



STAFF REPORT ACTION REQUIRED

Metropolitan Toronto Pension Plan – Actuarial Report as at December 31, 2007

Date:	May 14, 2008
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2008\Internal Services\ppeb\gm08003ppeb (AFS#7081)

SUMMARY

This report will present the 2007 Actuarial Valuation for the Metropolitan Toronto Pension Plan along with a recommendation regarding an increase in payments to pensioners as of January 1, 2008.

The 2007 Actuarial Valuation results of the Metropolitan Toronto Pension Plan highlight the continued strong financial position of the Plan. The actuary has recommended that an increase of 2.14% be granted on pensions effective January 1, 2008. The cost of this increase is approximately \$12.1 million on a solvency basis and is to be funded from the Plan's Indexation Reserve Account which has a current balance of \$100.1 million.

RECOMMENDATIONS

The Treasurer recommends that:

1. The 2007 Actuarial Report for the Metropolitan Toronto Pension Plan be received.
2. An increase of 2.14% be granted on pensions, effective January 1, 2008 to pensioners on benefit for more than one year and a proportionate increase of 0.178% for each month of pension payment made in 2007 be granted for pensioners who retired during 2007.

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 the increase on a solvency basis is \$12.1 million and is payable from the Plan's Indexation Reserve Account without any contribution by the City. The balance of the indexation reserve account as at December 31, 2007 is \$100.1 million.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the 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 12 active members, 2,062 retired members and 1,050 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 2007.

The Report shows that at December 31, 2007, the Plan had actuarial assets of \$692.7 million, liabilities of \$557.0 million and a going-concern surplus of \$135.7 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, 2007 there was an excess of solvency assets over solvency liabilities of \$100.7 million. The lesser of the going-concern excess (\$135.7 million) and the solvency excess (\$100.7 million) is placed in the Indexation Reserve Account.

The report recommended a CPI-based increase of 2.14% for pensions in payment as at the end of 2007 at a projected cost of \$12.1 million which would reduce the indexation reserve account from \$100.7 million to \$88.6 million.

The Board of Trustees, at its meeting on Thursday, April 24, 2008, approved the Actuary's report including the recommendation for the pensioners' increases and requested that the report be forwarded to City Council for approval of the recommended increase.

COMMENTS

The Plan, through a combination of prudent financial management, investment diversification and positive investment returns, has succeeded in building sufficient assets to meet all its current liabilities to pensioners. As noted above, the Plan remains well funded and the Actuary has confirmed there are sufficient surpluses available to provide for the 2.14% cost-of-living increase generated by the plan's excess interest indexing provision.

The report recommends that an increase of 2.14% be granted on pensions, effective January 1, 2008 to pensioners on benefit for more than one year and a proportionate increase of 0.178% for each month of pension payment made in 2007 be granted for pensioners who retired during 2007.

The total estimated cost for the recommended increases is \$12.1 million, which would reduce the Indexation Reserve Account balance from \$100.7 million to \$88.6 million as at the beginning of 2008.

CONTACT

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SIGNATURE

Cam Weldon
Treasurer

ATTACHMENT

2007 Actuarial Report for the Metropolitan Toronto Pension Plan as at December 31, 2007