



STAFF REPORT INFORMATION ONLY

Toronto Civic Employees' Pension & Benefit Fund – 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\gm08004ppeb (AFS#7082)

SUMMARY

This report will present the 2007 Actuarial Valuation for the Toronto Civic Employees' Pension & Benefit Fund along with information regarding the increase in benefits for pensioners payable as of January 1, 2008 under the cost-of-living provisions of the Fund's governing by-law, and staff comments.

The 2007 Actuarial Valuation results of the Toronto Civic Employees' Pension & Benefit Fund highlight the continued strong financial position of the Plan. The Fund's Excess Interest Indexing Provision provides for an increase in pensions by the full 2.16% increase in the Consumer Price Index effective January 1, 2008. This staff report along with the 2007 Actuarial Valuation is therefore being submitted for information.

Financial Impact

As of January 1, 2008, the pension plan had an actuarial going-concern surplus of \$164.4 million and a solvency surplus of \$144.5 million. These surplus assets will be used to fund the 2007 cost-of-living increase of 2.16% at an estimated cost of \$5.98 million on a going-concern basis and \$6.96 million on a solvency basis without any contribution by the City.

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

ISSUE BACKGROUND

The Toronto Civic Employees' Pension & Benefit Fund ("the Plan") is one of five pre-OMERS pension plans sponsored by the City of Toronto. It covers one active member, 954 retired members and 702 survivor pensioners and its administrator is The Toronto Civic Employees' Pension Committee (the Pension Committee).

The Plan's Actuary, Buck Consultants Ltd., performs an annual valuation of the Plan's assets and liabilities and recently submitted to the Pension Committee, its actuarial valuation report for 2007. The report shows that at December 31, 2007, the Plan had actuarial assets of \$441.7 million, liabilities of \$277.4 million and a going-concern surplus of \$164.3 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 \$144.5 million.

By-law No. 380-74 of the former City of Toronto as amended governs the Plan and provides for automatic annual cost-of-living adjustments for pension benefits in payment up to a maximum of the increase in the Consumer Price Index (CPI), to the extent not greater than the "excess" investment rate of return (i.e., in excess of the actuarial rate of return set by the Actuary as necessary to ensure the Plan's solvency), subject to confirmation from the Actuary "that there are sufficient surpluses available". The Actuary has estimated the cost of the increase to be \$5.98 million on a going-concern basis and \$6.96 million on a solvency basis and advised that there are sufficient surpluses available to fund the increase.

The Pension Committee at its meeting held April 22, 2007, approved the 2007 Actuarial Valuation report as well as the increase in benefits and requested it be forwarded to Council for their information

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 2.16% cost-of-living increase generated by the plan's excess interest indexing provision.

CONTACT

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SIGNATURE

Cam Weldon
Treasurer

ATTACHMENTS

2007 Actuarial Report for the Toronto Civic Employees' Pension & Benefit Fund