April 2007

METROPOLITAN TORONTO POLICE BENEFIT FUND

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2006

MERCER
Human Resource Consulting

MMC Marsh & McLennan Companies

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Summary of Results

Asset Values	**31.12.2006**	**31.12.2005**
Market value of assets	$ 719,666,000	$ 698,384,000
Rate of return during the year, based on market values (net of investment expenses)	10.86%	11.78%
Actuarial value of assets	$ 666,841,000	$ 651,137,000
Rate of return during the year, based on actuarial values (net of investment expenses)	10.78%	5.28%

Going-Concern Financial Position	**31.12.2006**	**31.12.2005**
Actuarial value of assets	$ 666,841,000	$ 651,137,000
Actuarial liability	(653,245,000)	(682,518,000)
Prior year credit balance	(7,355,000)	(6,449,000)
Funding Excess (Unfunded Liability)	$ 6,241,000	$ (37,830,000)

Wind-Up Financial Position	**31.12.2006**	**31.12.2005**
Market value of assets (net of estimated Plan termination expenses)	$ 719,333,000	$ 698,045,000
Wind-Up liability	(703,512,000)	(742,856,000)
Wind-Up excess (deficiency)	$ 15,821,000	$ (44,811,000)
Transfer Ratio	100%	93%

Solvency Financial Position	**31.12.2006**	**31.12.2005**
Solvency assets	$ 719,333,000	$ 698,045,000
Solvency asset adjustment	(54,325,000)	(26,762,000)
Solvency liability	(703,512,000)	(742,856,000)
Solvency liability adjustment	23,874,000	54,470,000
Prior year credit balance	(7,355,000)	(6,449,000)
Solvency excess (deficiency)	$ (21,985,000)	$ (23,552,000)
Solvency excess (deficiency) without asset adjustment for funding special payments and prior year credit balance	$ (14,630,000)	$ (38,673,000)
Indexation Reserve Account (lesser of funding excess and solvency excess)	$ 0	$ 0

Plan Membership	**31.12.2006**	**31.12.2005**
Active`	15	16
Suspended or disabled	0	0
Retired members in receipt of pensions	1,544	1,582
Surviving spouses in receipt of pensions	654	650
Total membership	2,213	2,248

Funding Requirements (annualized)	**2007**	**2006**
Estimated minimum Employer contribution (before application of the prior year credit balance) *	$ 7,339,200	$ 11,400,000
Estimated maximum Employer contribution	$ 14,630,000	$ 44,811,000

Schedule of Employer Contributions	**2007-2008**	**2009**	**2010**	**2011**
Current Service Cost	$ 0	$ 0	$ 0	$ 0
Unfunded Liability	0	0	0	0
Solvency Deficiency	7,339,200	6,648,000	1,707,600	842,400
Total *	$ 7,339,200	$ 6,648,000	$ 1,707,600	$ 842,400

** There is a prior year credit balance of $ 7,355,000 at December 31, 2006 which may be applied to reduce Employer contributions*

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Introduction and Executive Summary

Introduction

To: Trustees, Metropolitan Toronto Police Benefit Fund

At your request, we have conducted an actuarial valuation of the Metropolitan Toronto Police Benefit Fund (the "Plan") as at December 31, 2006. The previous actuarial valuation was prepared as at December 31, 2005.

The purpose of this valuation is to determine:

- the funded status of the Plan as at December 31, 2006 on going-concern and solvency bases, and
- the minimum funding requirements by the City of Toronto (the "Employer") and the Plan members during the period from January 1, 2007 through December 31, 2007.

The Report sets out full details of the Plan's financial position on the valuation date, makes recommendations as to the utilization of the experience gains and illustrates the effect of these recommendations on the Plan's funded position.

Executive Summary

Summary of Results

a) Plan Assets

For purposes of the going-concern valuation, the assets are valued on a smoothed market value basis.

A description of the asset valuation method is provided in Section 3. There were no changes to the method used to value the Plan's assets.

The assets of the Plan, as reported on financial statements obtained from the custodian, have changed as follows during 2006.

	December 31, 2005	December 31, 2006	Rate of Return in 2006 *
Book Value	$ 575,943,000	$ 584,665,000	10.99%
Market Value	$ 698,384,000	$ 719,666,000	10.86%
Actuarial Value	$ 651,137,000	$ 666,841,000	10.78%

** The rate of return is net of investment expenses.*

The rate of return to be credited to employee contribution balances in 2007 is 10.78%, compared with the rate of 5.28% credited in 2006.

b) Going-Concern Financial Position as at December 31, 2006

On a going-concern basis, the actuarial value of assets of $ 666,841,000 is greater than the sum of the actuarial liabilities of $ 653,245,000 and prior year credit balance of $ 7,355,000, producing a funding excess of $ 6,241,000. The funded position has improved from an unfunded liability of $ 37,830,000 as at December 31, 2005 to a funding excess of $ 6,241,000 as at December 31, 2006. This is the result of changes to the method for smoothing the assets, changes to the actuarial assumptions and data update and net experience gains primarily due to the better than expected performance of the assets on the actuarial value basis. Further details can be found in Section 4.

c) Solvency/Wind-Up Position as at December 31, 2006

On a solvency basis, the value of the assets of $ 665,008,000 (market value less estimated termination expenses and solvency asset adjustment) is less than the sum of the actuarial liabilities of $ 679,638,000 and the prior year credit balance of $ 7,355,000, producing a solvency deficiency of $ 21,985,000 (or a real deficiency of $ 14,630,000, if we exclude the asset adjustment for the prior year credit balance). The previous valuation at December 31, 2005 indicated a solvency deficiency of $ 23,552,000 (or a real deficiency of $ 38,673,000, if we exclude the asset adjustment for funding deficiency payments and prior year credit balance).

The improvement in the real solvency position since the previous valuation is primarily the result of gains from the change in the asset smoothing method and data update and the better than expected performance of the assets on the actuarial value basis. Further details can be found in Section 6.

On a wind-up basis, the value of the assets of $ 719,333,000 (market value less estimated termination expenses) exceeds the actuarial liabilities of $ 703,512,000, producing a solvency excess of $ 15,821,000. The previous valuation at December 31, 2005 indicated a wind-up deficiency of $ 44,811,000.

d) Funding Requirements

In 2007, it is recommended that the Employer make minimum contributions of $ 7,339,200 ($ 611,600 per month) in respect of the solvency deficiency. Note that Employer contributions may be reduced by the prior year credit balance of $ 7,355,000 * at December 31, 2006.

Since all active officers had completed 35 years of credited service at December 31, 2004, current service contributions for 2005, and thereafter, are nil.

The minimum required and maximum allowable Employer contributions for 2007 are as follows:

Employer Contributions	Minimum Required	Maximum Allowable
▪ in respect of current service	$ 0	$ 0
▪ in respect of the funding deficiency	0	0
▪ in respect of the solvency deficiency	7,339,200	14,630,000
Total Employer contributions	$ 7,339,200	$ 14,630,000

** The prior year credit balance of $7,355,000 is calculated as the sum of the prior credit balance of $6,449,000 at December 31, 2005 plus the excess of the Employer contributions made to the Plan in 2006 of $ 12,306,000 over the minimum required contributions of $ 11,400,000 outlined in the valuation report as at December 31, 2005, rounded to the nearest $ 1,000.*

e) Plan Membership

The membership data received from the Employer for purposes of this valuation include:

- 15 active officers, having an average age of 60.9 years and 2006 pensionable earnings totalling $ 1,694,300.

- 1,544 retired members having an average age of 69.9 years, in receipt of annual pensions totalling $ 51,529,800.

- 654 surviving spouses having an average age of 75.4 years, in receipt of annual pensions totalling $ 10,943,200.

- During 2006, the active membership declined from 16 at the start of the year to 15 at the current valuation date. The number of retired members and surviving beneficiaries receiving pensions from the Plan decreased from 2,232 to 2,198.

- During the inter-valuation period, there was 1 new retirement aged of 63.0 years.

Reconciliation of these membership changes and further details are included in Appendix B.

Changes in Actuarial Assumptions and Methods

The following changes were made to the going-concern actuarial assumptions and methods from the assumptions used in the previous valuation at December 31, 2005:

- the 12.5% loading on the survivor percentage (i.e. ratio of 75% spousal pension to 66.67% spousal pension) as an allowance for stepped pensions was removed and replaced with a calculation based on the membership data supplied;
- the spousal benefit assumption for pensioners, which assumed 90% married and in receipt of a joint and 2/3 survivor pension and 10% single and in receipt of a lifetime pension, was removed and instead was based on actual membership data;
- the pensioner liabilities were loaded by 0.75% as a provision for remarriage; and
- the method used to smooth the assets for purposes of determining the actuarial value of assets was changed to incorporate all assets and to base the smoothing for each year on a comparison of actual market value with expected market value rather than expected actuarial value.

These changes in the actuarial assumptions, update of the data and changes in the method for smoothing the assets have decreased the going-concern actuarial liability by $ 1,036,000 and increased the going-concern value of assets by $ 6,840,000. Further details are provided in Section 5.

There have been no other changes made to the going-concern actuarial assumptions and methods from those used in the last actuarial valuation:

A complete description of the going-concern actuarial methods and assumptions is provided in Appendix C.

Changes in By-law Provisions

There have been no changes to the By-law provisions since the previous valuation as at December 31, 2005.

A summary of the main By-law provisions in effect on the valuation date is provided in Appendix A.

The next actuarial valuation of the Plan will be required as at a date not later than December 31, 2009 or as at the date of an earlier amendment to the Plan, in accordance with the minimum requirements of the *Pension Benefits Act (Ontario)*. However, since the Trustees of the Plan have historically required the completion of an actuarial valuation every year, the next actuarial valuation of the Plan is scheduled to occur as at December 31, 2007.

This report will be filed with the Financial Services Commission of Ontario ("FSCO") and with the Canada Revenue Agency ("CRA").

Respectfully submitted,

Anil Narale
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

April 10, 2007
Date

Frank Dekeyser
Associate of the Society of Actuaries

April 10, 2007
Date

Metropolitan Toronto Police Benefit Fund
Registration number with the FSCO and with the CRA: 0351585

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Plan Assets

The going-concern assets are recorded at an "Actuarial Value" which is determined as follows:

(1) The market value of total assets at the previous year-end is accumulated, together with the current year's cash flow, with interest at the valuation rate of 5.50%; and

(2) The difference between the accumulation in (1) and the market value of total assets at the valuation date is spread over the current year and the three succeeding years in four equal amounts.

In the previous valuation:

(a) Promissory notes are valued at their discounted present value of maturities using the actuarially determined valuation interest rate;

(b) Short-term investments are valued at Book Value; and

(c) Externally managed assets are valued as described below:

   (i) the adjusted value of the externally managed assets at the previous year end is accumulated together with the current year's cash flow, with interest at the valuation rate of 5.50% per annum; and

   (ii) the difference between the accumulation in (i) and the market value of the externally managed assets on the valuation date is spread over the current year and the three succeeding years in four equal amounts.

This change to the asset valuation method was made to recognize that the prior promissory notes are now paid-up and to bring the smoothing method in line with current common actuarial practice.

The effect of the foregoing is shown below (in $ 000).

Assets of the Pension Fund at December 31, 2006	Book Value	Market Value	Actuarial Value
I. Cash and Equivalents			
▪ Cash and short-term investments	17,010	17,010	
II. External Management			
▪ Bonds	319,655	327,866	
▪ Canadian equities	150,838	213,102	
▪ Foreign equities	98,967	163,493	
Subtotal	569,460	704,461	
III. Receivables (Payables)	(1,805)	(1,805)	
Total Fund	584,665	719,666	666,841

Under this adopted asset valuation system, the Plan's investment rate of return in 2006 was equal to 10.78% (net of investment expenses). After netting out a 0.70% Consumer Price Index increase (based on a ratio of the index at September, 2006 over September, 2005), the real rate earned was 10.08%.

The currently unrecognized elements of the market value of assets will be taken into account in future years in the following amounts ($ 000).

2007	25% of 2004 gain	4,435	
	25% of 2005 gain	10,851	
	25% of 2006 gain	8,896	24,182
2008	25% of 2005 gain	10,851	
	25% of 2006 gain	8,896	19,747
2009	25% of 2006 gain	8,896	8,896
Total			52,825

The pension fund is held in trust by CIBC Mellon and is invested in accordance with the investment policy by the following investment managers as at December 31, 2006:

Manager	Investments
Addenda	Bonds
Phillips, Hager & North	Bonds
Bisset	Canadian Equities
Aurion	Canadian Equities
TD Quantitative Capital	Canadian Equities
State Street	Foreign Equities

Reconciliation of Fund Assets ($ 000)

		Market Value	Actuarial Value
Value at 31.12.2005		698,384	651,137
I. Contributions			
▪ Employee Current Service	0		
▪ Employer Current Service	0		
▪ Employer Special Payments	12,306	12,306	12,306
II. Adjusted Investment Income		74,551	62,133
III. Pensions & Other Benefits			
▪ Pensions for Members	52,738		
▪ Pensions for Widows & Others	10,870		
▪ Lump sum payments	0	(63,608)	(63,608)
IV. Actuarial, Legal and Other Fees			
▪ Actuarial Fees	226		
▪ Custodial Fees	83		
▪ Investment Management Fees	1,548		
▪ Other Fees (audit, legal, etc.)	110	(1,967)	(1,967)
Subtotal		719,666	660,001
Change in asset smoothing method			6,840
Value at 31.12.2006		719,666	666,841

Historical Fund Performance

Annual rates of return, net of investment expenses, for the last 9 years are provided below on both a market value and actuarial value bases.

	Year-end Market Value	Market Value Rate of Return	Year-end Actuarial Value	Actuarial Value Rate of Return
2006	$ 719,666,000	10.86%	$ 666,841,000	10.78%
2005	698,384,000	11.78%	651,137,000	5.28%
2004	675,192,000	8.53%	670,341,000	2.73%
2003	686,160,000	9.89%	718,335,000	2.56%
2002	689,130,000	-4.84%	767,318,000	2.30%
2001	793,752,000	0.97%	817,167,000	8.72%
2000	855,847,000	6.02%	818,830,000	13.30%
1999	875,285,000	7.10%	788,636,000	16.22%
1998	876,995,000	13.31%	736,078,000	11.15%

Historical Updates to Pensions In-Payment

Annual cost-of-living adjustments (COLA) for the last 20 years, applicable to pensions that have been in payment for at least one year on the effective date, are provided below.

Effective Date	COLA Update	Effective Date	COLA Update
July 1, 1987	4.75%	July 1, 1997	2.20%
July 1, 1988	3.00%	July 1, 1998	0.70%
July 1, 1989	5.21%	January 1, 1999	0.90%
July 1, 1990	5.10%	January 1, 2000	2.58%
July 1, 1991	5.00%	January 1, 2001	2.69%
July 1, 1992	3.80%	January 1, 2002	2.62%
July 1, 1993	2.10%	January 1, 2003	2.30%
July 1, 1994	1.70%	January 1, 2004	0.00%
July 1, 1995	0.20%	January 1, 2005	0.00%
July 1, 1996	1.80%	January 1, 2006	0.00%

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Valuation Results – Going-Concern Basis

On the basis of the foregoing, the financial position of the Plan on the going-concern basis as at December 31, 2006, with comparable results from the previous valuation, is summarized below:

Financial Position – Going-Concern Basis

	Dec. 31, 2006 ($ 000)	Dec. 31, 2005 ($ 000)
Assets		
▪ Value of Pension Fund	666,841	651,137
▪ Value of Member and Employer future service contributions	0	0
Total value of assets	666,841	651,137
Liabilities		
▪ Active and disabled officers	14,117	14,192
▪ Retired members' pensions	543,575	571,456
▪ Spouses and other survivor pensions	95,553	96,870
Total actuarial liabilities	653,245	682,518
Prior year credit balance adjustment	7,355	6,449
Funding Excess (Unfunded Liability) *	6,241	(37,830)

** Determined as the value of assets less total actuarial liabilities less any prior year credit balance*

It should be noted that all figures are net of Government Annuity pensions credited to certain members under predecessor pension plans.

Current Service Cost

The estimated value of the benefits that will accrue on behalf of the active members during 2007, and a comparison with the corresponding value for 2006 determined in the prior valuation, is summarized below:

	2007	2006
Estimated Employer current service cost	$ 0	$ 0
Estimated Member required contributions	$ 0	$ 0
Employer current service cost as a percentage of member earnings		
▪ Officers	7.3% up to YMPE, 9.8% in excess	7.3% up to YMPE, 9.8% in excess

As at December 31, 2006 all active members had completed 35.0 years of credited service. Therefore, no further contributions for current service are required by the Employer and the Plan members.

Special Payments for Unfunded Liabilities

Actuarial gains from changes in actuarial assumptions and methods and Plan experience in 2006 has eliminated the special payments of $ 408,600 per month required for the unfunded liability established under the previous valuation at December 31, 2005 and produced a funding excess of $ 6,241,000 as at December 31, 2006. Therefore, no unfunded liability special payments are required.

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Reconciliation of Going-Concern Financial Position

As the foregoing actuarial balance sheet indicates, the Plan has a funding excess of $ 6,241,000 on the valuation date. The analysis of change in the financial position during 2006 is as follows.

	($ 000)	($ 000)
Funding Excess (Deficiency) at December 31, 2005		(37,830)
Prior year credit balance adjustment at 31.12.2005		6,449
▪ Interest on reserve account at 5.50% per year	(1,726)	
▪ Employer special payments made in 2006, with interest	12,644	
▪ Change in asset smoothing method	6,840	
▪ Change in actuarial assumptions and data update	1,036	18,794
Experience losses (gains)		
▪ Investment experience	25,770	
▪ Retirement experience	1,005	
▪ Mortality experience	(326)	
▪ Wage increase lower than expected	(260)	
▪ Miscellaneous	(6)	26,183
Prior year credit balance adjustment at 31.12.2006		(7,355)
Funding Excess (Deficiency) at December 31, 2006		6,241

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Valuation Results – Solvency Basis

When conducting a solvency valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities on a solvency basis, determined in accordance with the *Pension Benefits Act (Ontario)*. The value of the Plan's assets and liabilities on a solvency basis are related to the corresponding values calculated as though the Plan were wound up and settled on the valuation date.

For this valuation, the solvency asset smoothing method has been changed in a manner similar to the changes made to the going-concern asset smoothing method (i.e. to incorporate all assets and to base the smoothing for each year on a comparison of actual market value with expected market value rather than expected actuarial value).

Financial Position on a Solvency Basis

The Plan's solvency position as at December 31, 2006, in comparison with that of the previous valuation as at December 31, 2005, is determined as follows:

Financial Position – Solvency Basis

	Dec. 31, 2006 ($ 000)	Dec. 31, 2005 ($ 000)
Assets		
Market value of assets	719,666	698,384
Termination expenses	(333)	(339)
Solvency assets	719,333	698,045
Solvency asset adjustment:		
▪ Present value of unfunded liability special payments due within 5 years	0	21,570
▪ Averaging method adjustment	(54,325) *	(48,332)
Total value of assets	665,008	671,283
Actuarial liability		
Present value of accrued benefits for:		
▪ active and disabled officers	14,994	15,687
▪ retired officers	586,469	622,671
▪ survivors	102,049	104,498
Solvency liabilities	703,512	742,856
Solvency liability adjustment	(23,874)	(54,470)
Total actuarial liability	679,638	688,386
Prior year credit balance adjustment	7,355	6,449
Solvency excess (deficiency) **	(21,985)	(23,552)
Solvency excess (deficiency), excluding asset adjustment for funding deficiency payments and prior year credit balance adjustment	(14,630)	(38,673)
Market value less prior year credit balance	712,311	691,935
Solvency liability, excluding adjustments	703,512	742,856
Transfer ratio	1.00	0.93

* *Averaging method adjustment = 75% of investment gains (i.e. above the 5.375% expected) of $27,318,000 from 2006 plus 50% of investment gains of $22,455,000 from 2005 plus 25% of investment gains of $4,552,000 from 2004.*

** *Determined as value of assets less total actuarial liability less prior year credit balance adjustment*

Impact of Plan Wind-Up

In our opinion, the value of the Plan's assets would be greater than its actuarial liabilities if the Plan were to be wound up on the valuation date. Specifically, the market value of assets of $ 719,333,000 would exceed the actuarial liabilities of $ 703,512,000 by an amount of $ 15,821,000. For purposes of this calculation, the market value of assets includes a provision for Plan termination expenses that might be payable from the pension fund and the liabilities exclude the potential liability for future cost-of-living adjustments to pensions in payment.

Special Payments for Solvency Deficiency

In accordance with the *Pension Benefits Act (Ontario)*, each solvency deficiency must be eliminated by special payments within five years of the respective effective date.

The present value of the remaining special payments of $ 541,400 per month in respect of the solvency deficiencies established on or before January 1, 2006 is $ 18,249,000 as at December 31, 2006. The elimination of the going-concern deficiency contributions in the inter-valuation period have resulted in a new solvency deficiency of $3,736,000 as at December 31, 2006, which shall be funded by minimum special payments of $ 70,200 per month from January, 2007 to December, 2011.

The present value of the remaining special payments established to eliminate the solvency deficiencies over the prescribed period is determined as follows:

Present Value of Monthly Special Payments

Effective Date	Monthly Special Payment	Last Payment	Present Value of Remaining Payments as at 31.12.2006
31.12.2003	$ 57,600	12.2008	$ 1,317,000
31.12.2004	411,700	12.2009	13,788,000
31.12.2005	72,100	12.2010	3,144,000
31.12.2006	70,200	12.2011	3,736,000
Total	$ 611,600		$ 21,985,000

Pension Benefits Guarantee Fund (PBGF) Assessment

In accordance with subsection 47(1)(p.15) of the Regulations under the *Pension Benefits Act (Ontario)*, the pension benefits provided by this Plan are not guaranteed by the Pension Benefits Guarantee Fund (PBGF) and are therefore exempt from the filing of PBGF assessment certificate (subsection 18(7) of the Regulations) and payment of an annual PBGF assessment (section 37 of the Regulations).

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Indexation Reserve Account

General

The pension plan that the Plan can be fairly compared with is the Ontario Municipal Employees Retirement System (OMERS). OMERS has adopted automatic indexation. It was, and is, our opinion that the Plan with its closed membership could not afford to undertake automatic indexation but, instead, must use available assets to meet inflationary pressures on a yearly basis.

Therefore, in 1991 a policy was recommended and adopted that:

(a) assets not required to meet specific current pension liabilities be held in an Indexation Reserve Account (IRA);

(b) the IRA be limited to 30% of the reserve for non-indexed benefits;

(c) the IRA be built up to the maximum before any allocation of surplus be considered; and

(d) minor improvements in pension benefits and increases in pensions due to cost-of-living inflation should be limited to the extent that the IRA is sufficient.

Indexation Reserve Account

The change in the Indexation Reserve Account in 2006 is outlined below.

		($ 000)
Indexation Reserve Account at December 31, 2005		0
January 1, 2006 cost-of-living increases to pensions		0
Indexation Reserve Account at January 1, 2006		**0**
Indexation Reserve Account at December 31, 2006		
a) Going-concern excess (deficiency)	6,241	
b) Solvency excess (deficiency)	(14,630)	
Indexation Reserve Account (lesser of (a) and (b),but not less than 0)		**0**
January 1, 2007 recommended cost-of-living increases to pensions		0
Indexation Reserve Account at January 1, 2007		**0**

Note: The Indexation Reserve Account (IRA) is not to exceed 30% of the going-concern liability, so the maximum is $ 195,974,000.

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Recommendations

Active Members

No improvements are recommended at this time.

Retired Members

As at December 31, 2006 there is a going-concern funding excess of $ 6,241,000. However, since there is a solvency deficiency of $ 21,985,000 as at December 31, 2006, the Indexation Reserve Account is $ 0 and, therefore, no improvements are recommended at this time.

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Actuarial Opinion

with respect to the Actuarial Valuation as at December 31, 2006
of the Metropolitan Toronto Police Benefit Fund
FSCO and CRA Registration No. 0351585

It is hereby certified that, in our opinion, with respect to the Metropolitan Toronto Police Benefit Fund:

1) since all active officers have completed 35 years of pensionable service as at December 31, 2006, current service contributions for 2007, and thereafter, are nil;

2) on a going-concern basis, the Plan is fully funded as at December 31, 2006, with assets exceeding liabilities by $ 6,241,000.

3) on a solvency basis, the Plan is not fully funded as at December 31, 2006, with liabilities exceeding assets by $ 21,985,000. In order to comply with the *Pension Benefits Act (Ontario)*, the solvency deficiency must be eliminated by monthly special payments at least equal to the amounts indicated and for the period set forth below:

Type of Deficiency	Effective Date	Monthly Special Payments	Date of Last Payment
Solvency Deficiency	31.12.2003	$ 57,600	12.2008
Solvency Deficiency	31.12.2004	411,700	12.2009
Solvency Deficiency	31.12.2005	72,100	12.2010
Solvency deficiency	31.12.2006	70,200	12.2011
Total		$ 611,600	

4) as at December 31, 2006, the transfer ratio of the Plan is 1.00 and the Prior Year Credit Balance is $ 7,355,000; and

5) the Plan benefits are not guaranteed by the Pension Benefits Guarantee Fund and are therefore exempt from the annual filing of the PBGF assessment certificate and payment of any associated fees, in accordance with subsection 47(1)(p.15) of the Regulations under the *Pension Benefits Act (Ontario).*

In our opinion,

- the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

- the assumptions are, in aggregate, appropriate for the purpose of the valuation.

- the methods employed in the valuation are appropriate for the purpose of the valuation.

- the liabilities would exceed the assets if the Plan were to be wound up on the valuation date.

This report has been prepared, and our opinions have been given, in accordance with accepted actuarial practice.

Anil Narale Fellow of the Society of Actuaries Fellow of the Canadian Institute of Actuaries	Frank Dekeyser Associate of the Society of Actuaries
April 10, 2007	April 10, 2007
Date	Date

Appendix A

By-law Provisions

The following is a summary of the main provisions of the Plan, contained in By-law no. 181-81, which are relevant to the actuarial valuation. For complete details reference should be made to the formal plan document.

Effective Date: January 1, 1957.

Membership: Police officers who were hired before July 1, 1968.

Normal Retirement: Age 60

Early Retirement: Unreduced pensions upon completion of 25 years of service, or upon completion of 30 years of service and attainment of age 50, or upon attainment of age 55. Reduced pensions (i.e. actuarially reduced from normal retirement date) are available from age 50.

Disability Retirement: Permitted, with full accrued pensions,

(a) if disability occurred in the line of duty; or

(b) if on total and permanent disability; or

(c) after 20 years service, on a “worn-out” basis.

Member Contributions:	*<u>Prior to 1999</u>:* 7.00% of annual pensionable earnings up to the Canada Pension Plan Y.M.P.E., and 8.50% of higher annual earnings. *<u>1999 through 2002 inclusive</u>:* 0.00% of annual pensionable earnings up to the Canada Pension Plan Y.M.P.E., and 0.00% of higher annual earnings. *<u>2003</u>:* 2.43% of annual pensionable earnings up to the Canada Pension Plan Y.M.P.E. and 2.93% of higher annual earnings. *<u>2004</u>:* 7.30% of annual pensionable earnings up to the Canada Pension Plan Y.M.P.E. and 9.80% of higher annual earnings. Contributions cease after completion of 35 years of credited service.
Employer Contributions:	Same as Member contributions.
Normal Retirement Pension:	2% of employee's highest consecutive 5-year average earnings, multiplied by his number of years of service up to a maximum of 35 years, less (after age 65 or total disability) 0.7% of final 3 year average Y.M.P.E., multiplied by number of years of service after 1.1.66, up to a maximum of 35 years. For years of service after 1991, the Canada Customs and Revenue Agency restrictions on maximum pensions apply.
Minimum Pension at Normal Retirement:	Annual pension of $500 multiplied by credited service (to a maximum of 30 years). Effective from January, 2000.

Spousal Benefits:	66.67% of the deceased member's normal pension.
Orphans' Pensions:	If there is no Spouse, 66.67% of the deceased member's normal pension until youngest orphan reaches 21. If there is a Spouse, an amount per child under age 21 where the total paid to Spouse AND Orphans is not to exceed 100% of the deceased member's normal pension.
Other Pre-Retirement Death Benefits:	Return of deceased member's pre-1987 contributions plus interest, plus the commuted value of the deceased member's post-1986 accrual pension, in lieu of the spouse pension.
Minimum Death Benefit:	Return of deceased member's contributions plus interest.
Withdrawal Benefits:	Vested pension, or return of terminated member's pre-1987 contributions plus interest plus the commuted value of the member's post-1986 accrued pension.
Employer Cost-Sharing:	Upon termination, death or retirement, the member or his beneficiary is entitled to receive the excess, if any, of the member's contributions plus interest over 50% of the commuted value of the pension earned over the same period.

Notes:

(1) All pensions are subject to the maximum limitation imposed by the *Municipal Act* and the *Income Tax Act*.

(2) The Fund is subject to the provisions of the *Pension Benefits Act (Ontario).*

(3) In the case of an officer who retires on or after the attainment of age 50 or after the completion of 30 years of service, or because of total and permanent disability, a special benefit is paid equivalent to 1% of salary from January 1, 1980 to April 3, 1984 plus 0.5% of salary thereafter, all accumulated with interest. These Section 24 contributions were refunded in 2001 or 2002 to pensioners and surviving spouses who did not take advantage of this retirement provision.

Appendix B

Membership Data

Data as to the membership of the Plan were obtained from the Employer for purposes of this actuarial valuation. These data reflect membership changes up to the end of January (approximately) of the year following the valuation date.

Tests were carried out as to the validity of the data by comparison with the data obtained in the previous valuation, by reconciliation of the membership movement during the inter-valuation period and by performing various data checks to ensure that salaries, pension amounts, dates of birth, and so on are reasonable. The results of these tests were satisfactory.

Membership Reconciliation

A reconciliation of the membership data since the previous valuation is provided below.

	Active Members	Pensioners	Surviving Spouses	Total
As at 31.12.2005	16	1,582	650	2,248
Reinstatements				
Pension Splits				
Data Corrections				
Exits By:				
Retirement	(1)	1		
Death - no spouse		(14)	(21)	(35)
Death - with spouse		(25)	25	
Disabled				
As at 31.12.2006	15	1,544	654	2,213

Membership Summary

Plan membership data are summarised below. For comparison, we have also summarised corresponding data from the previous valuation.

Membership Data

	31.12.2006	31.12.2005
Active Members		
▪ Number	15	16
▪ Average years of pensionable service	35.0	35.0
▪ Average age in years	60.9	60.0
▪ Average earnings in the year	$ 112,955	$ 104,849
▪ Average accumulated contributions	$ 466,618	$ 447,146
Pensioners		
▪ Number	1,544	1,582
▪ Total annual lifetime pension	$ 44,735,196	$ 45,672,964
▪ Total annual bridge pension	$ 6,794,576	$ 7,622,638
▪ Average total annual pension	$ 33,374	$ 33,689
▪ Average age in years	69.9	69.1
Spousal Pensioners		
▪ Number	654	650
▪ Total annual lifetime pension	$ 10,633,465	$ 10,524,636
▪ Total annual bridge pension	$ 319,747	$ 315,864
▪ Average total annual pension	$ 16,733	$ 16,678
▪ Average age in years	75.4	74.7

Note that the pension amounts above are net of Government Annuity pensions credited to certain members under predecessor pension plans.

Active and Disabled Officers

There are currently 15 active officers accruing benefits under the Plan. These members have an average age of 60.9 years, average credited service of 35.0 years and average 2006 earnings of $ 112,955.

The following table provides a further breakdown:

Age Group	No.	Average Pensionable Service	Average Earnings	Average Accumulated Contributions
55 – 59	5	35.0	$ 112,506	$ 448,442
60 – 64	10	35.0	113,180	475,706
Total	15	35.0	$ 112,955	$ 466,618
Males	14	35.0	$ 110,827	$ 463,689
Females	1	35.0	$ *********	$ *********

Pensioners and Spouses

There are currently 1,544 pensioners having an average age of 69.9 years, receiving an average annual pension of $ 33,374 and there are 654 surviving spouses having an average age of 75.4 years, receiving an average annual pension of $ 16,733. The following table provides a further breakdown.

The following table provides a further breakdown:

	PENSIONERS		SURVIVING SPOUSES	
Age Group	No.	Average Pension	No.	Average Pension
Under 50	0	$ 0	4	$ 17,965
50 – 54	0	0	13	21,557
55 – 59	100	42,129	38	18,534
60 – 64	446	40,968	45	16,349
65 – 69	278	29,977	62	16,630
70 – 74	271	29,073	111	16,209
75 – 79	284	28,674	151	17,808
80 – 84	121	28,400	152	15,859
85 – 89	38	28,102	57	16,321
90 – 94	6	30,851	15	14,996
95 & over	0	0	6	11,011
Total	1,544	$ 33,374	654	$ 16,733
Males	1,496	$ 33,628	0	$ 0
Females	48	$ 25,470	654	$ 16,733

Appendix C

Actuarial Methods and Assumptions – Going-Concern Basis

The actuarial value of benefits under the Plan is based on economic and demographic assumptions. At each valuation, we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise the assumptions if necessary.

In this valuation, we have used the same assumptions as in the previous valuation, except as noted. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations. For this valuation, we have used the following assumptions:

Economic Assumptions

Investment Return

We have assumed that the investment return on the actuarial value of the fund, net of eligible Plan expenses charged to the Plan assets, will average 5.50% per year over the long term.

This is based on an assumed inflation rate of 2.50% per year plus a real rate of return of 3.00% per year.

Discount Rate

We have assumed that the discount rate for determination of the actuarial liabilities will be equal to the investment return assumption of 5.50% per year.

Expenses

We have not included a specific allowance for eligible Plan expenses. Instead, we have assumed that the investment return assumption is net of all eligible Plan expenses.

Increases in Pensionable Earnings

The benefits ultimately paid will depend on each officer's final average earnings. To calculate the pension benefits payable upon retirement, death or termination of employment, we have taken the 2006 annualized earnings and assumed that such earnings will increase at 4.50% per year.

This is based on an assumed inflation rate of 2.50% per year, a productivity component of 1.00% per year and a merit and promotional increase component of 1.00% per year.

Increases in the YMPE

Since the benefits under the Plan depend on the average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, it is necessary to make an assumption about future increases in the YMPE for this valuation.

It is assumed that the YMPE will increase at the rate of 3.50% per year from its 2007 level of $ 43,700.

Increases in the Maximum Pension Permitted under the Income Tax Act

The *Income Tax Act (Canada)* (ITA) stipulates that the maximum pension that can be provided under a registered pension plan will increase by $ 111 per year from $ 2,000 in 2005 to $ 2,444 in 2009 and, thereafter, increase in accordance with general increases in the average wage. For this Plan the ITA maximum pension limitations apply only to the pension benefits accrued after 1991.

For this valuation, it is assumed that the ITA maximum pension will increase at the rate of 3.50% per year, starting in 2010.

Demographic Assumptions

Retirement Age

Because early retirement pensions are reduced in accordance with a formula, the retirement age of Plan members has an impact on the cost of the Plan benefits. Accordingly, we have assumed that all active members will retire at the age of 58 years or the age at the valuation date, if greater.

Termination of Employment

We have not made an explicit assumption for benefits payable on pre-retirement termination.

Mortality

The actuarial value of the pension depends on the lifetime of the member. We have assumed mortality rates after retirement in accordance with the Uninsured Pensioner Mortality Table for 1994 (UP94), with allowance for future mortality improvements. No mortality assumption was included in the pre-retirement period. According to this table, the life expectancy at age 65 years is 18.7 years for a male and 21.3 years for a female.

Disability

We have not made an implicit assumption for benefits payable on disability retirement.

Spousal Benefit Assumptions

In this valuation, the survivor benefit assumption was removed and replaced with a calculation based on actual data provided and an allowance for remarriage of 0.75% of the pensioner liability.

Subject to the entitlement of the prior spouse, if any, the waiting period specified in the Plan and the requirements under the *Pension Benefits Act (Ontario),* a spouse acquired after retirement date may be entitled to receive the spousal pension. Based on remarriage rates for older adults in Canada, it was estimated that the additional liability as a result of this provision is approximately 0.75% of the pensioner liability.

In the previous valuation, we have assumed that 90% of pensioners are married and in receipt of a joint and survivor pension and that the remaining 10% of pensioners are in receipt of a single life pension. Female spouses are assumed to be 4 years younger than males.

Assumed Percentage of Members Married

In this valuation, we have assumed that 100% of active members are married. Female spouses are assumed to be 4 years younger than males.

In the previous valuation, we assumed that 90% of active and inactive members were married.

Allowance for Stepped Pensions

Upon the death of a pensioner whose pension has been stepped at retirement, the Plan provides a pension to the spouse whereby the survivor percentage is applied to the post-65 pre-stepped pension rather than the post-65 pension in payment. A stepped pension is a pension that has been increased before age 65 and reduced after age 65 to produce a level pension in anticipation of the OAS pension commencing from age 65.

In this valuation, we have performed a calculation based on the membership data supplied to estimate the spousal pension.

In the previous valuation, we determined the spousal liability for retired members by valuing a joint and 75% survivor form (i.e. at 12.5% load on the normal 66.67% survivor percentage) on the stepped pension amount.

Deviation from Assumptions

Emerging experience differing from the assumptions will result in gains or losses in future actuarial valuations.

Funding Method

The total *actuarial liability* has been determined as the actuarial present value of projected benefits for active, disabled and suspended participants plus the actuarial present value of accrued benefits for current pensioners, spousal pensioners and deferred pensioners.

The total v*alue of assets* has been determined as the actuarial value of invested assets.

A *prior year credit balance* may result when the Employer makes contributions to the Plan which are in excess of the minimum contribution requirements as outlined in the applicable actuarial valuation report. The amount of the prior year credit balance is equal to the sum of such excess contributions.

The difference between the total value of assets and the sum of the total actuarial liability and the prior year credit balance is called the *funding excess* or *unfunded liability*, as the case may be. An unfunded liability will be amortized over no more than 15 years through special payments as required under the *Pension Benefits Act (Ontario)*.

The Indexation Reserve Account which is equal to the funding excess, subject to a maximum of 30% of the actuarial liability, is to be used primarily to provide ad hoc pension increases to Members in receipt of pension payments from the Benefit Fund.

Differences between actual experience and that expected based upon the set of actuarial assumptions during the period between two actuarial valuation dates will result in experience gains/(losses) which will increase/(decrease) the Indexation Reserve Account and Funding Excess/(Unfunded Liability).

Appendix D

Actuarial Methods and Assumptions – Solvency Basis

The value of assets used for determining the financial position of the Plan on the solvency basis includes the solvency assets plus a solvency asset adjustment.

The *solvency assets* are determined as the market value of investments held by the Plan plus any cash balances of the Plan and accrued or receivable income items.

The *solvency asset adjustment* is determined as (1) the present value at the interest rate used to calculate the solvency liability adjustment of the special payments required to eliminate any going-concern unfunded liability or experience deficiency determined in this report that are scheduled for payment within 5 years of the valuation date, plus (2) the amount, positive or negative, by which the value of the solvency assets are adjusted as a result of applying an averaging method that stabilizes short-term fluctuations of the Plan assets.

The value of the liabilities used for determining the financial position of the Plan on the solvency basis includes the solvency liabilities plus a solvency liability adjustment.

To determine the *solvency liability*, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date with all members vested in their accrued benefits.

The *solvency liability adjustment* is determined as the amount, positive or negative, by which the value of the solvency liabilities are adjusted as a result of using a solvency valuation interest rate that is the average of the market interest rates calculated over a period of 4 years (the same period used for the averaging method used to determine the solvency asset adjustment).

The difference between (1) the sum of the solvency assets and solvency asset adjustment and (2) the sum of the solvency liability, solvency liability adjustment and prior year credit balance is called the *solvency excess* or *solvency deficiency*, as the case may be.

Since virtually all members have qualified for a retirement pension, we have assumed that all benefits will be settled through the purchase of annuities and have used a valuation interest rate for solvency purposes which, when used with the 1994 Uninsured Pensioners mortality table with mortality projected to 2015 (U94P2015), provides an estimate of group annuity purchase rates for non-indexed pensions.

The Plan provides that the new spouse of a pensioner, whose former spouse at retirement has died or who was without spouse at retirement, is eligible for a survivor pension provided that the new spousal relationship, as defined in the Plan, has been in effect for a minimum of 2 years, with a prorata share of the spousal pension for spousal relationships of less than 2 years. In order to make allowance for the possible increase in future liabilities on remarriage of a pensioner, we have loaded the pensioner liabilities by 0.75% as an allowance for remarriage.

For this valuation, the asset smoothing method has been changed for consistency with the going-concern asset smoothing method and the allowance for stepped pensions (as described below) has been removed and replaced with a calculation based on the membership data supplied.

In the previous valuation there was an allowance for stepped pensions whereby we valued a joint and 75% survivor form of pension (i.e. a 12.5% load on the normal 66.67% survivor percentage) on the stepped amount.

It should be noted that we have excluded from our calculations any potential liability for future cost-of-living increases provided under the Plan.

Assumptions for determination of the solvency and wind-up liability are as follows:

Actuarial Assumptions

Mortality rates:	U94P2015
Interest rate for benefits to be settled through annuity purchase:	4.60%
Family composition:	Same as for going concern valuation
Termination expenses:	$ 333,000 (based on $ 150 per pensioner/survivor and $ 250 per active/suspended/deferred vested)

Assumptions for determination of the solvency liability adjustment are as follows:

Actuarial Assumptions

Mortality rates:	U94P2015
Interest rate for benefits to be settled through annuity purchase:	5.00%
Family composition:	Same as for going concern valuation

We have used an average of the annuity proxy rates as at December 31, 2003 (5.50%* per year), December 31, 2004 (5.25% per year), December 31, 2005 (4.50% per year) and December 31, 2006 (4.60% per year) which produces a rate of 5.375% per year.

* Note that the annuity proxy rates for use with the GAM83 mortality table of 5.25% at December 31, 2003 has been adjusted upward by 0.25% to produce annuity proxy rate of 5.50% for use with the UP94P2015 mortality table.

Appendix E

Employer Certification

With respect to the report on the actuarial valuation of the *Metropolitan Toronto Police Benefit Fund*, as at December 31, 2006, I hereby certify that, to the best of my knowledge and belief:

- a copy of the official Plan documents, and of all amendments made up to the date of the valuation, were provided to the actuary;
- the membership and financial data provided to the actuary for the purposes of this valuation are accurate and complete;
- the membership data provided to the actuary include a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to the date of the valuation, and
- all events subsequent to December 31, 2006 that may have an impact on the results of the valuation have been communicated to the actuary.

Date	Signed
	Name
	Title

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