



REPORT FOR ACTION

Toronto Civic Employees' Pension Plan - Proposed Merger with the OMERS Plan - Implementation of OMERS Indexing

Date: June 10, 2019

To: General Government and Licensing Committee

From: Controller

Wards: All

SUMMARY

This report seeks authority to amend the by-law governing The Toronto Civic Employees' Pension Plan ("Civic Plan") to implement the OMERS provision for annual CPI-linked inflation adjustments, immediately prior to the merger of the Civic Plan with the OMERS Plan under the Pension Transfer Agreement ("PTA") between OMERS and the City. The PTA requires that the Civic Plan members, following a merger with the OMERS Plan, continue to be entitled to their existing benefits, with the exception that the current formula for conditional annual Post Retirement Adjustments will be replaced by the CPI-linked unconditional inflationary adjustment provided to all OMERS Plan pensioners.

The City's experience with the transfer of the York Plan indicates that the Superintendent of Financial Services' (the "Superintendent") consent will be conditional upon the indexing amendment to the Plan first being made.

RECOMMENDATIONS

The Controller recommends that:

1. City Council approve an amendment to Schedule A attached to By-law Number 100-2018 governing the Toronto Civic Employees' Pension Plan (the Plan) to:
 - a. Strike out the existing precondition and formula for conditional annual Post Retirement Adjustments for pensioner benefits in Sections 14B(3a) and 14B(3b) of the Plan and replace it with the OMERS provision for annual unconditional Consumer Price Index-linked inflation adjustments; 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, because following the merger, 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 Civic Plan to the OMERS Plan as compensation for assumption of the liabilities of the Civic Plan, in accordance with the Pension Transfer Agreement signed between the City and OMERS dated December 21, 2017. It is not currently anticipated that any amount will need to be paid by the City to supplement the transfer from the Civic Plan.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the 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.

<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>

At its meeting held on December 4, 5, and 13, 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, and passed By-law 7-2019.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.CC1.11>

On January 8, 2019, the York Employee Pension Plan successfully merged with OMERS.

COMMENTS

Under the Pension Transfer Agreement (December 21, 2017) between the City and OMERS, the Civic Plan pensioners will be entitled to receive from the OMERS Plan, the same benefits that they were entitled to receive before the transfer, except that instead of a possible annual Post Retirement Adjustment based on the actuarial sufficiency of the Plan's assets, they will become entitled, upon merger, to the same unconditional annual CPI-linked inflationary adjustment as is received by other OMERS Plan pensioners.

In order to implement the OMERS-type unconditional inflationary adjustment, the Civic Plan governing by-law must be amended immediately prior to the transfer of assets. The proposed amendment would strike out the existing precondition and formula for conditional annual Post Retirement Adjustments for pensioner benefits and replacing it with the OMERS provision for annual CPI-linked inflation adjustments. The by-law would then conform to the terms of the Pension Transfer Agreement between the City and OMERS respecting the Civic Plan.

The City is awaiting issuance of a Notice of Intended Decision from the Superintendent of Financial Services (the "Superintendent"), indicating the Superintendent's intent to consent to the transfer of assets from the Civic Plan to the OMERS Plan. Provided that there are no objections received by the Superintendent, and that any preconditions identified in the Notice are fulfilled by the City, after the expiry of the Notice period the Superintendent will issue a Consent for the transfer.

Therefore, request is made for authority to amend the by-law accordingly.

It is also recommended that the City Solicitor be given authority to make any other amendments to the governing by-law for the Civic Plan which may be required to facilitate the merger and transfer of assets to OMERS.

CONTACT

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SIGNATURE

Andrew Flynn
Controller