

The Corporation of the City of York Employee Pension Plan - Proposed Merger with the OMERS Plan - Implementation of OMERS Indexing

Date: December 3, 2018

To: City Council

From: Chief Financial Officer

Wards: All

SUMMARY

Further to the Treasurer's Report to Council dated June 18, 2018, this report seeks authority to amend the by-law governing The Corporation of the City of York Employee Pension Plan (York Plan) to implement the OMERS provision for annual CPI-linked inflation adjustments, immediately prior to the merger of the York Plan with the OMERS Plan under the Pension Transfer Agreement (PTA) between OMERS and the City. The Superintendent of Financial Services has made his consent to the transfer of assets from the Plan to the OMERS Plan conditional upon the amendment.

RECOMMENDATIONS

The Chief Financial Officer recommends that:

1. City Council approve an amendment to By-law No. 1428-2017 governing The Corporation of the City of York Employee Pension Plan (the Plan) to:
 - (a) strike out the existing formula for conditional annual Post Retirement Adjustments for pensioner benefits in section 10.04 of the Plan and replace it with the OMERS provision for annual CPI-linked inflation adjustments, allowing for the fact that the section 10.04 increases are effective on July 1 of each year; and
 - (b) make such other amendments as may be required to facilitate the merger and transfer of assets.

FINANCIAL IMPACT

There will be no expected financial impact to the City, as the fund is fully funded and the future cost of living increases will be provided by the OMERS Plan. The funding for these future increases will be built into the overall dollar amount transferable by the York Plan to the OMERS Plan as compensation for assumption of the liabilities of the York Plan, in accordance with the Pension Transfer Agreement signed between the City

and OMERS in November, 2017. At present it is not currently anticipated that any amount will need to be paid by the City to supplement the transfer from the York Plan.

DECISION HISTORY

At its meeting held on October 24 and 25, 2011, City Council adopted Executive Committee report EX11.10 "City-Sponsored Pre-OMERS Pension Plans – Analysis of Alternative Investment and Pension Administration through OMERS" authorizing staff to investigate the options of:

- (i) a possible merger of the City's five Pre-OMERS pension plans with the OMERS plan; and
- (ii) potentially winding up each of the Plans through purchase of annuities.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX11.10>

At its meeting held on June 13, 2016, Government Management Committee requested the Treasurer to report to the Government Management Committee semi-annually on the status of the merger of the City of Toronto Pre-OMERS Pension Plans and include any relevant correspondence from OMERS with the report.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM13.5>

At its meeting on November 14, 2016 Government Management Committee requested the Treasurer to submit to the Government Management Committee in the second quarter of 2017 updated information on the 2011 "Preliminary Analysis of OMERS Options City of Toronto Pre-OMERS Pension Plans" including updates to:

- a. The financial/plan information as of December 31, 2016;
- b. Merger options;
- c. Financial information for OMERS and the five plans;
- d. Demographics;
- e. Current going concern and solvency payments;
- f. Current active members; and
- g. The 8 Exhibits.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM16.4>

At its meeting on May 29, 2017 Government Management Committee received a report on the Progress on the Merger of the City of Toronto pre-OMERS Pension Plans.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM21.9>

At its meeting held on October 2, 3 and 4, 2017 City Council adopted the recommendations in the report Direction Regarding Merger of the Five (5) City of Toronto pre-OMERS Pension Plans with OMERS.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM22.23>

At its meeting held on July 23, 24, 25, 26, 27, and 30, 2018, City Council adopted the recommendations in the report from the Treasurer Regarding the Implementation of OMERS Indexing in conjunction with the Proposed Merger of the Corporation of the City of York Employee Pension Plan with the OMERS Plan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM29.9>

COMMENTS

In a report dated June 18, 2018, Council was advised that, under the Pension Transfer Agreement between the City and OMERS, the York Plan pensioners would be entitled to receive the same benefits that were entitled to receive before the transfer, subject to a possible Post Retirement Adjustment based on actuarial sufficiency on the Plan's assets, and that they would be entitled to the same unconditional CPI-linked inflationary adjustment as other OMERS Plan pensioners.

In that report, Council was advised that an amendment to the York Plan's governing by-law was required, immediately prior to the transfer of assets, striking out the existing formula for conditional annual Post Retirement Adjustments for pensioner benefits and replacing it with the OMERS provision for annual CPI-linked inflation adjustments, in accordance with the Pension Transfer Agreement between the City and OMERS respecting the York Plan.

As the amendment was not then acceptable to the Superintendent of Financial Services (the "Superintendent"), the report recommended that the amendment should be made once the Superintendent of Financial Services had consented to the transfer of assets from the City of York Plan to the OMERS Plan. At that time, authority to pass the amendment was sought with the intention that the amending by-law would be introduced at the business meeting of the new Council in December, 2018. The June 18 Report anticipated that, at that time, the Superintendent would have consented to the transfer of assets, from the City of York Plan to the OMERS Plan. However, on September 17, 2018 the Superintendent indicated that its consent to the transfer was conditional upon the amendment to the York Plan that was recommended in the June 18 Report first being made.

The Superintendent has indicated that once the amendment is effected, the criteria for the Superintendent's Consent under the section 80.4(13) of the PBA will be met.

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SIGNATURE

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