

**The Corporation of the City of York Employee Pension Plan –
Actuarial Report as at December 31, 2007**

Date:	June 23, 2008
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2008\Internal Services\ppeb\gm08009ppeb (AFS#7084)

SUMMARY

This report presents the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2007 for the Corporation of the City of York Employee Pension Plan along with a recommendation regarding the continuation of special payments to the Plan's fund with respect to solvency and going-concern deficiencies.

The 2007 valuation results of the York Pension Plan highlight the financial position and results of operations of the Plan for the year ended December 31, 2007 and the Valuation Report appropriately does not recommend any cost-of-living increase for pensioners for 2007.

RECOMMENDATIONS

The Treasurer recommends that:

1. The “Report on the Actuarial Valuation for Funding Purposes as at December 31, 2007” for the Corporation of the City of York Employee Pension Plan, be received.
2. For 2008, the City make special payments totalling \$3,121,264, in appropriate monthly instalments; and,
3. The appropriate City officials be authorized to take the necessary action to give effect to the foregoing recommendations.

Financial Impact

As required under the Ontario *Pension Benefits Act*, the City is currently making special payments of \$3.973 million per year with respect to existing solvency and going-concern deficiencies in the York Employee Pension Plan in accordance with the 2006 Valuation Report. The 2007 Valuation Report will permit the City to reduce the annual payments for 2008 to \$3,121,244.

The required payments for 2008 is provided in the 2008 Non-Program Budget. Therefore, there will be no further budget impact in 2008. Funding for future years' payments will be included in the respective years' Non-Program Budget submission.

The chart below illustrates the revised funding required for the York Pension Plan as a result of the 2007 Valuation.

York Pension Plan Funding Requirements – January 1, 2008 – December 31, 2012

	2008	2009	2010	2011	2012
Going-concern Funding					
2003 Valuation	\$1,129,460***	\$964,500			
2004 Valuation	\$349,308	\$349,308			
2005 Valuation	\$349,320	\$349,320			
2005 Valuation*	\$64,524	\$53,770**			
2006 Valuation	0	0	0	0	0
2007 Valuation	0	0	0	0	0
Sub Total	\$1,892,612	\$1,716,898	0	0	0
Solvency Funding					
2005 Valuation	\$710,124	\$710,124			
2005 Valuation*	\$2,508	\$2,508			
2006 Valuation	0	0	0	0	0
2007 Valuation	\$516,000	\$516,000	\$516,000	\$516,000	\$516,000
Sub Total	\$1,228,632	\$1,228,632	\$516,000	\$516,000	\$516,000
Total Required	\$3,121,244	\$2,945,530	\$516,000	\$516,000	\$516,000

* The valuation date was changed from January 1 to December 31

** Last payment due on October 1, 2009

*** Monthly payment amount will decrease on November 1, 2008

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

ISSUE BACKGROUND

The Corporation of the City of York Employee Pension Plan (the Plan), whose terms are set forth in Schedule "A" to By-law No. 3349-96 of the former City of York as amended, is one of five pre-OMERS plans administered by the City of Toronto. It covers 174 retired employees and 108 survivor pensioners. There are no longer any active employees in the Plan. The Plan's administrator is the York Employees' Pension and Benefit Committee (the Benefit Committee).

The Plan's Actuary, Mercer Human Resources Consulting, conducts an Actuarial Valuation of the Plan's assets and liabilities and recently submitted to the Benefits Committee its actuarial report for 2007. The report shows that at December 31, 2007, the Plan had actuarial assets of \$57 million, liabilities of \$60.5 million and a going-concern unfunded liability of \$3.4 million (an improvement over the unfunded liability of \$8.7 million a year earlier).

The Actuary also completed a solvency valuation comparing the Plan's assets at market value with what it would have cost to satisfy the Plan's obligations at the end of 2007 by purchasing annuities. At that time, there was a solvency deficiency of \$ 3.66 million.

The improvements in the going-concern and solvency positions since the last valuation were due primarily to special contributions made by the City during the year 2007 along with improved investment returns.

The City, as plan sponsor, is required to continue making special payments to the Plan until the going-concern and solvency deficiencies are eliminated. The actuary has recommended that the City make special payments in the amount of approximately \$3.121 million in 2008 in respect of the going-concern (\$1.9 million) and solvency deficiency (\$1.2 million), reducing to totals of \$2.517 in 2009, and \$0.517 from 2010 to 2012, subject to revision in accordance with subsequent valuation reports. In addition to a decrease in the amount of the special payments, there has been a shortening of the period of time over which the payments will have to be made.

COMMENTS

The 2007 Valuation Report of the Plan highlights the financial position and operation of the Plan for the year ended December 31, 2007. The Plan remained in a deficiency position from both a going-concern and a solvency basis and special payments continue to be required from the City, although at a lower rate and for a shorter time into the future. As a result of the Plan's financial

position, its Benefit Committee, at its meeting on May 29, 2008 approved the recommendation of the actuary that no *ad hoc* cost-of-living increase be provided to pensioners in 2008 and that the City contribute \$3.121 million in 2008 in respect of the going-concern and solvency deficiencies.

CONTACT

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

SIGNATURE

Cam Weldon
Treasurer

ATTACHMENTS

2007 Actuarial Report for the Corporation of the City of York Employee Pension Plan