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September 28, 2007

CITY TREASURER:

The Board of Trustees of the Metropolitan Toronto Pension Plan on September 25, 2007, considered a communication (July 13, 2007) from Anil Narale, Principal, Mercer, recommending that the Board of Trustees consider improving the minimum pension to a level of \$450 per year of service limited to 30 years, effective as early as practical, based on the inflation since the last minimum pension upgrade in 1992, the current surplus in the pension plan and cost of the improvement.

The Board approved the minimum pension be increased from \$300 per year of service to a level of \$450 per year of service limited to 30 years and requested the City Treasurer to submit a report thereon to the Government Management Committee as soon as possible.



Board Secretary
R. Bettencourt
Item 21

c.c.: Government Management Committee
Manager, Pension, Payroll and Employee Benefits

MERCER

Human Resource Consulting

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13 July 2007

Ms. Rose Bettencourt
Committee Secretary
Metropolitan Toronto Pension Plan
City of Toronto Clerk's Department, Secretariat
Main Floor, Toronto City Hall
100 Queen Street West
Toronto, Ontario M5H 2N2

Subject:

**Metropolitan Toronto Pension Plan –
Impact of increasing The Minimum Pension**

Dear Rose:

We have been asked to provide information about the impact of increasing the minimum annual pension provided under the Metropolitan Toronto Pension Plan.

Recommendations:

Based on the inflation since the last minimum pension upgrade in 1992, the current surplus in the pension plan, and cost of the improvement, it is recommended that the Board of Trustees consider improving the minimum pension to a level of \$450 per year of service limited to 30 years, effective as early as practical.

Background:

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.

The current minimum pension of \$300 per year increased with the 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 COLA adjustments would commence after their retirement.

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Metropolitan Toronto Pension Plan

Steps required to be taken:

1. Approval of recommendation by the Board of Trustees.
2. Approval by the Council.
3. Amendment to the by-law.
4. Communication to the retirees and survivors.
5. Administrative implementation of the increase.

Administrative Notes:

The minimum pension calculation is to be done on the normalized pension. The normalized pension is the normal pension calculated for the member before any adjustments for:

- stepping,
- spousal pension higher than 66.67%,
- early retirement reduction, or
- offset for the government annuities.

The increase in pension (due to increase in minimum pension) is then adjusted, if applicable, for

- spousal pension higher than 66.67%, or
- early retirement reduction.

It should be noted that the minimum pension test applies to the total pension at the time of retirement (or the effective date of the upgrade) and then again if applicable at the time the member reaches age 65 and the bridge pension drops off.