TORONTO

STAFF REPORT
INFORMATION ONLY

Pre-OMERS City-Sponsored Pension Plans, TTC-Sponsored Pension Plan and the OMERS Pension Plan

Date:	April 9, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2010\Internal Services\ppeb\gm10001ppeb (AFS10503)

SUMMARY

In response to requests from both the Government Management Committee and the Audit Committee, this report provides information on the structure and mandate of the City's five pre-OMERS pension plans and its boards, the City's responsibility for the plans and potential assistance that could be provided by the Ontario Municipal Employees Retirement System (OMERS) or the Ontario Teachers' Pension Plan with respect to these pension plans.

Additionally, this report outlines how the recent equity market conditions impacted the City-sponsored pension plans, the TTC-sponsored plan and OMERS, and forecasts funding requirements.

FINANCIAL IMPACT

There are no financial implications arising from this report.

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

DECISION HISTORY

At its meeting held on March 2, 2009, the Audit Committee requested "the Deputy City Manager and Chief Financial Officer to report to the Budget Committee, as part of the 2010 budget process, on the impacts of the recent equity market losses on the City-sponsored and TTC-sponsored pension plans and the financial consequences of these losses on the City's 2010 Operating Budget and forecast" (re: AU10.11 "City of Toronto

Pension Plans – Audited Financial Statements for Year Ending December 31, 2007"). Following is the link to the Audit Committee decision document and the staff report.

http://www.toronto.ca/legdocs/mmis/2009/au/decisions/2009-03-02-au10-dd.pdf

At its meeting held on September 17, 2009, the Government Management Committee:

a) considered Actuarial Valuation reports for the year ended December 31, 2008 for each of the five City sponsored pension plans (re: GM24.10, GM24.11, GM24.12, GM24.13, G24.14); and,

b) requested the Acting Treasurer to provide an information report to the Government Management Committee on the structure and mandate of the City's Pension Boards, the City's responsibility for them and potential assistance that could be provided by OMERS or the Ontario Teacher's Pension Plan.

Following are the links to these reports and decision documents:

http://www.toronto.ca/legdocs/mmis/2009/gm/decisions/2009-09-17-gm24-dd.htm
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-23296.pdf)
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-23297.pdf)
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-23299.pdf)
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-23300.pdf)
http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-22273.pdf
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-23301.pdf)
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-22279.pdf)
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-22280.pdf)
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-22290.pdf)
(http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-22291.pdf)

This report consolidates the response to both of these requests into one overall report on the City's pension plans.

Actuarial valuations for the year ended December 31, 2009 are currently being prepared and will be reported to Government Management Committee at its meeting being held on May 20, 2010.

ISSUE BACKGROUND

Pension plans are governed by the *Pension Benefits Act* (PBA) and regulated through the Financial Services Commission of Ontario (FSCO). The FSCO is an arm's-length agency of the Ontario Ministry of Finance, which is responsible for the administration and enforcement of the PBA and regulations under the Act. The PBA establishes the minimum standards for registered pension plans and the regulations under it require, the preparation and filing (at least every three years) of an Actuarial Valuation of a pension plan's assets and liabilities in order to determine the funded status of the plan on both a going-concern basis and a solvency basis.

Going-concern valuation: assumes that the plan will be ongoing for an indefinite period of time. The valuation predicts how liabilities and assets are likely to accumulate in the future. A going-concern comparison of the plan's projected performance with its actual performance over the past three (3) year period can generate either a going concern surplus (if the valuation shows the plan to be over-funded) or an "unfunded liability" (if the valuation shows the plan to be under-funded). An unfunded liability on a going concern basis must be eliminated by the employer by one or more special payments which may be amortized over a period not exceeding fifteen (15) years.

Solvency valuation: assumes that the plan was wound up on the Valuation date with all amounts coming due (*i.e.*, as if its assets had been used to meet its existing liabilities, including the purchase of annuities for its pensioners and unretired members). If a plan had greater assets than liabilities on a solvency basis on the Valuation Date, it has an actuarial surplus. If there were more liabilities than assets the plan has a "solvency deficiency" and, in order to comply with the *Pension Benefits Act*, that deficiency must be eliminated by the employer by one or more special payments which may be amortized over a period of no longer than five (5) years.

Actuarial valuation reports must be filed with FSCO and the Canada Revenue Agency (CRA) every three (3) years, unless at the end of any year the plan has a going concern unfunded liability or a solvency deficiency in excess of 10% (i.e. the plan is less than 90% funded) in which case it must be filed each year, until the deficiency is eliminated.

Most municipal employees across Ontario hired after July 1, 1968 (including eligible employees of the former municipalities and the amalgamated City of Toronto), participate in the Ontario Municipal Employees Retirement System (OMERS) pension plan, with the exception of employees of the Toronto Transit Commission (TTC). OMERS was established in 1962 by an Act of the Ontario Legislature as the pension plan for local governments in Ontario. OMERS is a multi-employer pension plan that today serves over 390,000 active and retired employees from more than 920 local government employers. The plan is a contributory defined benefit pension plan with equal contributions from participating employers and employees financing approximately 30% of benefits, while the plan's investment earnings finance the remaining 70% over the long term. The City of Toronto is the largest employer in OMERS with 24,000 active plan members.

The TTC sponsors the Toronto Transit Commission Pension Fund Society which was established as a separate legal entity from the TTC on January 3, 1940. Membership in the Society is a condition of employment with the TTC. The Society's pension fund is a hybrid defined benefit/defined contribution pension plan. The Society provides benefits to 12,400 active employees and 6,143 retired members as at December 31, 2009.

Prior to July 1, 1968 when most municipal employees across Ontario became members of OMERS, some of the former municipalities within Toronto had established, though by-law, independent pension plans for their employees, which are registered under the PBA:

1. Metropolitan Toronto Pension Plan (Metro)
   This plan was established in 1956 and covers eligible permanent employees of the former Municipality of Metropolitan Toronto hired prior to July 1, 1968 including the following agencies, branches and commissions:

   Toronto Community Housing Corporation
   Toronto Licensing Commission
   Toronto Police Services Board – civilian employees
   Board of Management of the Toronto Zoo
   Toronto Public Library

   The normal retirement age is 65 for all members except fire fighters whose retirement age is 60 years.

2. Metropolitan Toronto Police Benefit Fund (Police)

   This plan was established in 1957 and covers the Chief of Police, constables and other police officers who are members of the City of Toronto Police Force and were hired prior to July 1, 1968. The normal retirement age is 60 for all members.

3. Corporation of the City of York Employee Pension Plan (York)

   This plan was established in 1955 and covers eligible employees of the City of York hired prior to July 1, 1968. The normal retirement age is 65 years for all members except fire-fighters whose retirement age is 60 years.

4. Toronto Civic Employees' Pension & Benefit Fund (Civic)

   This plan was established in 1952 and covers eligible employees of the former City of Toronto hired prior to July 1, 1968 including former employees transferred to Metro Toronto who elected to continue in the Civic Fund, excluding firefighters. The normal retirement age is 65 years.

5. Toronto Fire Department Superannuation and Benefit Fund (Fire)

   This plan was established in 1891 covering employees of the Toronto Fire Department who were hired prior to July 1, 1968. There are no longer any active members.

All five of the City-sponsored pension plans are defined benefit plans whereby the pension benefit received by plan members at retirement is determined or "defined" by a formula (based on years of credited service and earnings) outlined in the establishing by-law.

COMMENTS

City-Sponsored, Pre-OMERS Pension Plans – Structure and Mandate

Each of the City's five pre-OMERS pension plans was established by the Council of a former municipality through by-law and is managed by a separate administrator known as either a "Pension Committee" (Civic; Fire; York) or a "Board of Trustees" (Metro; Police). The main by-law establishing and governing each plan defines the composition and duties of the administrator, the provisions of the plan (*e.g.*, those eligible to join the plan and under what conditions; the rights and obligation of plan members; how the pension plan is to be funded) and the benefits payable to members of the pension plan and their eligible survivors. The by-laws can be amended by Council within the parameters of the legislation and each amendment must be filed with FSCO, within 60 days.

Appendix A, attached, summarizes the composition of the administrators (i.e. Pension Committee or Board of Trustees) and the plan membership for each of the five pension plans.

Each administrator has a fiduciary responsibility to direct and manage the affairs of the pension plan, including the investment of plan assets, in accordance with the applicable legislation, the governing By-law, and in the best interests of the plan members and beneficiaries. The administrator may hire service providers (*e.g.*, investment managers, actuaries) to assist with meeting its obligations, and the City is responsible for day-to-day operation; however, the administrator is ultimately responsible and accountable for the administration and management of the plan, and the investment of assets. Responsibilities of the administrator include:

(a) pension administration (including payment of pensions);

(b) investment of plan assets (including establishing investment policies and objectives, determining an investment approach, and selecting investment managers);

(c) financial reporting (including monitoring of financial statements and actuarial valuations) and compliance with all reporting and notification requirements under the PBA and the *Income Tax Act.*

City Council has authority over the provisions of each pension plan including the authority to approve improvements to the plan design and cost-of-living increases. Responsibilities of the City for each plan include:

(i) providing all administrative staff and services required for the efficient operation of the plan;

(ii) through the Clerk’s Division, recording the proceedings of the administrator’s meetings and executing secretarial instructions;
(iii) ensuring an annual audit of the fund and receipt by the administrator of an audit report;
(iv) funding of any deficiencies in the plan, in accordance with the PBA.

The five pre-OMERS plans have approximately 20 active members and provide benefits to 7,917 retirees/surviving spouses. The plans are closed with no new members enrolling (employees covered by the plans were hired before July 1, 1968). There are no contributions being made into the plans by employees as all remaining employees in the plans have attained 35 years of credited service. The plans are funded through investment assets and through special payments, as required by the City of Toronto.

The assets of the City’s five pre-OMERS pension plans are invested and managed by their respective administrators, in accordance with investment policies determined by each administrator. Each administrator monitors the investments of its Plan prudently with advice from the investment consultants who are retained by it and in accordance with the Statement of Investment Policies and Procedures, which is reviewed and approved annually by the administrator.

The administrators/boards retain professional investment advisory firms to assist the Boards in establishing their asset mixes with the objectives of diversifying market risk within the parameters of their “closed to new members’ status”. The equity and fixed-income portfolios are managed by a group of external funds’ managers whose performance is monitored on a quarterly basis by the Pension Boards in conjunction with their investment advisors.

Given the demographics of the pension plan members/pensioners and the fact that the plans are closed (*i.e.*, no new active members or regular contributions), each administrator invests its Plan’s assets conservatively in a well-diversified portfolio of equity and fixed-income securities. The target asset mixes of the plans, which form part of each plan’s approved Investment Policies, are outlined in Table 1 below.

Table 1: Asset Mixes of City-Sponsored Pension Plans
Percentage (%)

Pension Plan	**Cash**	**Bonds**	**Canadian Equity**	**U.S. & Foreign Equity**	**Total**
Metropolitan Toronto Pension Plan (Metro)	5%	45%	25%	25%	100%
Metropolitan Toronto Police Benefit Fund (Police)	5%	45%	30%	20%	100%
Toronto Fire Department Superannuation and Benefit Fund (Fire)	0%	50%	20%	30%	100%
Toronto Civic Employees Pension and Benefit Fund (Civic)	0%	50%	20%	30%	100%
Corporation of the City of York Employee Pension Plan (York)	0%	50%	25%	25%	100%

As reflected by Table 1, the asset mixes of the five pre-OMERS pension plans are much more conservative than pension plans with many active members, which have assets generally more heavily weighted in equities and real estate investments. For example, OMERS' asset mix as at December 31, 2009 consisted of 60.9% public markets (i.e. equity securities and interest bearing bonds, debentures and treasury bills), 10.2% private equity, 15.7% infrastructure and 13.2% real estate.

The City-Sponsored pension plans asset mix strategies are a result of their low tolerance for risk given that there are no active contributions being placed into their funds. As a result, any insufficiency in a plan's assets, after taking into account expected investment returns, to meet the plan's existing and future payment obligations, will result in a legal obligation on the part of the City to make special contributions into the plan, which is undesirable. Therefore, avoidance of such an insufficiency is a prime consideration for the administrators when establishing their respective investment strategies.

City-Sponsored Pre-OMERS Pension Plans: Financial Performance

The financial crisis that began in the U.S. in 2007 spread to the rest of the world in 2008, culminating in the collapse of major institutions like Lehman Brothers and the partial nationalization of other banks in the U.S. and the U.K., events not experienced since the 1930's. The crisis ultimately spread to the economy, causing a global recession, which impacted all the pension plans. The rates of return for the City-sponsored pension plans for the year ended December 31, 2008, outlined in Table 2 below, ranged from -9.9% to -14.5%.

Table 2: Market Value - Rate of Return Percentage (%)

	2009	2008	2007
Metro	14.4%	-11.5%	1.2%
Police	16.0%	-14.5%	1.5%
York	11.4%	-9.9%	2.1%
Civic	13.4%	-14.1%	0.9%
Fire	14.4%	-12.4%	1.1%

As explained above, although the 2008 rates of return are disappointing, they are a result of the economic and market volatility as well as unfavourable credit market conditions that impacted global financial markets. In addition, it should be noted that the City plans' rates of return were favourable in comparison to other pension plans because of their conservative asset mix. For example, the OMERS Pension Plan rate of return for 2008 was -15.3% and the Ontario Teacher's Pension Plan rate of return for 2008 was -18%.

However, since their early March 2009 lows, equity markets globally have rallied strongly, reversing the negative rates of return achieved by the Funds during 2008 and appears to be returning to pre-recession rate of return levels.

Although in general equities have outperformed other asset classes over the longer term on a historical basis, given the fact that these plans have no active contributions, it would not be prudent for these funds to abandon their conservative, long-term investment strategies and asset mixes.

Financial Status of the Plans:

Appendix B, attached, provides a summary of the financial position of each of the five City-sponsored pension plans as at December 31, 2008.

The City of Toronto Civic Employees Pension and Benefit Fund, the Municipality of Metropolitan Toronto Pension Plan, and the Toronto Fire Department Superannuation and Benefit Fund continue to be in solvency surplus positions. These plans reflect a surplus position both on a going-concern and solvency basis and do not require any special payments by the City of Toronto. However, it should be noted that the Toronto Fire Department Superannuation and Benefit Fund has deteriorated and depending on the market, returns may require special payments in the future.

The Metropolitan Toronto Police Benefit Fund and the City of York Employee Pension Plan continue to be in solvency deficit position. Solvency deficits must be amortized (funded) by the City over a 5 year period through special payments.

Projection of Future Special Payments:

City staff have reviewed the preliminary 2009 Actuarial Valuations and have consulted with the actuaries for the purpose of projecting future payments that may be required by the City of Toronto on behalf of the Pension Plans. Table 3 provides these projections over a 5 year period. Finalized 2009 Actuarial Valuation Reports will be provided to each of the Pension Boards in April and will be reported to the Government Management Committee in May of 2010.

Table 3
5 Year Special Payments Projections based on Preliminary 2009 Actuarial Valuation Results
($ millions)

Pension Plan	Rate of Return	2010 (Forecast)	2011 (Forecast)	2012 Forecast)	2013 Forecast)	2014 (Forecast)	Total
Metro	14.4%	N/A	N/A	N/A	N/A	N/A	N/A
Police	16.0%	$9.6	$9.6	$9.6	$9.6	$5.0	$43.4
Fire	14.4%	N/A	N/A	N/A	N/A	N/A	N/A
Civic	13.4%	N/A	N/A	N/A	N/A	N/A	N/A
York	11.4%	$1.5	$1.5	$1.5	$0.9	$0.4	$5.8
Total		**$11.1**	**$11.1**	**$11.1**	**$10.5**	**$5.4**	**$49.2**

As reflected in Table 3, based on the preliminary 2009 Actuarial Valuation Results provided by the actuaries, the City of Toronto, as plan sponsor, will be required to make special payments estimated to total $49.2 million over the next 5 years in order to fund the deficiencies in the pension plans.

Potential Assistance from OMERS or Teachers' Pension Plan

In June 2009, as part of the Ontario government's 2009 budget, the Province of Ontario passed Bill 162 "An Act Respecting the Budget Measures and Other Matters" which, among other things, amended the *Ontario Municipal Employees Retirement System Act, 2006* and the *Teachers' Pension Act* to allow OMERS and the Teachers' Pension Plan to establish authorized subsidiaries in order to provide investment management and pension administration services to smaller pension plans, governments, certain educational institutions and non-profit organizations.

Currently, investment management and pension administration for the City's five pre-OMERS pension plan are the responsibility of each of the administrators. The administrators are responsible for the investment and administration of their plans' assets in accordance with the governing by-laws, and under the PBA custody and investment of those assets could be delegated to an entity such as OMERS or the Teachers' Pension Plan. It should be noted that even if the administrators decide to utilize OMERS or the Teachers Pension Plan as an investment manager, this would not relieve the City, as plan sponsor, of its responsibility to ensure that the plans are funded on both a going-concern and solvency basis and to make up any funding shortfalls through special payments.

On June 11, 2009, senior representatives from both OMERS and the Teachers' Pension Plan met with representatives from each of the administrators to provide an overview of the investment services that they could offer.

The presentations from OMERS and the Teachers' Pension Plan focused on taking over the investments of the 5 City plans by assuming their assets and investing them in accordance with their own investment strategies. They believe that there would be a benefit to each of the plans through their more aggressive investment strategies, economies of scale, superior governance structures and the ability to negotiate lower fees.

Finance staff will be working with each of the administrators to better understand, analyze and evaluate the investment management options available from OMERS and/or Teacher's Pension Plan.

At the same time, staff are also reviewing the feasibility of a potential merger with some or all of the City plans into OMERS. This initiative was originally addressed by the Metropolitan Toronto Police Benefit Fund Board of Trustees which passed a motion at its meeting held on June 19, 2009, to initiate such discussions with OMERS through a committee made up of representatives of the Board and City staff.

Staff are working with OMERS, internal and external legal counsel and external actuaries in this review and will provide a report of their findings to the respective administrators and to Council once available. Although staff are working with the administrators in this initiative, the City of Toronto, as the sponsor of the pension plans, retains ultimate authority over the plan terms including any decision regarding a possible consolidation/merger with OMERS.

Toronto Transit Commission (TTC) Pension Fund Society

The TTC sponsors the TTC Pension Fund Society which is a defined benefit/defined contribution hybrid plan (the Plan), providing future benefits to 12,400 active employees and current benefits to 6,143 retired members/survivors as at December 31, 2009. The Plan is funded through employee and employer contributions as well as its investment assets.

The Plan is administered by the Society's Board of Directors which is comprised of ten (10) members: 5 members appointed by the Commission and 5 members appointed by Local 113 of the Amalgamated Transit Union. All changes to the Society's By-laws must be passed by a majority of the Directors, sanctioned by the Commission and approved by the members at the Society's Annual General meeting.

The Board of Directors invests the Plan assets with advice of the Board's investment advisors and fund managers, and in accordance with the Board approved Statement of Investment Policies and Procedures (SIPP). The Board reviews the portfolios regularly to ensure that the investments continue to meet the Plan's acceptable risk tolerance levels and makes changes when necessary. The target Asset Mix of the Plan, which is specified in the SIPP, is outlined in Table 4 below.

Table 4: Asset Mix of the TTC Pension Fund Society
Percentage (%)

	Cash	Bonds	Canadian Equity	U.S. & Foreign Equity	Real Estate & Infrastructure	Total
TTC Pension Fund Society	2%	42%	20%	30%	6%	100%

The rate of return for the Plan investment assets was 13.6% for the year ended December 31, 2009 compared to -15.5% for the year ended December 31, 2008.

Table 5 provides a summary of the financial position of the TTC Pension Fund Society, as at January 1, 2009.

Table 5: TTC Pension Fund Society Financial Position as at January 1, 2009 ($ millions)		
	Going Concern Position (Smoothed)	**Solvency Position (Smoothed)**
Assets	$ 3,389	$ 3,383
Liabilities	$ 3,027	$ 3,786
Surplus / (Deficit)	$ 362	($ 403.0)
Special Payments	N/A	N/A

Contribution rates for the TTC Pension Fund Society are determined through the collective-bargaining process. The solvency position of the Plan was taken into consideration during the 2008 collective bargaining process and increased contribution rates were negotiated at that time. A letter of intent was signed to increase the contribution rates by 0.50% effective January 1, 2010, and again on January 1, 2011, for both the employee and employer to help reduce the Plan's solvency deficiency.

The estimated operating budget impact from the increased contribution rates is projected to be approximately $4 million in 2010 and approximately $8 million in 2011 and subsequent years, on the basis of current workforce and labour levels.

Since an Actuarial Valuation report was filed with FSCO for the TTC Pension Fund Society as at January 1, 2008, the next required filing will be as at January 1, 2011. Based on current conditions, it is anticipated that at that time, the Plan will have a significant solvency funding shortfall which will need to be dealt with by a further increase in contributions. The TTC had their actuary prepare an estimate of the Fund's actuarial position as at November 1, 2009. This estimate shows a going concern surplus in excess of $100 million while at the same time a solvency shortfall of $808 million (unsmoothed). If the Society files a valuation as at January 1, 2011 and that valuation shows similar results, a contribution increase of approximately $76 million per annum will be required.

The TTC Pension Fund Society Board is aware of this situation and is taking all possible measures to attempt to control this exposure, including extensive correspondence with the Regulators to seek solvency exemption for the Plan.

Ontario Municipal Employees Retirement System (OMERS):

Current eligible employees of the City of Toronto participate in the OMERS pension plan. Contributions to this plan are shared equally between the employees and employer.

Bill 206 (*An Act to Revise the Ontario Municipal Retirement System Act*), which was proclaimed on June 30, 2006, established a new and independent dual governance model for OMERS giving employers and employees control over the pension plan. Essentially, the legislation:

(A) changed the pension plan's sponsor from the Province of Ontario to the new OMERS Sponsors Corporation (the "SC");

(B) continued the Ontario Municipal Employees Retirement Board as the OMERS Administration Corporation (the "AC")

The OMERS Sponsors Corporation is responsible for determining plan design (*i.e.*, the structure and type of benefits offered); setting contribution rates for members and participating employers; establishing or changing a reserve to stabilize contribution rates; and, setting compensation levels and appointment protocol of SC members and the AC Board. The SC Board of Directors consists of 14 members: 7 Employer representatives and 7 plan member representatives.

The OMERS Administration Corporation is responsible for overseeing pension services, administration and plan valuation; establishing investment and funding policies, asset allocation and investment management of plan assets; appointing and overseeing the AC management team; and, appointing the AC auditor and the actuary for the plan. The AC Board of Directors is comprised of 14 members made up of an equal number of member and employer representatives. Appointments to the AC Board are made by the OMERS Sponsors Corporation.

With over $48 billion in net investment assets at December 31, 2009, OMERS is one of Canada's largest pension funds. OMERS manages a diverse global portfolio including stocks and bonds as well as real estate, infrastructure and private equity investments. In 2009, OMERS asset mix was 60.9% in public markets (i.e. equity securities and interest-bearing bonds, debentures and treasury bills) and 39.1% in private market asset classes (i.e. equity or equity-like security in companies that do not generally trade publicly). Its investment portfolio funds approximately 70% of the plan over the long term, with the remaining 30% coming from employee and employer contributions.

OMERS posted a 10.6% total rate of return for the year ended December 31, 2009. Net investment income for 2009 totaled $4.3 billion.

An Actuarial Valuation report was filed with FSCO for the OMERS Pension Plan as at December 31, 2008, and has led to increased contribution rates by members and employers effective January 1, 2010 (see Table 6 below).

The Actuarial Valuation Report, as at December 31, 2008, reflected that the Plan had an actuarial value of net assets in the amount of $49.8 billion and a funding deficiency of $0.3 billion (in 2007 OMERS had a $0.1 billion funding surplus). However, OMERS' future actuarial position will be affected by $6.4 billion of net losses that will be recognized in its actuarial assets over the next four years.

At December 31, 2009, OMERS deficit stood at $1.5 billion, with an additional $4.9 billion of net losses that will impact the Plan's funded status over the next four years.

Enhanced investment returns will be one component in addressing the deficit. Other potential components are increased contributions and/or benefit changes.

The OMERS Sponsors Corporation (SC) is responsible for plan design and setting contribution rates and is focused on assessing the best course of action in these areas.

Table 6: OMERS Contribution Rates
Effective January 1, 2010
Percentage (%)

Retirement Age	Contribution rate up to CPP earnings limit	Contribution rate over CPP earnings limit
Normal Retirement Age (NRA) 65	6.4%	9.7%
Normal Retirement Age (NRA) 60	7.9%	13.1%

As a result of the 2010 increase in contributions, it is estimated that the City of Toronto will pay $117.5 million in employer contributions for 2010. This represents an increase of $4.8 million over the 2009 contributions. These contributions will be matched by employee contributions.

Solvency Funding Issues:

The City of Toronto, Toronto Transit Commission and OMERS have all requested the Province to amend the *Pension Benefits Act* to eliminate the requirement for solvency funding for municipal public sector pension plans. Funding a plan on a solvency basis assumes that the plan will get wound up and that assets would need to be used to meet existing liabilities, including the purchase of annuities for its pensioners and active members. Given that these public sector pension plans are going concerns and are unlikely to be dissolved or go bankrupt, there is no basis for requiring these plans to be funded on a solvency basis. Such a requirement adds an unnecessary and unreasonable financial burden to the City and its taxpayers.

The City of Toronto is one of only three municipalities in Ontario that continue to sponsor pensions (City of Toronto, City of Hamilton and City of London).

We are awaiting a response from the Province on these issues.

CONTACT

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SIGNATURE

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Giuliana Carbone
Treasurer

Attachments:
Appendix A: City-Sponsored, Pre-OMERS Pension Plans
Appendix B: Financial Position of the Five City-Sponsored Pension Plans

City-Sponsored, Pre-OMERS Pension Plans

Board of Trustees - Composition	Plan Membership	
Metropolitan Toronto Pension Plan (MTPP). By-Law 15-92 effective January 1, 1954 The Board of Trustees of the MTPP is composed of the following members: Chair appointed by Council who is not a member of Council; Mayor or his/her designate; two members of City Council; one active member elected by active members (or an additional pensioner if an active member is not nominated); two pensioners elected from among their number.	Active: Retired: Survivor Pensioners: Deferred Vested Pensioners:	9 1,934 1,050 5
Metropolitan Toronto Police Benefit Fund (MTPBF). By-Law 181-81 effective January 1, 1957. The Board of Trustees of the MTPBF is composed of the following members: Chair appointed by Council who is neither a member of the plan or a member of Council; Mayor or his/her designate; City Treasurer (non-voting); Chair of the Toronto Police Services Board [only until November 30, 2010]; two members of City Council; one active member elected by active members (or an pensioner if an active member is not nominated); three [two as of December 1, 2010] pensioners.	Active: Retired: Survivor Pensioners: Deferred Vested Pensioners:	10 1445 684 0
Corporation of the City of York Employee Pension Plan (York Plan). By-Law 3349-96 effective January 1, 1992. The York Employees' Pension and Benefit Committee is composed of the following members: City Treasurer; two members of City Council of which one is currently the Chair; and, two representatives elected by the retired members of the plan.	Active: Retired: Survivor Pensioners: Deferred Vested Pensioners:	0 163 105 0
Toronto Civic Employees Pension Fund (Civic Plan). By-Law 380-74 effective November 1, 1974 (replaced By-Law 18777 effective December 16, 1952 The Toronto Civic Employees Pension Committee is composed of the following members: Council-appointed citizen (currently the Chair); City Treasurer; two members of City Council; and, three pensioner representatives (with alternates) elected by the Pensioners' Association.	Active: Retired: Survivor Pensioners: Deferred Vested Pensioners:	1 894 682 1
Toronto Fire Department Superannuation and Benefit Fund (Fire Plan). By-Law 10649 effective December 14, 1925. The Toronto Fire Department Superannuation and Benefit Fund Committee is composed of the following members: Council-appointed citizen (currently the Chair); two members of City Council; three representatives (with alternates) of the Fire Dept. Pensioner Association appointed by that Association; City Treasurer.	Active: Retired: Survivor Pensioners: Deferred Vested Pensioners:	0 621 334 0

Financial Position of the Five City-Sponsored Pension Plans

Table A

The Metropolitan Toronto Pension Plan Financial Position as at December 31, 2008 ($ millions)				
	2008		**2007**	
	Going Concern	**Solvency**	**Going Concern**	**Solvency**
Assets	$645.8	$639.7	$692.7	$688.5
Liabilities	$531.1	$564.0	$557.0	$588.0
Surplus / (Deficit)	$114.7	$75.5	$135.7	$100.7
Special Payments	N/A	N/A	N/A	N/A

Notes:
- Plan performed worse than expected in 2008 as a result of the volatility of the markets, however, remains in a healthy position
- No special payments required by the City in 2009

Table B

The Metropolitan Toronto Police Benefit Fund Financial Position as at December 31, 2008 ($ millions)				
	2008		**2007**	
	Going Concern	**Solvency**	**Going Concern**	**Solvency**
Assets	$624.0	$618.1	$665.2	$669.4
Liabilities	$598.0	$639.7	$626.2	$664.5
Surplus / (Deficit)	$26.0	($21.6)	$34.1	($3.0)
Special Payments	N/A	2009: $5.5 2010 to 2013: $4.7 per year		2009: $0.772

Notes:
- The Fund performed worse than expected in 2008 as a result of the volatility of the markets
- Special Payments are required by the City as shown.

Table C

Toronto Fire Department Superannuation and Benefit Fund Financial Position as at December 31, 2008 ($ millions)				
	2008		**2007**	
	Going Concern	**Solvency**	**Going Concern**	**Solvency**
Assets	$302.0	$301.9	$323.3	$336.4
Liabilities	$258.6	$297.5	$261.9	$310.0
Surplus / (Deficit)	$43.4	$4.4	$61.5	$26.4
Special Payments	N/A	N/A	N/A	N/A

Notes:
- The Fund performed worse than expected in 2008 due to the volatility of the markets
- The solvency position of the Fund has deteriorated significantly to the point that there is a smoothed solvency surplus of $4.4 M. Without smoothing, there would be a solvency deficiency of $24.9M
- No special payments required by the City in 2009

Table D

Toronto Civic Employees Pension and Benefit Fund Financial Position as at December 31, 2008 ($ millions)				
	2008		**2007**	
	Going Concern	**Solvency**	**Going Concern**	**Solvency**
Assets	$414.5	$366.7	$441.7	$467.3
Liabilities	$279.8	$318.4	$277.4	$322.8
Surplus / (Deficit)	$134.7	$48.2	$164.4	$144.5
Special Payments	N/A	N/A	N/A	N/A

Notes:
- Plan's investments performed worse than expected in 2008 as a result of the volatility of the markets, however, its fund remains in a surplus position
- No special payments required by the City in 2009

Appendix B

Table E

The Corporation of the City of York Employee Pension Plan Financial Position as at December 31, 2008 ($ millions)				
	2008		**2007**	
	Going Concern	**Solvency**	**Going Concern**	**Solvency**
Assets	$55.0	$54.4	$57.0	$61.5
Liabilities	$57.6	$61.1	$60.5	$63.8
Surplus / (Deficit)	($2.6)	($6.7)	($3.4)	($7.1)
Special Payments	N/A	$2009: $3.5 2010 - 2012: $1.1 2013: $0.6		2009: $2.9 * 2010 - 2012: $0.5
Notes: • The Plan's fund performed worse than expected in 2008 as a result of the volatility of the markets. • Special payments are required by the City as shown.				

*This special payment combines the going-concern and solvency amounts