

Metropolitan Toronto Police Benefit Fund - 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 Metropolitan Toronto Police Benefit Fund (Police Plan) to add the OMERS provision for annual CPI-linked inflation adjustments, immediately prior to the merger of the Police Plan with the OMERS Plan under the Pension Transfer Agreement (PTA) between OMERS and the City. The PTA requires that the Police Plan members, following a merger with the OMERS Plan, continue to be entitled to their existing benefits, with the exception that they will become entitled to the CPI-linked unconditional inflationary annual adjustment as is provided to all OMERS Plan pensioners. The Police Plan does not currently contain an indexing provision *per se*. All historical increases have been *ad hoc* amendments to the by-law under specified conditions.

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 By-law Number 116-2018 governing the Metropolitan Toronto Police Benefit Fund (the Plan) to:
 - a. Add 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 Police Plan to the OMERS Plan as compensation for assumption of the liabilities of the Police 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 Police Plan.

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.

<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 dated December 21, 2017 between the City and OMERS, the Police 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.

The Police Plan does not provide for "indexation" *per se*. In certain past years when the Police Plan's actuarial valuation report at the end of the previous year showed sufficient surplus to permit a benefit payment increase, Council approved on an *ad hoc* basis to increase benefit payments, with the increase generally tied to the Canadian Consumer Price Index ("CPI").

In order to implement the OMERS-type unconditional inflationary adjustment, the Police Plan governing by-law must be amended immediately prior to the transfer of assets to

add 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 Police 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 Police 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 Police Plan which may be required to facilitate the merger and transfer of assets to OMERS.

CONTACT

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SIGNATURE

Andrew Flynn
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