

Financial Statements

**The Fund of the Toronto Fire Department  
Superannuation and Benefit Fund**

[Ontario Registration Number 0351601]

December 31, 2007

## AUDITORS' REPORT

To the Administrator of  
Toronto Fire Department Superannuation and Benefit Fund

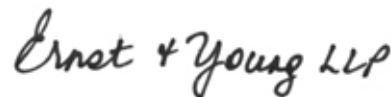
We have audited the statement of net assets available for benefits of **The Fund of the Toronto Fire Department Superannuation and Benefit Fund** as at December 31, 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Regulation 909, Section 76 of the Ontario Pension Benefits Act. These financial statements are the responsibility of the Fund's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Fund's administrator, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2007 and the changes in its net assets available for benefits for the year then ended in accordance with the basis of accounting as disclosed in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Administrator of The Fund of the Toronto Fire Department Superannuation and Benefit Fund and the Financial Services Commission of Ontario for complying with Regulation 909, Section 76 of the Ontario Pension Benefits Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purposes.

Toronto, Canada,  
May 13, 2008.



Chartered Accountants  
Licensed Public Accountants

**The Fund of the Toronto Fire Department Superannuation and Benefit Fund**  
[Ontario Registration Number 0351601]

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

As at December 31

	2007	2006
	\$	\$
<b>ASSETS</b>		
Cash	384,153	2,415,912
Investments, at market value [note 3[a]]	336,463,029	360,582,741
Accrued income	1,010,200	996,779
Accounts receivable	74,804	77,763
Pending securities transaction	—	31,565
	<b>337,932,186</b>	364,104,760
<b>LIABILITIES</b>		
Benefits and accounts payable	1,219,050	1,239,619
Administration expenses payable	265,200	251,902
Pending securities transaction	24,534	—
	<b>1,508,784</b>	1,491,521
<b>Net assets available for benefits</b>	<b>336,423,402</b>	<b>362,613,239</b>

*See accompanying notes*

On behalf of the Board:

Chair

City Treasurer

**The Fund of the Toronto Fire Department Superannuation and Benefit Fund**

**STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS**

Year ended December 31

	2007	2006
	\$	\$
<b>INCREASE IN NET ASSETS</b>		
Investment income		
Interest	7,835,283	8,125,551
Dividends	3,909,968	3,957,538
Realized net gain on sale of investments	20,403,009	20,616,010
Net change in unrealized gain on investments	—	8,190,604
<b>Total increase in net assets</b>	<b>32,148,260</b>	<b>40,889,703</b>
<b>DECREASE IN NET ASSETS</b>		
Pension payments	29,747,434	30,236,075
Administrative expenses <i>[note 5]</i>	1,305,421	1,279,002
Transaction costs	151,851	—
Net change in unrealized loss on investments	27,133,391	—
<b>Total decrease in net assets</b>	<b>58,338,097</b>	<b>31,515,077</b>
<b>Net increase (decrease) in net assets for the year</b>	<b>(26,189,837)</b>	<b>9,374,626</b>
Net assets available for benefits, beginning of year	362,613,239	353,238,613
<b>Net assets available for benefits, end of year</b>	<b>336,423,402</b>	<b>362,613,239</b>

*See accompanying notes*

# **The Fund of the Toronto Fire Department Superannuation and Benefit Fund**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **1. DESCRIPTION OF THE FUND**

#### **General**

The Toronto Fire Department Superannuation and Benefit Fund [the "Fund"] is registered under the Pension Benefits Act, R.S.O. 1990, Registration Number 0351601.

The Plan is a defined benefit pension plan established in 1891 covering employees of the Toronto Fire Department who were hired prior to July 1, 1968. From that date, pensions for new employees must be provided through the Ontario Municipal Employees Retirement System.

#### **Funding policy**

The Financial Services Commission of Ontario requires that the City of Toronto [the "City"], being the sponsor of the Fund, fund the benefits determined under the Fund. The determination of the value of the benefits is made on the basis of an annual actuarial valuation.

#### **Retirement pension**

A normal pension is available based on the number of years of credited service up to 35 years times 2% of the best five years' average earnings reduced by Canada Pension Plan's ["C.P.P."] reduction calculated at 0.7% of the lesser of the Year's Maximum Pensionable Earnings in the year of retirement and the two preceding years times the number of years and completed months of contributory service since January 1, 1966. The C.P.P. reduction does not take effect until the member attains age 65.

#### **Disability pension**

A disability pension is available calculated in the same manner as the normal pension except that C.P.P. reduction is immediate if the former member is receiving C.P.P. disability benefits.

#### **Death benefits**

If death occurs before retirement, the benefit will be paid to the member's spouse or other named beneficiary. The pension equivalent of 66 2/3% of pension credit earned up to the date of death shall be paid to the surviving spouse for life.

# **The Fund of the Toronto Fire Department Superannuation and Benefit Fund**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **Income taxes**

The Plan is a Registered Pension Trust as defined in the Income Tax Act (Canada) and, as such, is not subject to income taxes

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

The accompanying financial statements present the net assets of The Fund of the Toronto Fire Department Superannuation and Benefit Fund [the "Fund"] which are available for the payment of pension benefits and the changes in these net assets during the year.

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Regulation 909, Section 76 of the Ontario Pension Benefits Act. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

### **Use of estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

### **Investments**

The Fund's investments in bonds and debentures, equities and pooled funds are under the ongoing management of external investment managers retained by the Benefit Fund Committee. During the year, CIBC Mellon was engaged as the custodian for all investments.

Investments are stated at market value and are recorded on a trade date basis. Market value is determined using listed market values.

# **The Fund of the Toronto Fire Department Superannuation and Benefit Fund**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **Income recognition**

Income on investments is recorded on the accrual basis and gains and losses are realized on disposal. Interest and dividend income earned by the foreign equity pooled funds is reinvested in the respective pooled fund. The net change in unrealized gain on investments is calculated as at the year-end date and is shown on the statement of changes in net assets available for benefits.

### **Foreign currency translation**

The market values of foreign currency denominated investments included in the statement of net assets available for benefits are translated in Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the net change in unrealized gain on investments.

Foreign currency denominated transactions, as well as cost amounts included in note 3, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

### **Contributions**

Sponsor contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivables.

Sponsor contributions due in future years to meet liabilities for past services which are unfunded as a result of experience deficiencies and plan improvements will be credited to revenue as received.

### **Adoption of new accounting standard**

In accordance with "EIC-168: Accounting by Pension Plans for Transaction Costs" issued by the Canadian Institute of Chartered Accountants ["CICA"], beginning January 1, 2007, investment transaction costs should be expensed as incurred. Prior to January 1, 2007, transaction costs were included in the cost of investments on purchases. As a result, when investments are subsequently fair valued, the transaction costs reduce or increase unrealized gains and losses for investments currently held, and realized gains and losses for investments that have been sold. Subsequent to the adoption of EIC-168, transaction costs are now separately presented on the Statement of Changes in Net Assets Available for Benefits. The change in accounting policy has been applied retrospectively, without restatement of prior periods.

# The Fund of the Toronto Fire Department Superannuation and Benefit Fund

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### 3. INVESTMENTS

The book value of investments includes transaction costs of \$151,851 as at December 31, 2007.

[a] Investments consist of the following:

	2007		2006	
	Market value \$	Book value \$	Market value \$	Book value \$
Bonds and debentures	170,418,388	174,408,921	164,909,558	166,251,406
Canadian equities	81,725,043	86,016,494	98,781,574	92,494,584
Foreign equities	79,998,988	88,664,524	87,616,237	82,383,617
Short-term investments				
Investment managers	1,097,019	1,097,019	3,231,772	3,231,772
Internally managed	3,223,591	3,223,591	6,043,600	6,043,600
	<b>336,463,029</b>	<b>353,410,549</b>	360,582,741	350,404,979

[b] Bond managers' holdings:

	2007		2006	
	Market value \$	Book value \$	Market value \$	Book value \$
<b>Bonds and debentures</b>				
Beutel Goodman	83,940,803	82,532,662	80,474,806	78,275,919
Connor Clark & Lunn	86,477,585	91,876,259	84,434,752	87,975,487
	<b>170,418,388</b>	<b>174,408,921</b>	164,909,558	166,251,406
<b>Short-term</b>				
Beutel Goodman	337,772	337,772	300,630	300,630
Connor Clark & Lunn	31,782	31,782	30,560	30,560
	<b>369,554</b>	<b>369,554</b>	331,190	331,190



# The Fund of the Toronto Fire Department Superannuation and Benefit Fund

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

[c] Equity managers' holdings:

	2007		2006	
	Market value \$	Book value \$	Market value \$	Book value \$
<b>Canadian short-term</b>				
Howson Tattersall Investment				
Counsel Ltd.	379,325	379,325	2,684,670	2,684,670
McLean Budden Ltd.	4,375	4,375	4,205	4,205
Connor Clark & Lunn	5,711	5,711	5,488	5,488
State Street Global Advisors	338,054	338,054	206,219	206,219
	<b>727,465</b>	<b>727,465</b>	2,900,582	2,900,582
<b>Canadian equities</b>				
Howson Tattersall Investment				
Counsel Ltd.	10,304,199	13,614,562	16,620,420	13,706,436
McLean Budden Ltd.	23,083,983	18,177,775	36,152,389	26,819,996
Connor Clark & Lunn	48,336,861	54,224,157	46,008,765	51,968,152
	<b>81,725,043</b>	<b>86,016,494</b>	98,781,574	92,494,584
<b>Foreign equities</b>				
State Street Global Advisors	79,370,205	88,113,262	87,616,237	82,383,617
Howson Tattersall Investment				
Counsel Ltd.	628,783	551,262	—	—
	<b>79,998,988</b>	<b>88,664,524</b>	87,616,237	82,383,617
<b>Total equity managers' equity holdings</b>	<b>161,724,031</b>	<b>174,681,018</b>	186,397,811	174,878,201

# The Fund of the Toronto Fire Department Superannuation and Benefit Fund

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

[d] Fixed income investments

The market and book values of bonds and debentures at December 31, 2007 and 2006 are summarized below. The average yields of bonds and debentures are the weighted average market rates of these investments during the year.

	2007			2006		
	Market value \$	Book value \$	Average yield %	Market value \$	Book value \$	Average yield %
<b>Federal and Guaranteed</b>						
0-5 years	94,502,594	99,895,224	3.92	91,857,286	95,366,904	4.03
5-10 years	20,697,371	20,037,736	3.93	21,392,393	21,140,804	4.04
	<b>115,199,965</b>	<b>119,932,960</b>		113,249,679	116,507,708	
<b>Provincial and Guaranteed</b>						
0-5 years	4,258,943	4,263,974	4.26	3,409,526	3,313,536	4.45
5-10 years	15,554,481	15,548,955	4.37	16,974,703	16,785,684	4.22
>10 years	1,596,846	1,507,400	4.50	1,622,842	1,526,314	4.50
	<b>21,410,270</b>	<b>21,320,329</b>		22,007,071	21,625,534	
<b>Municipal and Guaranteed</b>						
5-10 years	—	—	—	97,573	94,676	4.50
<b>Corporate</b>						
0-5 years	8,462,027	8,518,422	4.72	5,933,541	5,874,972	4.33
5-10 years	12,030,566	12,086,189	4.92	9,804,643	9,565,816	4.63
>10 years	13,315,560	12,551,021	5.28	13,817,051	12,582,700	5.02
	<b>33,808,153</b>	<b>33,155,632</b>		29,555,235	28,023,488	
	<b>170,418,388</b>	<b>174,408,921</b>		164,909,558	166,251,406	

# The Fund of the Toronto Fire Department Superannuation and Benefit Fund

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

[e] Individually significant investments

The market value or book value of the following individual investments exceeds 1% of the market value or book value of total Fund investments at December 31, 2007.

	Market value \$	Book value \$
<b>Federal bonds and debentures</b>		
Government of Canada	28,722,380	28,056,701
CC&L Bond Fund A	86,477,585	91,876,259
<b>Provincial bonds and debentures</b>		
Province of Ontario	16,657,400	16,416,000
Hydro One	4,804,589	4,795,520
Ontario Hydro	3,538,216	3,711,485
Union Gas	4,199,290	4,259,322
<b>Canadian equities</b>		
CC&L CDN Q Core Fund	48,336,861	54,224,157
McLean Budden Canadian Equity Growth Fund	23,083,983	18,177,775
<b>Foreign equities</b>		
US SSGA World Fund	32,950,581	43,826,165

# The Fund of the Toronto Fire Department Superannuation and Benefit Fund

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### 4. INVESTMENT RISKS

The Plan's investment performance is subject to market and other risks. Market risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. A discussion of other risks follows:

[i] Interest rate risk

Interest rate risk relates to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets. The value of the Plan's assets is affected by changes in nominal interest rates.

[ii] Credit risk

Credit risk relates to the potential exposure that the other party to a financial instrument will fail to discharge an obligation and cause the Plan to incur a financial loss. Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions.

The Plan has established guidelines that must be adhered to by the investment managers. These guidelines stipulate the lowest acceptable credit rating for bonds, the maximum that can be invested in these bonds and the maximum that can be invested in Canadian and foreign equities.

In addition, the guidelines stipulate the optimum asset-mix percentages with minimum and maximum limits for each class.

[iii] Foreign exchange risk

The Plan is exposed to foreign currency fluctuations to the extent that its foreign investments are denominated in foreign currency. The Plan does not use financial instruments to hedge these risks.

## The Fund of the Toronto Fire Department Superannuation and Benefit Fund

### NOTES TO FINANCIAL STATEMENTS

December 31, 2007

#### 5. ADMINISTRATIVE EXPENSES

The Fund's administrative expenses consist of the following:

	<u>2007</u>			<u>2006</u>
	<u>Management</u>	<u>Custodial</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Bond managers</b>				
Beutel Goodman	178,713	8,775	187,488	189,115
Connor Clark & Lunn	116,776	5,829	122,605	123,313
	<b>295,489</b>	<b>14,604</b>	<b>310,093</b>	<b>312,428</b>
<b>Equity managers</b>				
McLean Budden Ltd.	83,084	3,128	86,212	103,563
Connor Clark & Lunn	157,130	3,879	161,009	152,777
Howson Tattersall Investment Counsel Ltd.	67,858	6,634	74,492	81,825
State Street Global Advisors	325,515	203,759	529,274	470,864
	<b>633,587</b>	<b>217,400</b>	<b>850,987</b>	<b>809,029</b>
<b>Other</b>				
CIBC Mellon holding account	—	1,399	1,399	1,878
<b>Total management and custodial fees</b>	<b>929,076</b>	<b>233,403</b>	<b>1,162,479</b>	<b>1,123,335</b>
Investment consulting fees			76,659	75,231
Actuary fees			47,700	62,418
Chair honorarium			7,500	7,500
Members' honorariums			4,000	3,900
Financial charges			7,083	6,618
			<b>142,942</b>	<b>155,667</b>
<b>Total administrative expenses</b>			<b>1,305,421</b>	<b>1,279,002</b>

# **The Fund of the Toronto Fire Department Superannuation and Benefit Fund**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **6. CONTRIBUTIONS**

During the year ended January 1, 1998, City Council approved a full contribution holiday effective August 1, 1998. The normal contribution rate for Members and the Sponsors each is equal to 7.5% of salary less the amount of the members' contributions under the C.P.P.

Effective January 1, 1995, members are not required to contribute to the Fund after they have attained 35 years of credited service.

During the year, the employer contributed nil [2006 - nil] to the Fund with respect to unfunded liabilities for past service and actuarial deficiencies.

### **7. AUDIT FEES**

The annual audit fee for the Fund is not included in the accounts of the Fund. The annual audit fee is the responsibility of the City.

### **8. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation.