



## STAFF REPORT INFORMATION ONLY

### Audited Financial Statements – City of Toronto Pension Plans for Year Ending December 31, 2006

<b>Date:</b>	October 22, 2007
<b>To:</b>	Audit Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2007\Internal Services\ppeb\ac07008ppeb (AFS#5893)

#### **SUMMARY**

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This report will present the financial statements for the City of Toronto Pension Plans for the year ending December 31, 2006.

#### **Financial Impact**

There are no financial implications resulting from this report.

#### **COMMENTS**

The financial statements of the City's five pre-OMERS pension plans for the year ending December 31, 2006 have been audited by Ernst & Young and have been presented to, and approved by, the respective Board of Trustees/Pension Committee.

Pension fund assets as at December 31, 2006 were as follows:

<b>Pension Plan</b>	<b>2006</b>	<b>2005</b>
Metropolitan Toronto Pension Plan	\$740,266,000	\$732,216,000
Metropolitan Toronto Police Benefit Fund	\$719,266,000	\$696,262,000
Toronto Civic Employees' Pension & Benefit Fund	\$500,666,000	\$474,959,049
Toronto Fire Department Superannuation & Benefit Fund	\$362,613,000	\$353,238,613
City of York Employees' Pension Plan	\$58,764,000	\$56,055,073
<b>TOTAL</b>	<b>\$2,381,575,000</b>	<b>\$2,312,730,735</b>

On an annual basis, an actuarial valuation for each of the five pension plans is completed and presented to the respective Board of Trustees / Pension Committee as well as the Government Management Committee and Council. These actuarial valuations outline the financial status of each of the pension plans. A summary of the actuarial reports have been included in this report. Currently, the Metropolitan Toronto Police Benefit Fund and the City of York Employee Pension Plan continue to be in a deficit position and the City is required to make special payments. These plans have been unable to provide inflationary increases to the pension payments since they have been in a deficit position. The remaining three plans currently have a surplus that is used to fund inflationary increases.

The pension fund assets are actively invested by the specialty investment managers retained by the respective Board of Trustees / Pension Committee in order to meet the pension liabilities of the plans. In 2006, the plans paid pensions totalling \$198.6M to 8,520 retired members and surviving spouses receiving pension benefits.

The 2006 Financial Statements for the City of Toronto pension plans are being submitted to the Audit Committee for information.

**SUMMARY OF MEMBERSHIP BY PENSION PLAN AS AT DECEMBER 31, 2006**

<b>Pension Plan</b>	<b>Active Members</b>	<b>Retired Members</b>	<b>Spousal Members</b>	<b>Vested/Deferred</b>	<b>Total</b>
Metropolitan Toronto Pension Plan	14	2,168	1,066	6	3,254
Metropolitan Toronto Police Benefit Fund	15	1,544	654	0	2,213
Toronto Civic Employees' Pension & Benefit Fund	2	1,025	722	1	1,750
Toronto Fire Department Superannuation & Benefit Fund	0	671	338	0	1,009
City of York Employees' Pension Plan	0	184	110	0	294
<b>TOTAL</b>	<b>31</b>	<b>5,592</b>	<b>2,890</b>	<b>7</b>	<b>8,520</b>

**SUMMARY OF PENSION & SURVIVOR PAYMENTS AND EXPENSES**

<b>Pension Plan</b>	<b>Pension Payment</b>	<b>Plan Expenses</b>
Metropolitan Toronto Pension Plan	\$60,876,000	\$1,449,000
Metropolitan Toronto Police Benefit Fund	\$63,608,000	\$1,967,000
Toronto Civic Employees' Pension & Benefit Fund	\$35,536,190	\$1,889,747
Toronto Fire Dept. Superannuation & Benefit Fund	\$31,488,147	\$1,295,527
City of York Employees' Pension Plan	\$7,051,000	\$197,000
<b>TOTAL</b>	<b>\$198,559,337</b>	<b>\$6,798,274</b>

**ACTUARIAL SUMMARY BY PENSION PLAN:**

*Metropolitan Toronto Pension Plan*

The Actuarial Report as completed by Mercer Human Resources Consulting, shows that at December 31, 2006, the Plan had actuarial assets of \$707.6 million, liabilities of \$569.2 million and a going-concern surplus of \$138.4 million. The actuary also completed a solvency valuation comparing the Plan's assets at market value with the cost to satisfy the Plan's obligation by purchasing annuities. At December 31, 2006 there was an excess of solvency assets over solvency liabilities of \$114.5 million. The lesser of the going-concern excess (\$138.4 million) and the solvency excess (\$114.5 million) is placed in the Indexation Reserve Account.

The Plan remains well funded and the Actuary has confirmed there are sufficient surpluses available to provide for the 2.01% cost-of-living increase generated by the plan's excess interest indexing provision, therefore, an increase of 2.01% was granted on pensions effective January 1, 2007 to pensioners and survivors.

#### *Metropolitan Toronto Police Benefit Fund*

The actuarial report as completed by Mercer Human Resources Consulting, shows that at December 31, 2006, the Plan had actuarial assets of \$666.8 million, liabilities of \$653.2 million and a going-concern excess of \$13.6 million. On a solvency basis, there is a solvency deficiency of \$22.0M.

The City, as plan sponsor, is required to continue making special payments to the Plan until the solvency deficiencies are eliminated. Although the previously established solvency deficiency payments will continue, the cessation of the going-concern payments mean that the City's annual special payments drop from \$15.5M to \$7.3M decreasing to \$6.6M in 2009, \$1.7M in 2010 and \$0.8M in 2011 - the final year (assuming no post 2006 worsening of the Fund's solvency position).

In addition, a credit of \$7.4M is being allocated equally over the years 2007, 2008 and 2009 as directed by Council in September 2005. This further reduces the 2007 special payments from \$7.4M to \$4.9M (\$7.4M - \$2.5M).

As a result of the Plan's financial position, the actuary recommended that no cost-of-living increase be provided to pensioners in 2007 and that the City continue to make special payments to eliminate the solvency deficiency.

#### *Toronto Civic Employees' Pension & Benefit Fund*

The actuarial report as completed by Buck Consultants Ltd., shows that at December 31, 2006, the Plan had actuarial assets of \$443.7 million, liabilities of \$287.1 million and a going-concern surplus of \$156.6 million.

The Plan remains well funded and the Actuary has confirmed there are sufficient surpluses available to provide for the 2.04% cost-of-living increase generated by the plan's excess interest indexing provision, therefore, an increase of 2.04% was granted effective January 1, 2007 to all pensioners and survivors. The total estimated cost for the recommended increase was \$5.84 million on a going-concern basis and \$6.77 million on a solvency basis.

### *Toronto Fire Department Superannuation & Benefit Fund*

The actuarial report as completed by Buck Consultants Ltd., shows that at December 31, 2006, the Plan had actuarial assets of \$328.0 million, liabilities of \$270.7 million and a resulting going-concern surplus of \$57.3 million.

The Plan remains well funded and the Actuary has confirmed there are sufficient surpluses available to provide for the 2.04% cost-of-living increase generated by the plan's excess interest indexing provision, therefore, an increase of 2.04% was granted effective January 1, 2007 to all pensioners and survivors. The total estimated cost for the recommended increase was \$5.52 million on a going-concern basis and \$6.50 million on a solvency basis.

### *City of York Employees' Pension Plan*

The actuarial report as completed by Mercer Human Resources Consulting, shows that at December 31, 2006, the Plan had actuarial assets of \$55.8 million, liabilities of \$64.5 million and a going-concern unfunded liability of \$8.7 million (an improvement over the unfunded liability of \$14.9 million a year earlier).

The City, as plan sponsor, is required to continue making special payments to the Plan until the going-concern and solvency deficiencies are eliminated. The actuary has recommended that the City make special payments in the amount of \$3.9 million per year in respect of the going-concern (\$2.6 million) and solvency deficiency (\$1.3 million) until revised by a subsequent valuation report. In addition to the amount of the special payments decreasing, the period of time the payments are required has also decreased.

As a result of the financial position of the Plan, the actuary recommended that no cost-of-living increase be provided to pensioners in 2007 and that the City contribute from January 1, 2007, \$3.973 million per year in respect of the going-concern and solvency deficiency.

## **CONCLUSION**

The financial statements of the City's pension funds for the year ended December 31, 2006 have been approved by the respective Board of Trustees/Pension Committee and are presented to the Audit Committee for information.

## **CONTACT**

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## **SIGNATURE**

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Cam Weldon  
Treasurer

## **ATTACHMENTS**

- Financial Statement – The Fund of the Toronto Fire Department Superannuation and Benefit Fund (December 31, 2006)
- Financial Statement – The Fund of the Toronto Civic Employees' Pension & Benefit Fund (December 31, 2006)
- Financial Statement - The Fund of the Metropolitan Toronto Pension Plan (December 31, 2006)
- Financial Statement – The Fund of the Metropolitan Toronto Police Benefit Fund (December 31, 2006)
- Financial Statement – The Pension Fund of the Corporation of the City of York Employee Pension Plan (December 31, 2006)