

## 2013 OPERATING BUDGET BRIEFING NOTE

### Toronto Police Service Reserves and Reserve Funds

#### Issue/Background:

This briefing note provides information on the contributions to and withdrawals from the Police Central Sick Pay Reserve Fund (XR1701), Health Care Spending Reserve Fund (XR1720), Sick Pay Reserve Fund (XR1007) and Vehicle and Equipment Reserve (XQ1701) and by Toronto Police Service.

#### Key Points:

##### *Police Central Sick Pay Reserve Fund (XR1701)*

- The Police Central Sick Pay Reserve Fund provides funding for additional sick pay benefits to members of the Police Service whose regular sick leave credits have been exhausted, due to disability while in service.
- Contributions to the Reserve Fund are budgeted in the Operating Budgets for Toronto Police Service and made annually to the Reserve Fund. The contributions reflect 1/6th of 1% of the total salaries in accordance to working agreements, and \$500,000 from UIC rebates.
- The table below outlines contributions to and withdrawals from this reserve fund in the past 10 years.

Year	Contributions	Withdrawals	Net Contribution (Draw)	Balance
2002	\$177,085	\$0	177,085	\$3,541,153
2003	\$1,015,754	\$1,360,763	(345,009)	\$3,196,144
2004	\$151,554	\$1,656,640	(1,505,086)	\$1,691,058
2005	\$5,328,427	\$3,395,741	1,932,686	\$3,623,744
2006	\$3,915,518	\$3,746,477	169,041	\$3,792,785
2007	\$3,628,995	\$3,434,723	194,272	\$3,987,057
2008	\$3,541,232	\$3,153,468	387,764	\$4,374,821
2009	\$2,435,878	\$3,339,411	(903,533)	\$3,471,288
2010	\$1,761,375	\$2,886,231	(1,124,856)	\$2,346,432
2011	\$2,098,400	\$2,546,156	(447,756)	\$1,898,676

- The 2012 budgeted contribution to the Central Sick Pay reserve fund was \$3.240 million with a proposed 2013 contribution of \$3.126 million.

Police Health Care Spending Reserve Fund (XR1720)

- Police Health Care Spending Reserve Fund (XR1720) provides funding for a non-cumulative health care spending account for members of the Toronto Police Service retiring on an unreduced pension until age seventy-five for both the member and their spouse.
- Police Health Care Spending Reserve Fund was created in 2009 with an initial contribution of \$700,000. Beginning in 2010, a contribution to the reserve fund is determined during the annual Toronto Police Service Operating Budget process.
- The table below outlines contributions to and withdrawals from this reserve fund since its creation in 2009.

Year	Contributions	Withdrawals	Net Contribution (Draw)	Balance
2009	\$700,000	\$11,823	\$688,177	\$688,177
2010	\$702,618	\$52,706	\$649,912	\$1,338,089
2011	\$313,041	\$75,404	\$237,637	\$1,575,726

- The 2012 budgeted contribution to the Health Care Spending reserve fund was \$0 due to financial restraints, however a contribution of \$1 million is proposed for 2013.
- Members of the Toronto Police Service are eligible for these benefits from ages 65 to 75. If a member retires at the age of 55 in 2010, that member will become eligible in 2020 at the age of 65 and will remain eligible for 10 years. As a result, there will be a significant pressure on this reserve fund in future years as the number of members reaching 65 is projected to increase to over 100.

Police Vehicle & Equipment Reserve (XQ1701)

- Police Vehicle & Equipment Reserve provides funding to purchase or acquire vehicles, IT equipment and other equipment for Police. This Reserve provides budget stabilization by moderating large fluctuations in annual replacement of vehicles and equipment. Fluctuations in Reserve funding reflect the timing and requirement of lifecycle replacement projects.
- Contributions to this Reserve are made through the Toronto Police Service's Operating Budget.
- The table below outlines contributions to and withdrawals from this reserve since 2004.

Year	Contributions	Withdrawals	Net Contribution (Draw)	Balance
2004	\$19,991,300	\$15,891,300	\$4,100,000	\$4,100,000
2005	\$24,082,400	\$5,149,600	\$18,932,800	\$23,032,800
2006	\$20,548,100	\$20,532,900	15,200	\$23,048,000
2007	\$8,067,000	\$8,468,500	(401,500)	\$22,646,500
2008	\$12,796,700	\$22,079,906	(9,283,206)	\$13,363,241
2009	\$17,135,500	\$18,498,046	(1,362,546)	\$12,000,695
2010	\$16,760,500	\$15,559,701	1,200,799	\$13,201,494
2011	\$17,640,500	\$16,489,333	\$1,151,167	\$14,352,661

- The 2012 budgeted contribution to the Vehicle & Equipment reserve was \$16.087 million.
- At its meeting on December 10, 2012 the Toronto Police Services Board adopted the 2013 Operating Budget for the Toronto Police Service that included a contribution of \$13.441 million to the Vehicle & Equipment Reserve.

Sick Pay Reserve Fund

- On October 29, 2008, through the Adequacy of Employee Benefits Reserve Fund report, City Council endorsed a plan to require Agencies, Boards and Commissions to contribute annual funding to the Sick Leave Reserve Fund that matches budgeted withdrawals.
- The Toronto Police Service has historically withdrawn approximately \$6.0 to \$6.5 million more per year than it has contributed to the Reserve Fund.

**\$Million**

<b>Year</b>	<b>Contributions</b>	<b>Draws</b>	<b>Net Draw</b>
2002	7.2	10.9	(3.7)
2003	1.5	4.7	(3.2)
2004	3.6	8.6	(5.0)
2005	3.6	9.0	(5.4)
2006	3.6	9.0	(5.4)
2007	3.6	8.5	(4.9)
2008	3.6	12.4	(8.8)
2009	3.6	9.5	(5.9)
2010	3.7	10.1	(6.4)
2011	17.0	9.6	7.4
2012	4.1	12.0	(7.9)
<b>Balance</b>			<b>(49.2)</b>

- In 2011, the Service received permission from the City to contribute an extra \$6.5 million to this reserve and in early 2012, the Service requested that the City allocate \$13 million of the Service's 2011 underspending to the reserve to help offset the pressure for both 2013 and 2014. The Deputy City Manager and CFO and the Executive Committee approved re-allocating only \$6.5 million of the Service's 2011 favourable year-end variance to the Sick Pay Gratuity Reserve, thus offsetting the pressure for the 2013 budget year. The 2014 outlook includes a \$6.5 million increase in contribution for the Sick Pay Reserve Fund.
- As at the third quarter, the Toronto Police Service has projected a year-end under expenditure of \$6 million for 2012; however, the most recent indications show that the projected year-end favourable variance will be approximately \$8 million. As a result, the TPS has requested that the City allocate \$6.5 million of its projected year-end savings to the Sick Pay Gratuity Reserve to help offset the pressure for 2014. If approved, this allocation would reduce the TPS's year-end underspending by \$6.5 million to \$1.5 million.
- This additional contribution will relieve the pressure for 2014 on a one-time basis, however it will not address the increased contribution obligation. Therefore, as part of the 2013 Recommended Operating Budget for Toronto Police Service it is recommended that the

Service develop a strategy prior to the 2014 Operating Budget process to increase its contributions to the Sick Leave Reserve Fund in order to match annual withdrawals.

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