

Consolidated Clause embodied in Report No. 13 of the Administration Committee, as adopted by the Council of the City of Toronto at its regular meeting held on November 26, 27 and 28, 2002.

**23a****Toronto Fire Department Superannuation  
and Benefit Fund Actuarial Valuation  
Results as of December 31, 2001**

*(City Council, at its regular meeting held on November 26, 27 and 28, 2002, amended this Clause by striking out and referring the following Recommendation No. (2) of the Administration Committee back to the Administration Committee for further consideration; such recommendation to also be forwarded to the Toronto Fire Department Superannuation and Benefit Fund Committee, the Board of Trustees of the Metropolitan Toronto Pension Plan, the Board of Trustees of the Metropolitan Toronto Police Benefit Fund, the Metropolitan Toronto Police Benefit Fund Committee, the Toronto Civic Employees' Pension and Benefit Fund Committee and the York Employees' Pension and Benefit Fund Committee:*

*“(2) that, as part of the 2003 workplan, the Chief Financial Officer and Treasurer (Director of Pension, Payroll and Employee Benefits), be requested to issue a Request for Proposal for legal and actuarial assistance to evaluate the amalgamation of pension plans under the administration of the City of Toronto and, after consultation with the appropriate stakeholders, report back to the Administration Committee in 2003 on options available to the City with respect to the administration of these plans.”)*

(City Council on October 29, 30 and 31, 2002, deferred consideration of this Clause to the next regular meeting of City Council scheduled to be held on November 26, 2002.)

**The Administration Committee recommends:**

- (1) the adoption of the following report (September 25, 2002) from the Chief Financial Officer and Treasurer; and**
- (2) that, as part of the 2003 workplan, the Chief Financial Officer and Treasurer (Director of Pension, Payroll and Employee Benefits), be requested to issue a Request for Proposal for legal and actuarial assistance to evaluate the amalgamation of pension plans under the administration of the City of Toronto and, after consultation with the appropriate stakeholders, report back to the Administration Committee in 2003 on options available to the City with respect to the administration of these plans.**

**The Administration Committee submits the following report (September 25, 2002) from the Chief Financial Officer and Treasurer:**

Purpose:

To present the 2001 Actuarial Valuation and provide Finance Department comments regarding the 2001 Actuarial Valuation Results and the request of the Toronto Fire Department Superannuation and Benefit Fund Committee to make the changes to the effective date of the annual pension adjustments from July 1st to January 1st of each year and the request of the Benefit Fund Committee to refund contributions made after 35 years of service with interest.

Financial Implications and Impact Statement:

No foreseeable impact as the Plan remains in a fully funded position.

Recommendations:

It is recommended that:

- (1) the 2001 Actuarial Valuation Report be received for information;
- (2) the effective date for increases in pensions under By-law 10649 Section XXIVA 3(a) be changed from July 1 to January 1 in each year and that the 2.6 percent increase which was effective on July 1, 2002, be made retroactive to January 1, 2002, with appropriate adjustments;
- (3) where an employee contributed to the Benefit Fund for more than 35 years, the contributions made after attaining 35 years credited service be refunded with interest less any previous refunds made under the 50 percent rule conditional upon the retired member or surviving spouse being alive and in receipt of a pension from the Fund on September 17, 2001; and
- (4) authority be granted for the introduction of the appropriate Bills in Council to implement these recommendations.

Background:

The Toronto Fire Department Superannuation and Benefit Fund (the Fire Plan) is one of five pre-OMERS plans administered by the City of Toronto. It covers three active employees, 793 retired members and 309 survivor pensions.

On an annual basis, the Plan's Actuary, Buck Consultants Ltd., conducts a valuation of the Plan's assets and liabilities. At December 31, 2001, the Plan had actuarial assets of \$370.8 million and liabilities of \$287.8 million resulting in a surplus of \$88.0 million. The Actuary has estimated that the cost of providing full future indexing is \$99.5 million. The surplus provides a cushion against market volatility and a source of funding for future indexing and benefit improvements.

Annual cost-of-living adjustments in the Benefit Fund for existing pensions are provided for in the plan using an *excess interest methodology* subject to there being sufficient surplus in the plan. These increases have been made on July 1 of each year. The Committee has requested that the by-law be amended to change the effective date of the increase from July 1 to January 1 of each year to bring the timing of the payment of cost of living indexing in line with the date on which OMERS, the Metro Pension Plan and the Police Pension Plan pension increases are effective.

By-law 10649, which sets out the provisions of the Fire Department Superannuation and Benefit Fund, was amended in 1995 to stop employee and employer matching contributions after 35 years of credited service as 35 years is the maximum service a member can accrue. Contributions made after attaining 35 years do not provide any further benefit. A request was presented by the Pensioners Association at the September 17, 2001 Committee Meeting. The Benefit Fund Committee subsequently recommended that where a member has made contributions after attaining 35 years, the excess contributions with interest be refunded net of any refunds made under the 50 percent rule (applicable to members who retired after January 1, 1987). The estimated cost of this refund is \$3.7 million and should be charged against the existing surplus of the Fund.

Comments:

The Plan, through a combination of prudent financial management, investment diversification and consistent investment returns, has succeeded in building assets to meet all its current liabilities to pensioners and a significant portion of the estimated cost of full future indexing.

The requested amendments of the Benefit Fund Committee are appropriate and consistent with the policy of the Committee with respect to providing inflation indexing and minor benefit improvements. It should be noted that OMERS and the other City of Toronto pension funds have refunded contributions made after 35 years of credited service.

The Actuary has confirmed that there are sufficient surpluses available to fund the recommendations put forward by the Benefit Fund Committee.

Conclusion:

The 2001 valuation results of the Toronto Fire Department Superannuation and Benefit Fund highlights the strong financial position of the Plan, and the requests of the Committee are consistent with the provisions of OMERS and the other City funds.

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(A copy of the “Toronto Fire Department Actuarial Valuation report on Superannuation and Benefit Fund as of December 31, 2001,” referred to in the foregoing report was forwarded to all Members of Council with the October 8, 2002, agenda of the Administration Committee and a copy thereof is also on file in the office of the City Clerk, City Hall.)

*(Councillor Ashton, at the regular meeting of Council held on November 26, 27 and 28, 2002, declared an interest in the foregoing Clause, in that his father-in-law is a member of the Fund.)*