



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Progress on the Mergers of the City of Toronto Pre- OMERS Pension Plans with OMERS

Date: June 10, 2019

To: General Government and Licensing Committee

From: Controller

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

The attachment to this report deals with the security of property belonging to the City of Toronto.

SUMMARY

This report provides an update on the status of the merger of four pre-OMERS pension funds with OMERS (Ontario Municipal Employee Retirement System). The merger process is a technical and regulatory process, with approvals of pensioners and the Financial Services Commission of Ontario (FSCO), as well as detailed work by City and OMERS staff. The York Fund has successfully merged with OMERS as of January 8, 2019 and it is anticipated that the three other funds will merge in either late 2019, or early 2020.

In addition to pensioners receiving their existing pensions plus OMERS inflationary indexing, members of funds which have surpluses will also receive a share of the surplus, upon the wind up of their fund. The City will also be receiving a share of surpluses, which will vary depending on fund earnings and other actuarial factors between now and the effective dates, but is anticipated at this time to be between \$70 and \$90 million.

RECOMMENDATIONS

The Controller recommends that:

1. City Council direct that the confidential information contained in Confidential Attachment 1 remain confidential in its entirety, as it pertains to the security of property belonging to the City of Toronto.

FINANCIAL IMPACT

There is no financial impact as a result of this report.

The Corporation of the City of York Employee Pension Plan was merged with OMERS on January 8, 2019 and will be wound up later this year, while three other merging pension plans, the Toronto Civic Employees' Pension Plan, the Metropolitan Toronto Police Benefit Fund, and the Metropolitan Toronto Pension Plan, will be wound up in late 2019 or early 2020, following expected regulatory approval from the Superintendent of Financial Services of the Financial Services Commission of Ontario (FSCO). A fifth City-sponsored plan, the Toronto Fire Department Superannuation and Benefit Fund, is not merging with OMERS at this time.

As at the effective date of the merger of each City-sponsored pre-OMERS pension plan with OMERS, an actuarial valuation will be performed and the actuarial liability for future benefits payments owed will be calculated. This amount will be paid into the OMERS Plan from the City-sponsored plan. This liability will be calculated using existing assumptions with one major improvement - guaranteed cost-of-living increases calculated in the same manner as for existing retirees under the OMERS Plan.

Once the liability has been paid, any remaining funds will be dispersed according to the surplus-sharing agreements between the City and the pensioners of the City-sponsored plan on terms previously approved by Council. This surplus dispersal and ultimate wind-up of the plans will require final approval from the Superintendent. It is anticipated that the City's total share of the surpluses of all four merging pension plans, which will not be confirmed in each case until after the effective date of the merger, will be between \$70 and \$90 million.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the above financial impact information.

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.

Following is the link to the staff report and Council decision:

<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.

Following is the link to the staff report and Government Management Committee decision:

<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.

Following is the link to the staff report and Government Management Committee decision:

<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.

Following is the link to the staff report and Government Management Committee decision:

<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.

Following is the link to the staff report and Council decision:

<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 Mergers of pre-OMERS Pension Plans with OMERS and Proposal for Sharing of Surplus Funds.

Following is the link to the staff report and Council decision:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM29.10>

COMMENTS

The City-sponsored pre-OMERS pension plans have been closed to new members since 1968. As single-employer plans, they have been subject to a regulatory framework that requires valuations performed on both Going Concern and Solvency bases. The necessity for the City to fund deficiencies on either basis has resulted in payments of over \$100 million over the past twenty years, and has prompted the initiative to merge these plans with the OMERS Plan, as documented in the above reports previously considered by Council.

Since merger discussions began in 2011, all 5 pension funds have maintained sufficient financial health that it is expected OMERS will receive from each of the four merging pension plans sufficient funds to cover pensioners' earned benefits, and guaranteed cost-of-living increases matching those of the OMERS Plan.

Each pension plan is a separate financial entity and any merger with OMERS must occur separately from the merger of any other pension plan. The following chart outlines the status of each plan's merger process as at June 2019:

Plan	Effective Date	Closing Date	Status
The Corporation of the City of York Employee Pension Plan	October 31, 2018	January 8, 2019	Merged with OMERS on January 8, 2019. To be wound up in 2019 and small surplus to be distributed to pensioners.
Toronto Civic Employees' Pension Plan	July 31, 2019	Expected to occur in fall 2019	Surplus-sharing agreement executed. Submission of material to Superintendent issued on November 9, 2018. Currently awaiting approval from Superintendent.

Plan	Effective Date	Closing Date	Status
Metropolitan Toronto Police Benefit Fund	August 31, 2019	Expected to occur in fall 2019	Surplus-sharing agreement executed. Submission of material to Superintendent issued on December 17, 2018. Currently awaiting approval from Superintendent.
Metropolitan Toronto Pension Plan	October 31, 2019	Expected to occur in early 2020	Surplus sharing agreement executed. Submission of material to Superintendent issued on January 31, 2019. Currently awaiting approval from Superintendent.

The City, through its outside counsel Osler, Hoskin and Harcourt LLP (Oslers), has negotiated the disposition of projected surpluses in the Civic, Metro and Police pension plans with legal representatives of the respective pensioner groups.

Further comments respecting these matters are contained in Confidential Attachment 1.

CONTACT

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SIGNATURE

Andrew Flynn
Controller

ATTACHMENTS

Confidential Attachment 1 – Mergers of Pre-OMERS Pension Plans with OMERS