduction. The 2022 pension budget for VFRS was budgeted with the lower 2022 rate resulting in no budget impact.

CPP, EI and WSBC premiums were impacted based on rate changes as well as the level of maximum contribution for employers. The 2022 rate calculated increases to CPP, to EI and an increase to WSBC. The total 2022 Fringe benefit budget impact as a result of adjusting to the 2022 actual benefits rates is \$4,493,566 and will be funded from the 2022 General Government contingency budget.

Legal Implications

There are no legal implications associated with this report’s recommendations.

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