



STAFF REPORT ACTION REQUIRED

Metropolitan Toronto Pension Plan – Increase in Minimum Pension

Date:	October 25, 2007
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2007\Internal Services\ppeb\gm07009ppeb (AFS# 6143)

SUMMARY

This report recommends an increase in the minimum annual pension for pensioners who are members of the Metropolitan Toronto Pension Plan from \$300 to \$450 per year of service.

The 2006 Actuarial Valuation results of the Metropolitan Toronto Pension Plan presented to this committee in June 2007 highlight the continued strong financial position of the Plan. The actuary has reported to the Board of Trustees on the cost of this increase and recommended that the minimum pension be increased to \$450 effective as early as practical. The cost of this increase is approximately \$8.0 million and is funded from the Plan's Indexation Reserve Account which has a current balance of \$102.6 million.

RECOMMENDATIONS

The Treasurer recommends that:

1. Effective January 1, 2008, the minimum pension payable to eligible pensioners of the Metropolitan Toronto Pension Plan be increased from \$300 per year of service to \$450 per year of service, limited to 30 years.
2. The estimated cost of \$8.0 million be funded from the Plan's Indexation Reserve Account.

3. By-Law No. 15-92 of the former Metropolitan Corporation governing the Metropolitan Toronto Pension Plan as amended to date be further amended accordingly and authority be granted to introduce the necessary bill in Council; and,
4. The appropriate City officials be authorized to take the necessary action to give effect to the foregoing recommendations.

Financial Impact

The estimated cost of this improvement is \$8.0 million and is payable from the Plan's Indexation Reserve Account. The balance of the indexation reserve account is currently \$102.6 million, after allowing for this year's cost-of-living increase, and there will be no cost to the City.

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

ISSUE BACKGROUND

The Metropolitan Toronto Pension Plan ("the Plan") is one of five pre-OMERS plans sponsored by the City of Toronto. It covers 14 active members, 6 deferred members, 2,168 retired members and 1,066 survivor pensioners and is administered by a Board of Trustees ("the Board").

The Plan's actuary, Mercer Human Resources Consulting, performs an annual valuation of the Plan's assets and liabilities and recently submitted to the Board, its actuarial valuation for 2006. This report was subsequently submitted to the Government Management Committee in June 2007. At its meeting held on June 19, 20 and 22, 2007, Council approved a CPI-based cost-of-living increase (2.1%) for existing pensioners as of January 1, 2007 on the basis of the actuary's valuation and approval by the Board. The cost of this increase was \$11.9 million and was funded by the Plan's Indexation Reserve.

At its meeting of September 25, 2007, the Board of Trustees received a report from the actuary based on an earlier request regarding the minimum pension. A minimum pension is the amount payable to a pensioner where the amount otherwise calculated under the pension formula is below a certain threshold. The current minimum pension of \$300 per year of service to a maximum of 30 years, provides long service members a minimum pension of \$9,000 per year and surviving spouses of long service members a minimum pension of \$6,000 per year (i.e., 2/3 of \$9,000). This minimum pension was implemented under By-law No. 81-92, effective June 17, 1992 and has not been adjusted since that time.

COMMENTS

The actuary provided the cost of increasing the minimum pension under three options: \$400, \$450 or \$500 per year of service. The Trustees approved the increase in the minimum pension to \$450 per year of service which would provide long service members a minimum pension of \$13,500 per year and surviving spouses of long service members a minimum pension of \$9,000 (i.e., 2/3 of \$13,500). This increase would affect 784 pensioners and survivors who would see their pension increase by an average of \$98 per month.

The current minimum pension of \$300 per year, increased with cost-of-living increases granted from 1993 to 2007, gives a minimum amount of \$392. Those who retired after 1992 will be at a level lower than \$392 as their cost-of-living adjustment would commence after their retirement.

The Plan, through a combination of prudent financial management, investment diversification and strong investment returns, has succeeded in building sufficient assets to meet all its current liabilities to pensioners. The Plan remains well funded and the Actuary has recommended that the Board consider increasing the minimum pension to \$450 per year of service, limited to 30 years. The Board has approved this increase and has recommended that this improvement be forwarded to City Council for approval. There is sufficient surplus available in the Plan to provide for this increase.

The total estimated cost for this recommended increase is \$8.0 million, which would reduce the Plan's Indexation Reserve Account balance from \$102.6 million to \$94.6 million.

CONTACT

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

SIGNATURE

Cam Weldon
Treasurer