

Actuarial Report and Cost Certificate as at December 31, 1999 for the Metropolitan Toronto Pension Plan

(City Council on July 4, 5 and 6, 2000, adopted this Clause, without amendment.)

The Administration Committee recommends the adoption of the following report (June 8, 2000) from the Chief Financial Officer and Treasurer:

Purpose:

To comment on the December 31, 1999 actuarial report of the Metropolitan Toronto Pension Plan and the recommendations of the actuary as approved by the Board of Trustees.

Financial Implications and Impact Statement:

None.

Recommendations:

It is recommended that:

- (1) the December 1999 actuarial report for the Metropolitan Toronto Pension Plan be received;
- (2) the full contribution holiday for the employers and employees be continued for the calendar year 2001; and
- (3) an increase of 2.60 percent be granted on pensions, effective January 1, 2000, to pensioners on benefit for more than one year with a proportionate increase of 0.2167 percent for each month of pension payments made in 1999 to be granted for pensioners who retired during 1999.

Background:

The Board of Trustees of the Metropolitan Toronto Pension Plan had before it a communication (May 16, 2000) from Mr. Robert G. Camp, William M. Mercer Limited, forwarding the Actuarial Report and Cost Certificate with respect to the Metropolitan Toronto Pension Plan as at December 31, 1999.

This plan continued, despite the contribution holiday, to improve its financial position. The continued work of the Board resulted in a market rate of return on the assets of the fund of 9.53 percent for the year. This increased the assets to \$965 million by year-end from a value of \$943 million a year earlier.

The actuary has reported that the total liabilities of the fund have grown from \$595 million to \$655 million over the year, which includes a one time adjustment, of \$74 million, for changes to strengthen the actuarial assumptions.

The actuarial value of the assets saw a rate of return of 16.18 percent which increased the total actuarial value of the assets to \$871 million from \$810 million a year earlier. The difference between the market value and the actuarial value, which was \$94 million, has been reserved by the actuary to be recognized in the years 2000 to 2002.

The actuary has established two new reserves within the statement for payments that may become payable within the next year.

A reserve, of \$4.7 million for the refund of contributions for members who contributed for more than 35 years has been established. This refund was approved by City Council during 1999 and is awaiting approval from Canada Customs and Excise.

A reserve in the amount of \$10 million was reported for the possible surplus distribution to retired members. Since the contribution holiday was announced by this plan and OMERS the retired members have been actively pursuing a share of the surpluses. The trustees have asked the actuary to cost this and to inquire with the Financial Services Commission of Ontario into the possibility of doing such a distribution.

The actuary has recommended that the benefits being received by the pensioners and survivors should be increased by the rate of the increase in the Consumer Price Index December 1998 over December 1999 and that pensioners who retired during the year be entitled to a pro-rata increase. This increase amounted to 2.6 percent. He also has recommended that the current contribution holiday be extended to the end of the year 2001.

Conclusions:

The granting of the recommendations of the actuary is appropriate and with the excess funding in this Plan in the amount of \$216 million, will not affect the financial situation of the City. This increase is in line with the 2.58 percent granted by the OMERS Pension Plan. The contribution holiday will also save the City and active employees approximately \$200,000 in the year 2001.

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The Administration Committee submits the following communication (June 5, 2000) from the City Clerk:

Recommendation:

The Board of Trustees of the Metropolitan Toronto Pension Plan on May 26, 2000, recommended to the Administration Committee, and Council, adoption of the Actuarial Report and Cost Certificate prepared by William M. Mercer Limited with respect to the Metropolitan Toronto Pension Plan as at December 31, 1999.

Background:

The Board of Trustees of the Metropolitan Toronto Pension Plan had before it a communication (May 16, 2000) from Mr. Robert G. Camp, William M. Mercer Limited, forwarding the Actuarial Report and Cost Certificate with respect to the Metropolitan Toronto Pension Plan as at December 31, 1999, recommending that an increase of 2.60 percent be granted on pensions, effective January 1, 2000, to pensioners on benefit for more than 1 year with a proportionate increase of 0.2167 percent for each month of pension payment made in 1999 be granted for pensioners who retired during 1999 for which the cost is \$15,571,000.

Mr. Robert G. Camp, William M. Mercer Limited, gave a presentation to the Board on this matter.

(A copy of the communication (May 16, 2000) from Mr. Robert G. Camp, William M. Mercer, and the Actuarial Report and Cost Certificate with respect to the Metropolitan Toronto Pension Plan as at December 31, 1999, was forwarded to all Members of Council with the June 13, 2000, agenda of the Administration Committee, and a copy thereof is also on file in the office of the City Clerk.)