



## STAFF REPORT ACTION REQUIRED

### The Corporation of the City of York Employee Pension Plan – Actuarial Report as at December 31, 2006

<b>Date:</b>	May 25, 2007
<b>To:</b>	Government Management Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2007\Internal Services\ppeb\gm07005ppeb (AFS#3085)

#### SUMMARY

---

This report will present the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2006 for the Corporation of the City of York Employee Pension Plan along with a recommendation regarding the continuation of special payments to the Fund with respect to solvency and going-concern deficiencies.

The 2006 valuation results of the York Pension Plan highlight the financial position and results of operations of the Plan for the year ended December 31, 2006 and the Valuation Report appropriately does not recommend any cost-of-living increase for pensioners for 2006.

#### RECOMMENDATIONS

---

**The Treasurer recommends that:**

1. The “Report on the Actuarial Valuation for Funding Purposes as at December 31, 2006” for the Corporation of the City of York Employee Pension Plan, be received;

2. The existing authorization for the City to make special annual payments of:

2007 - \$3,973,474	2012 - \$1,925,604
2008 - \$3,738,444	2013 - \$763,152
2009 - \$3,112,104	2014 - \$413,844
2010 - \$2,401,980	2015 - \$64,524
2011 - \$2,260,104	

to the Corporation of the City of York Employee Pension Plan to eliminate the Fund's going-concern unfunded liability and solvency deficiency be modified by reducing the payments to:

2008 - \$3,348,596
2009 - \$2,972,736
2010 - \$2,120,736

The existing payment of \$3,973,476 for 2007 remains unchanged and the payments for the years 2011 to 2015 are to be eliminated, subject to discontinuation as Council may determine, if any subsequent actuarial valuation indicates the existence of sufficient excess assets in the Corporation of the city of York Employee Pension Plan;

3. This report be forwarded to the Executive Committee for consideration; and,
4. The appropriate City officials be authorized to take the necessary action to give effect to the foregoing recommendations.

### **Financial Impact**

The City currently makes special payments of \$374,473 per month (\$4.494 million per year) with respect to existing solvency and going-concern deficiencies in the York Employee Pension Plan as required under the Ontario *Pension Benefits Act* which as scheduled, dropped to \$331,123 per month (\$3.973 million per year) effective January 1, 2007.

The scheduled special payment of \$3.973 million for 2007 is provided in the 2007 Non-Program Budget. Therefore, there is no further budget impact in 2007. Funding for future years' payments will be included in the respective years' Non-Program Budget submission.

The chart below illustrates the revised funding required for the York Pension Plan as a result of this most recent valuation.

**York Pension Plan Funding Requirements – January 1, 2007 – December 31, 2010**

	2007	2008	2009	2010
<b>Going-concern Funding</b>				
2000 Valuation	\$231,492	\$231,492		
2001 Valuation	\$278,736	\$278,736	\$139,368**	
2002 Valuation	\$195,132	\$195,132	\$195,132	\$195,132
2003 Valuation	\$1,162,452	\$1,162,452	\$1,162,452	\$1,162,452
2004 Valuation	\$349,308	\$349,308	\$349,308	\$349,308
2005 Valuation	\$349,320	\$349,320	\$349,320	\$349,320
2005 Valuation	\$64,524	\$64,524	\$64,524	\$64,524
2006 Valuation	0	0	0	0
<b>Sub Total</b>	<b>\$2,630,964</b>	<b>\$2,630,964</b>	<b>\$2,260,104</b>	<b>\$2,120,736</b>
<b>Solvency Funding</b>				
2003 Valuation	\$235,032			
2004 Valuation	\$394,848			
2005 Valuation	\$710,124	\$710,124	\$710,124	
2005 Valuation	\$2,508	\$2,508	\$2,508	
2006 Valuation	0	0	0	0
<b>Sub Total</b>	<b>\$1,342,512</b>	<b>\$712,632</b>	<b>\$712,632</b>	<b>0</b>
<b>Total Required</b>	<b>\$3,973,476</b>	<b>\$3,343,596</b>	<b>\$2,972,736</b>	<b>\$2,120,736</b>

\*The valuation date has been changed to December 31 from January 1

\*\*Payments can cease June 30, 2009

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact statement.

**ISSUE BACKGROUND**

The Corporation of the City of York Employee Pension Plan (the Plan), whose terms are set forth in Schedule "A" to By-law No. 3349-96 of the former City of York as amended, is one of five pre-OMERS plans administered by the City of Toronto. It covers 184 retired employees and 110 survivor pensioners. There are no longer any active employees in the Plan. The Plan's administrator is the York Employees' Pension and Benefit Committee (the Committee).

The Plan's Actuary, Mercer Human Resources Consulting, conducts an actuarial valuation of the Plan's assets and liabilities and recently submitted to the Committee, its actuarial report for 2006. The report 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 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 a solvency deficiency of \$2.6 million (an improvement over the deficiency of \$4.6 million a year earlier).

The improvements in the going-concern and solvency positions since the last valuation were due primarily to contributions made during the year 2006 and gains from the better than expected performance of the Plan's assets on the actuarial value basis.

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.

## **COMMENTS**

The 2006 Valuation Report of the Plan highlights the financial position and operation of the Plan for the year ended December 31, 2006. The Plan remains in a going-concern and solvency deficiency position requiring special payments from the City. The Committee, at its meeting on May 17, 2007 approved the recommendation of the actuary 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.

## **CONTACT**

Ivana Zanardo  
Director, Pension, Payroll & Employee Benefits  
Tel: (416) 397-4143  
Fax: (416) 397-0835  
izanardo@toronto.ca

## **SIGNATURE**

---

Cam Weldon  
Treasurer

## **ATTACHMENTS**

2006 Actuarial Report for the Corporation of the City of York Employee Pension Plan