

April 2010

Metropolitan Toronto Pension Plan

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2009

MERCER

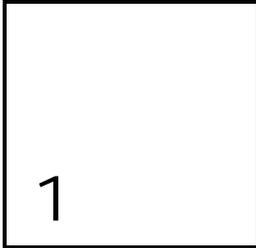


MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Consulting. Outsourcing. Investments.

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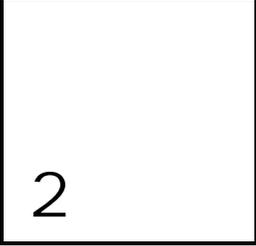
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Summary of Results

Asset Values	31.12.2009	31.12.2008
Market value of assets	\$569,518,000	\$553,263,000
Rate of return during the year, based on market values (gross)	14.30%	-11.40%
Actuarial value of assets	\$599,848,000	\$645,820,000
Rate of return during the year, based on actuarial values (net of investment expenses)	1.98%	1.86%
Going-Concern Financial Position	31.12.2009	31.12.2008
Actuarial value of assets	\$599,848,000	\$645,820,000
Actuarial liability	511,622,000	531,076,000
Funding excess	\$88,226,000	\$114,744,000
Wind-Up Financial Position	31.12.2009	31.12.2008
Market value of assets (net of estimated Plan termination expenses)	\$569,085,000	\$552,812,000
Wind-Up liability	552,314,000	554,872,000
Wind-Up excess (deficiency)	\$ 16,771,000	\$ (2,060,000)
Transfer ratio	1.00	0.99

Solvency Financial Position	31.12.2009	31.12.2008
Solvency assets	\$ 569,085,000	\$ 552,812,000
Solvency asset adjustment	23,527,000	86,853,000
Adjusted solvency assets	\$592,612,000	\$639,665,000
Solvency liability	\$552,314,000	\$554,872,000
Solvency liability adjustment	(5,356,000)	9,108,000
Adjusted solvency liability	\$546,958,000	\$563,980,000
Solvency excess (deficiency)	\$ 45,654,000	\$ 75,685,000
Indexation Reserve Account (lesser of funding excess and solvency excess)	\$ 45,654,000	\$ 75,685,000
Plan Membership	31.12.2009	31.12.2008
Active	4	6
Suspended or disabled	3	3
Retired members in receipt of pensions	1,830	1,934
Surviving spouses in receipt of pensions	1,037	1,050
Vested deferred pensioners	4	5
Total membership	2,878	2,998
Funding Requirements (annualized)	2010	2009
Total current service cost	\$ 0	\$ 0
Estimated member required contributions	(0)	(0)
Employer current service cost	\$ 0	\$ 0
Minimum special payments	\$ 0	\$ 0
Estimated minimum Employer contribution	\$ 0	\$ 0
Estimated maximum Employer contribution	\$ 0	\$ 0

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Introduction and Executive Summary

Introduction

To: Trustees, Metropolitan Toronto Pension Plan

At your request, we have conducted an actuarial valuation of the Metropolitan Toronto Pension Plan (the “Plan”) as at December 31, 2009. The previous actuarial valuation was prepared as at December 31, 2008.

The purpose of this valuation is to determine:

- the funded status of the Plan as at December 31, 2009 on going-concern and solvency bases, and
- the minimum funding requirements by the City of Toronto (the “Employer”) and the Plan members during the period from January 1, 2010 through December 31, 2012.

The next actuarial valuation of the Plan will be required as at a date not later than December 31, 2012 or as at the date of an earlier amendment to the Plan, in accordance with the minimum requirements of the *Pension Benefits Act (Ontario)*. However, since the Trustees of the Plan have historically required the completion of an actuarial valuation every year, the next actuarial valuation of the Plan is scheduled to occur as at December 31, 2010.

The Report sets out full details of the Plan’s financial position on the valuation date, makes recommendations as to the utilization of the experience gains and illustrates the effect of these recommendations on the Plan’s funded position.

Executive Summary

Summary of Results

a) Plan Assets

For purposes of the going-concern valuation, the assets are valued on a smoothed market value basis.

A description of the asset valuation method is provided in Section 3. There were no changes to the method used to value the Plan's assets.

The assets of the Plan, as reported on financial statements obtained from the custodian, have changed as follows during 2009.

	December 31, 2008	December 31, 2009	Rate of Return in 2009 *
Market Value	\$ 553,263,000	\$ 569,518,000	14.14%
Actuarial Value	\$ 645,820,000	\$ 599,848,000	1.98%

* The rate of return is net of investment expenses.

b) Going-Concern Financial Position as at December 31, 2009

On a going-concern basis, the actuarial value of assets of \$ 599,848,000 exceeds the actuarial liabilities of \$ 511,622,000 by \$ 88,226,000. The funding excess has decreased from an amount of \$ 114,744,000 as at December 31, 2008 to an amount of \$ 88,226,000 as at December 31, 2009. This is primarily the result of a change to the By-law provisions to pay the cost of living increase provided at January 1, 2009 and net experience losses primarily due to the worse than expected performance of the assets on an actuarial value basis. Further details can be found in Section 4.

c) Solvency/Wind-up Position as at December 31, 2009

On a solvency basis, the value of the assets of \$ 592,612,000 (market value less estimated termination expenses plus the solvency asset adjustment) exceeds the actuarial liabilities of \$ 546,958,000, producing a solvency excess of \$ 45,654,000. The previous valuation at December 31, 2008 indicated a solvency excess of \$ 75,685,000.

The change in the solvency position since the previous valuation is primarily the result of losses from the cost of the January 1, 2009 cost of living increase and losses resulting from the worse than expected performance of the assets on the actuarial value basis. Further details can be found in Section 6.

On a wind-up basis, the value of the assets of \$ 569,085,000 (market value less estimated termination expenses) exceeds the actuarial liabilities of \$ 552,314,000, producing a wind-up excess of \$ 16,771,000. The previous valuation at December 31, 2008 indicated a wind-up deficiency of \$ 2,060,000.

d) Funding Requirements

Since all active members have completed 35 years of credited service at the date of this valuation, there are no member or Employer contribution requirements in 2010 in respect of current service.

Since the Plan is fully funded on both the going-concern and solvency bases, there are no Employer contribution requirements in 2010 in respect of past service.

e) 50% Rule Refund of Excess Contributions

It was recently discovered that, in respect of members who retired since January 1, 1987, the 50% rule refund of excess contributions amount, if any, may not have been processed. The issue is under investigation and a resolution has not yet been reached. At this time, the impact of the above, if any, is not known and cannot as yet be quantified. If it is determined that the Plan has an additional liability for unpaid excess refunds, the funded position of the Plan will be adversely affected and special payments may have to be made.

f) Plan Membership

The membership data received from the Employer for purposes of this valuation include:

- 4 active members, consisting of all regular members, having an average age of 63.5 years and 2009 pensionable earnings totalling \$ 282,159.
- 3 disabled and suspended members having an average age of 65.1 years;
- 1,830 retired members having an average age of 77.9 years, in receipt of annual pensions totalling \$ 42,837,201;
- 1,037 surviving spouses having an average age of 80.4 years, in receipt of annual pensions totalling \$ 13,680,372;
- 4 members who are former employees with vested deferred pension entitlements estimated at \$ 12,864 per annum in total, with an average age of 75.2 years.

During 2009, the active membership has changed from 6 at the start of the year to 4 at the current valuation date. The number of retired members and surviving beneficiaries receiving pensions from the Plan decreased from 2,984 to 2,867.

During the inter-valuation period, there were 3 new retirements with an average age 56.7 years.

Reconciliation of these membership changes and further details are included in Appendix B.

Changes in Actuarial Assumptions and Methods

There have been no material changes made to the going-concern actuarial assumptions and methods from those used in the last actuarial valuation:

A complete description of the going-concern actuarial methods and assumptions is provided in Appendix C.

Changes in By-law Provisions

An increase of 2.37% was granted on pensions, retroactively to January 1, 2009, to pensioners on benefit for more than one year. A proportionate increase of 0.1975% for each month of pension payment made in 2008 was granted for pensioners who retired during 2008. The cost of providing this increase was \$ 12,232,000 on the going-concern basis, or \$12,787,000 on the solvency basis.

There have been no other changes to the By-law provisions since the previous valuation as at December 31, 2008.

A summary of the main By-law provisions in effect on the valuation date is provided in Appendix A.

Recommendations

Based on the results of the valuation it is recommended that an increase of 0.30% be granted on pensions, effective January 1, 2010, to pensioners on benefit for more than one year and a proportionate increase of 0.025% for each month of pension payment made in 2009 be granted for pensioners who retired during 2009.

The total estimated cost to provide this increase is \$ 1,494,000, on the going-concern basis or \$ 1,598,000, on the solvency basis.

This report will be filed with the Financial Services Commission of Ontario ("FSCO") and with the Canada Revenue Agency ("CRA").

Respectfully submitted,



Anil Narale

Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

April 15, 2010

Date



Frank Dekeyser

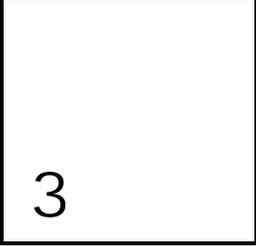
Associate of the Society of Actuaries

April 15, 2010

Date

Metropolitan Toronto Pension Plan

Registration number with the FSCO and with the CRA: 0351577

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Plan Assets

The going-concern assets are recorded at an "Actuarial Value" which is determined as follows:

- (1) The market value of total assets at the previous year-end is accumulated, together with the current year's cash flow, with interest at the valuation rate of 5.50%; and
- (2) The difference between the accumulation in (1) and the market value of total assets at the valuation date is spread over the current year and the three succeeding years in four equal amounts.

The value determined in accordance with the above method is \$600,102,000 at December 31, 2009. This amount is further adjusted with net payments in-transit of \$254,000, producing an **Actuarial Value of \$599,848,000** at December 31, 2009.

Amounts in-transit (i.e. payments made in 2010 in respect of 2009) at December 31, 2009 include:

- \$254,000, in respect of investment management fees.

The effect of the foregoing is shown below (in \$ 000).

Assets of the Pension Fund at December 31, 2009	Market Value	Actuarial Value
I. Cash and Equivalents		
▪ Cash and short-term investments	14,222	14,222
II. External Management		
▪ Bonds	271,592	271,592
▪ Canadian equities	147,252	147,252
▪ Foreign (U.S.) equities	136,706	136,706
Subtotal	555,550	555,550
III. Smoothing Adjustment		30,330
Total (before in-transit amounts)	569,772	600,102
Net amount in-transit	(254)	(254)
Total (after in-transit amounts)	569,518	599,848

Under this adopted asset valuation method, the Plan's investment rate of return in 2009 was equal to 1.98% (net of investment management expenses).

The currently unrecognized elements of the market value of assets will be taken into account in future years in the following amounts (\$ 000).

2010	25% of 2007 loss	(7,826)	
	25% of 2008 loss	(28,112)	
	25% of 2009 gain	11,240	(24,698)
2011	25% of 2008 loss	(28,111)	
	25% of 2009 gain	11,240	(16,871)
2012	25% of 2009 gain	11,239	11,239
Total			(30,330)

The pension fund custodian is CIBC Mellon and the assets are invested in accordance with the investment policy by the following investment managers as at December 31, 2009:

Manager	Investments
TD Asset Management	Bonds & Canadian Equities
Fiera	Bonds
Gryphon	Canadian Equities
State Street	U.S. Equities

Reconciliation of Fund Assets (\$ 000)

		Market Value	Actuarial Value
Value at 31.12.2008		553,263	645,548
Net amount in-transit	272	272	272
Adjusted Value at 31.12.2008		553,535	645,820
I. Contributions			
Employee Contributions	0		
Employer Contributions	0	0	0
II. Adjusted Investment Income		74,960	13,005
III. Pensions & Other Benefits			
Pensions for Members	43,943		
Pensions for Widows & Others	13,639		
Death Benefits	0	(57,582)	(57,582)
IV. Actuarial, Legal and Other Fees			
Actuarial Fees	222		
Custodial Fees	50		
Investment Management Fees	783		
Other Fees (audit, legal, etc.)	86	(1,141)	(1,141)
Value at 31.12.2009 (before in-transits)		569,772	600,102
Net amount in-transit	(254)	(254)	(254)
Value at 31.12.2009 (after in-transits)		569,518	599,848

Historical Fund Performance

Annual rates of return, net of investment expenses, for the last 12 years are provided below on both a market value and actuarial value bases.

	Year-end Market Value	Market Value Rate of Return	Year-end Actuarial Value	Actuarial Value Rate of Return
2009	\$ 569,518,000	14.14%	\$ 599,848,000	1.98%
2008	553,263,000	-11.50%	645,820,000	1.86%
2007	688,253,000	1.15%	692,666,000	6.67%
2006	740,266,000	9.80%	707,665,000	8.52%
2005	732,883,000	8.52%	711,097,000	4.20%
2004	735,469,000	7.05%	743,769,000	1.63%
2003	748,494,000	9.37%	794,867,000	1.04%
2002	745,915,000	-5.95%	850,667,000	1.79%
2001	859,535,000	-0.16%	899,582,000	7.50%
2000	926,878,000	3.25%	900,371,000	11.67%
1999	965,949,000	9.53%	871,990,000	16.18%
1998	943,011,000	16.45%	810,002,000	17.38%

Historical Updates to Pensions In-Payment

Annual cost-of-living adjustments (COLA) for the last 23 years, applicable to pensions that have been in payment for at least one year on the effective date, are provided below. Adjustments are currently based on a ratio of the index determined on a 12 month average to December of the current year over the average to December of the prior year.

Effective Date	COLA Update	Effective Date	COLA Update
July 1, 1987	4.75%	January 1, 1999	1.00%
July 1, 1988	3.00%	January 1, 2000	2.60%
July 1, 1989	5.21%	January 1, 2001	3.20%
July 1, 1990	5.10%	January 1, 2002	2.50%
July 1, 1991	5.00%	January 1, 2003	2.30%
July 1, 1992	3.80%	January 1, 2004	2.80%
July 1, 1993	2.10%	January 1, 2005	1.83%
July 1, 1994	1.70%	January 1, 2006	2.23%
July 1, 1995	0.20%	January 1, 2007	2.01%
July 1, 1996	1.80%	January 1, 2008	2.14%
July 1, 1997	2.20%	January 1, 2009	2.37%
July 1, 1998	0.70%		

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Valuation Results – Going-Concern Basis

On the basis of the foregoing, the financial position of the Plan on the going-concern basis as at December 31, 2009, with comparable results from the previous valuation, is summarized below:

Financial Position – Going-Concern Basis

	Dec. 31, 2009 (\$ 000)	Dec. 31, 2008 (\$ 000)
Assets		
▪ Value of Pension Fund	600,102	646,092
▪ Net amount in-transit	(254)	(272)
Actuarial value of assets	599,848	645,820
Liabilities		
▪ Active members		
Regular members	2,331	3,535
Fire-fighters	0	0
Total actives	2,331	3,535
▪ Disabled and suspended members	308	202
▪ Retired members' pensions	397,307	415,610
▪ Spouses and other survivor pensions	103,565	103,026
▪ Vested deferred members	139	153
▪ Reserve for possible surplus distribution to retired members	7,972	8,550
Total actuarial liabilities	511,622	531,076
Funding excess/(unfunded liability) *	88,226	114,744

* The going-concern position is subject to change pending resolution of the 50% rule excess refund issue.

It should be noted that all figures are net of Government Annuity pensions credited to certain members under predecessor pension plans.

Current Service Cost

The estimated value of the benefits that will accrue on behalf of the active members during 2010, and a comparison with the corresponding value for 2009 determined in the prior valuation, is summarized below:

	2010	2009
Estimated Employer current service cost	\$ 0	\$ 0
Estimated Member required contributions	\$ 0	\$ 0
Employer current service cost as a percentage of member earnings		
▪ Firefighters	6.5% up to YMPE, 8.0% in excess	6.5% up to YMPE, 8.0% in excess
▪ Other Members	5.5% up to YMPE, 7.0% in excess	5.5% up to YMPE, 7.0% in excess

As at December 31, 2009 all active members had completed 35.0 years of credited service. Therefore, no further contributions for current service are required by the Employer and the Plan members.

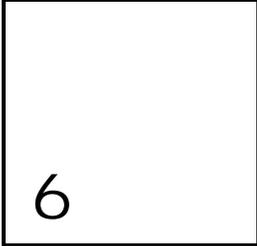
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Reconciliation of Going-Concern

Financial Position

As the foregoing actuarial balance sheet indicates, the Plan has a funding excess aggregating \$ 88,226,000 on the valuation date. The analysis of change in the funding excess during 2009 is as follows.

	(\$ 000)	(\$ 000)
Funding Excess at December 31, 2008		114,744
▪ COLA increase at 1/1/2008	(12,232)	
▪ Interest on reserve account at 5.50% per year, after COLA	5,638	(6,594)
Experience gains (losses)		
▪ Investment experience	(22,327)	
▪ Retirement experience	124	
▪ Mortality experience	1,221	
▪ Wage increases (greater) lower than expected	46	
▪ Recalculation of surplus distribution reserve	1,048	
▪ Miscellaneous gains (losses)	(36)	(19,924)
Funding Excess at December 31, 2009		88,226

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Valuation Results – Solvency Basis

When conducting a solvency valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities on a solvency basis, determined in accordance with the *Pension Benefits Act (Ontario)*. The value of the Plan's assets and liabilities on a solvency basis are related to the corresponding values calculated as though the Plan were wound up and settled on the valuation date.

A four year smoothing method (similar to the going-concern smoothing method) has been applied to determine the solvency assets and liabilities. Further details are provided in Appendix D.

Financial Position on a Solvency Basis

The Plan's solvency position as at December 31, 2009, in comparison with that of the previous valuation as at December 31, 2008, is determined as follows:

Financial Position – Solvency Basis

	Dec. 31, 2009 (\$ 000)	Dec. 31, 2008 (\$ 000)
Assets		
Market value of assets (before in-transit amounts)	569,772	553,535
▪ Net amount in-transit	(254)	(272)
Market value of assets (after in-transit amounts)	569,518	553,263
▪ Termination expenses	(433)	(451)
Solvency assets	569,085	552,812
Solvency asset adjustment (averaging method)	23,527 *	86,853
Adjusted solvency assets	592,612	639,665
Actuarial liability		
Present value of accrued benefits for:		
▪ active members	2,528	3,726
▪ disabled and suspended members	329	233
▪ retired members	430,286	434,908
▪ survivors	111,047	107,293
▪ vested deferred members	152	162
▪ reserve for possible surplus distribution to retired members	7,972	8,550
Solvency liabilities	552,314	554,872
Solvency liability adjustment	(5,356)	9,108
Total actuarial liability	546,958	563,980
Solvency excess/(deficiency) **	45,654	75,685
Transfer ratio	1.00	0.99

* Averaging method adjustment = 75% of investment gains from 2009, \$(37,162,000), plus 50% of investment losses from 2008, \$53,751,000, plus 25% of investment losses from 2007, \$6,938,000.

** The solvency position is subject to change pending resolution of the 50% rule excess refund issue.

Payment of Benefits

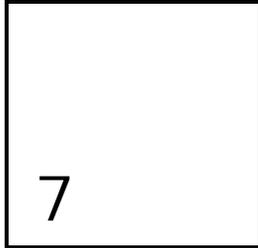
If the transfer ratio is less than one, the Plan administrator should ensure that the monthly special payments are sufficient to meet the requirements of the Act to allow for the full payment of benefits. Otherwise, the Plan administrator should take the actions prescribed by the Act.

Impact of Plan Wind-Up

In our opinion, the market value of the Plan's assets would be greater than the actuarial liabilities if the Plan were to be wound up on the valuation date. Specifically, as at December 31, 2009, the market value of assets of \$ 569,085,000 would exceed the actuarial liabilities of \$ 552,314,000 by an amount of \$ 16,771,000. For purposes of this calculation, the market value of assets includes amounts in-transit and a provision for termination expenses that might be payable from the pension fund. It should be noted that the financial position on the windup basis is subject to change pending resolution of the 50% rule excess refund issue.

Pension Benefits Guarantee Fund (PBGF) Assessment

In accordance with subsection 47(1)(p.14) of the Regulations under the *Pension Benefits Act (Ontario)*, the pension benefits provided by this Plan are not guaranteed by the Pension Benefits Guarantee Fund (PBGF) and are therefore exempt from the filing of PBGF assessment certificate (subsection 18(7) of the Regulations) and payment of an annual PBGF assessment (section 37 of the Regulations).



Indexation Reserve Account

General

The pension plan that the Plan can be fairly compared with is the Ontario Municipal Employees Retirement System (OMERS). OMERS has adopted automatic indexation. It was, and is, our opinion that the Plan with its closed membership could not afford to undertake automatic indexation but, instead, must use available assets to meet inflationary pressures on a yearly basis.

Therefore, in 1991 a policy was recommended and adopted that:

- a) assets not required to meet specific current pension liabilities be held in an Indexation Reserve Account (IRA);
- b) the IRA be limited to 30% of the going-concern liability for non-indexed benefits;
- c) the IRA be built up to the maximum before any allocation of surplus be considered; and
- d) minor improvements in pension benefits and increases in pensions due to cost-of-living inflation should be limited to the extent that the IRA is sufficient.

Indexation Reserve Account

The change in the Indexation Reserve Account during 2008 is outlined below.

	(\$ 000)	(\$ 000)
Indexation Reserve Account at December 31, 2008		75,685
January 1, 2008 cost-of-living increases to pensions		(12,787)
Indexation Reserve Account at January 1, 2009		62,898
Indexation Reserve Account at December 31, 2009		
a) Going-concern excess (deficiency)	88,226	
b) Solvency excess (deficiency)	45,654	
Indexation Reserve Account (lesser of (a) and (b))		45,654
January 1, 2010 recommended cost-of-living increases to pensions		(1,598)
Indexation Reserve Account at January 1, 2010		44,056

Note: The Indexation Reserve Account (IRA) is not to exceed 30% of the going-concern liability, or \$ 153,487,000.

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Recommendations

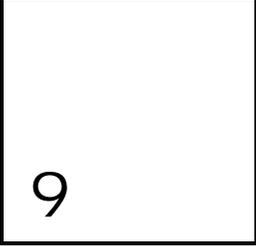
Active Members

No improvements are recommended at this time.

Retired Members

It is recommended that an increase of 0.30% be granted on pensions, effective January 1, 2010, to pensioners on benefit for more than one year and a proportionate increase of 0.025% for each month of pension payment made in 2009 be granted for pensioners who retired during 2009 for which the total estimated cost is \$ 1,494,000 on the going-concern basis, or \$1,598,000 on the solvency basis. The pension increase schedule is provided below.

Number of Months of payment	Adjustment Percentage
12 or greater	0.300%
11	0.275%
10	0.250%
9	0.225%
8	0.200%
7	0.175%
6	0.150%
5	0.125%
4	0.100%
3	0.075%
2	0.050%
1	0.025%

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Actuarial Opinion

**With respect to the Actuarial Valuation as at December 31, 2009
of the Metropolitan Toronto Pension Plan
FSCO and CRA Registration No. 0351577**

It is hereby certified that, in our opinion, with respect to the Metropolitan Toronto Pension Plan:

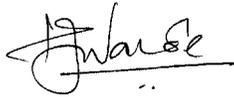
- 1) since all active members had attained 35 years of pensionable service as at December 31, 2009, current service contributions for 2010, and thereafter, are nil;
- 2) on a going-concern basis, the Plan was in satisfactory financial condition as at December 31, 2009, having a funding excess of \$ 88,226,000;
- 3) on a solvency basis, the Plan has a solvency excess of \$ 45,654,000 as at December 31, 2009;
- 4) adoption of the recommendations in Section 8 of this Report would still leave the Plan in satisfactory financial condition as at January 1, 2010, with an estimated going-concern funding excess of \$ 86,732,000 and an estimated solvency excess of \$ 44,056,000;
- 5) the financial positions of the Plan on the going-concern and solvency bases are subject to change pending resolution of the 50% rule excess refund issue;
- 6) as at December 31, 2009, the transfer ratio of the Plan is 1.00 and the Prior Year Credit Balance is \$ 0;
- 7) the Plan benefits are not guaranteed by the Pension Benefits Guarantee Fund and are therefore exempt from the annual filing of the PBGF assessment certificate and

payment of any associated fees, in accordance with subsection 47(1)(p.14) of the Regulations under the *Pension Benefits Act (Ontario)*.

In our opinion,

- the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.
- the assumptions are, in aggregate, appropriate for the purpose of the valuation.
- the methods employed in the valuation are appropriate for the purpose of the valuation.
- the actuarial liabilities would exceed the value of the assets if the Plan were to be wound up on the valuation date.

This report has been prepared, and our opinions have been given, in accordance with accepted actuarial practice.



Anil Narale

Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

April 15, 2010

Date



Frank Dekeyser

Associate of the Society of Actuaries

April 15, 2010

Date

Appendix A

By-law Provisions

The following is a summary of the main provisions of the Plan, contained in By-law no. 15-92, which are relevant to the actuarial valuation. For complete details reference should be made to the formal plan document.

Effective Date:	January 1, 1954.
Membership:	Employees of the Employer and predecessor employers who were hired before July 1, 1968.
Normal Retirement:	Regular Members – age 65; and Firefighters – age 60
Early Retirement:	Unreduced pensions when age plus service total 85 or more. Firefighters also have a "30 and out" early retirement clause. The early retirement penalty is 4% per year (5% per year pre-1992). However, for a 5-year period beginning July 1, 1998, the rule of 85 was replaced by 80 and the early retirement penalty was reduced to 2.0% per year.
Disability Retirement:	Permitted, with full accrued pensions, (a) after 10 years service, upon total and permanent disability; or (b) after 20 years service, upon inability of performing current job.

Member Contributions: 5½% of annual pensionable earnings up to the Canada Pension Plan Y.M.P.E., and 7% of higher annual earnings until Credited Service equals or exceeds 35 years.

Firefighters must contribute an additional 1% of pensionable earnings.

However, for a six-month period beginning July 1, 1998, member contributions were reduced by 2%. Member contributions were entirely eliminated for the years 1999 to 2004. Since all active Members had completed 35 years of pensionable service as at December 31, 2004, there are no further contribution requirements after this date.

A refund of contributions previously made by members after completion of 35 years of credited service was made in 2000.

Employer Contributions: Same as Member contributions.

Normal Retirement Pension: 2% of employee's highest consecutive 5-year average earnings, multiplied by his number of years of service up to a maximum of 35 years, less (after age 65 or total disability) 0.7% of final 3 year average Y.M.P.E., multiplied by number of years of service after 1.1.66, up to a maximum of 35 years.

For years of service after 1991, the Canada Revenue Agency limit on pensions per year of service applies.

Minimum Pension at Normal Retirement: Annual pension of \$450 multiplied by credited service (to a maximum of 30 years), effective from January, 2008. The prior minimum was \$300, effective from June, 1992.

Spousal Benefits: 66.67% of the deceased member's normal pension.

Orphans' Pensions: If there is no Spouse, 66.67% of the deceased member's normal pension until youngest orphan reaches 21. If there is a Spouse, an amount per child under age 21 where the total paid to Spouse AND Orphans is not to exceed 100% of the deceased member's normal pension.

Other Pre-Retirement Death Benefits: Return of deceased member's pre-1987 contributions plus interest, plus the commuted value of the deceased member's post-1986 accrued pension, in lieu of the spouse pension.

Minimum Death Benefit: Return of deceased member's contributions plus interest, or pension payable for 60 months certain.

Withdrawal Benefits:	Vested pension, or return of terminated member's pre-1987 contributions plus interest plus the commuted value of the member's post-1986 accrued pension.
Employer Cost-Sharing:	Upon termination, death or retirement, the member or his beneficiary is entitled to receive the excess, if any, of the member's contributions (pre-87 & post-86) plus interest over 50% of the commuted value of the accrued pension.

Notes:

- (1) All pensions are subject to the maximum limitation imposed by the *Municipal Act* and the *Income Tax Act*.
- (2) The Fund is subject to the provisions of the *Pension Benefits Act (Ontario)*.

Appendix B

Membership Data

Data as to the membership of the Plan were obtained from the Employer for purposes of this actuarial valuation. These data reflect membership changes up to the end of February (approximately) of the year following the valuation date.

Tests were carried out as to the validity of the data by comparison with the data obtained in the previous valuation, by reconciliation of the membership movement during the inter-valuation period and by performing various data checks to ensure that salaries, pension amounts, dates of birth, and so on are reasonable. The results of these tests were satisfactory.

Membership Reconciliation

A reconciliation of the membership data since the previous valuation is provided below.

	Active Members	Suspended & Disabled Members	Pensioners	Surviving Spouses	Vested Deferred Pensioners
As at 31.12.2008	6	3	1,934	1,050	5
Recovery from disabled					
Pension Splits					
Exits By:					
Retirement	(2)		3		(1)
Death - no spouse			(46)	(74)	
Death - with spouse			(61)	61	
Disabled					
As at 31.12.2009	4	3	1,830	1,037	4

Membership Summary

Plan membership data are summarised below. For comparison, we have also summarised corresponding data from the previous valuation.

Membership Data

	31.12.2008	31.12.2008
Active Members		
▪ Number	4	6
▪ Average years of pensionable service	35.0	35.0
▪ Average age in years	63.5	62.5
▪ Average earnings in the year	\$ 72,185	\$ 76,210
▪ Average accumulated contributions	\$327,407	\$315,405
Disabled & Suspended Members		
▪ Number	3	3
▪ Average years of pensionable service	35.0	35.0
▪ Average age in years	65.1	64.1
▪ Average annual accrued pension	\$ 4,653	\$ 4,649
Deferred Pensioners		
▪ Number	4	5
▪ Total annual pension	\$ 12,864	\$ 14,316
▪ Average annual pension	\$ 3,216	\$ 2,863
▪ Average age in years	75.2	72.2
Pensioners		
▪ Number	1,830	1,934
▪ Total annual lifetime pension	\$ 41,765,958	\$ 42,603,527
▪ Total annual bridge pension	\$ 1,071,244	\$ 1,308,968
▪ Average total annual pension	\$ 23,408	\$ 22,766
▪ Average age in years	77.9	77.2
Spousal Pensioners		
1) Number	1,037	1,050
2) Total annual lifetime pension	\$ 13,536,012	\$ 13,080,101
3) Total annual bridge pension	\$ 144,360	\$ 146,798
4) Average total annual pension	\$ 13,192	\$ 12,702
5) Average age in years	80.4	80.0

Note that the pension amounts above are net of Government Annuity pensions credited to certain members under predecessor pension plans.

Active Members

There are currently 6 active members consisting of 4 regular members and no firefighters. The average age of these members is 63.5 years.

The following table provides a further breakdown:

Age Group	No.	Average Pensionable Service	Average Earnings	Average Accumulated Contributions
60 – 64	3	35.0	\$ 76,175	\$ 346,130
65+	1	35.0	60,217	271,237
Total	4	35.0	\$ 72,185	\$ 327,407
Males	1	35.0	\$121,386	\$ 476,713
Females	3	35.0	\$ 55,785	\$ 277,638

Disabled & Suspended Members

There is currently 1 disabled members (1 regular members and 0 firefighters) accruing service under the Plan and 2 members (1 firefighter and 1 regular member) whose benefits are suspended. The disabled member is 62.0 years of age and the suspended members average 66.7 years of age.

The following table provides a further breakdown:

Age Group	No.	Average Annual Deferred Pension
60 – 64	2	\$ 6,704
65 & over	1	552
Total	3	\$ 4,653
Males	3	\$ 4,653
Females	0	\$ 0

Pensioners and Spouses

There are currently 1,830 pensioners having an average age of 77.9 years, receiving an average annual pension of \$ 23,408 and there are 1,037 surviving spouses having an average age of 80.4 years, receiving an average annual pension of \$ 13,192. The following table provides a further breakdown.

Age Group	PENSIONERS		SURVIVING SPOUSES	
	No.	Average Pension	No.	Average Pension
Under 50			2	\$ 17,034
50 – 54			2	4,129
55 – 59	1	\$ 33,810	13	18,039
60 – 64	76	40,819	26	17,086
65 – 69	230	24,738	68	13,631
70 – 74	363	26,481	135	14,541
75 – 79	453	22,955	221	14,418
80 – 84	350	20,855	249	13,083
85 – 89	253	20,480	211	12,170
90 – 94	90	15,407	98	9,788
95 & over	14	9,514	12	8,201
Total	1,830	\$ 23,408	1,037	\$ 13,192
Males	1,463	\$ 25,395	39	\$ 7,950
Females	367	\$ 15,449	998	\$ 13,397

Deferred Vested Pensioners

There are currently 4 members, who are former employees, having an average age of 75.2 years, with an average annual deferred pension of \$ 3,216. The following table provides a further breakdown.

Age Group	No.	Average Deferred Pension
60 – 64	2	\$ 4,620
65 & over	2	1,812
Total	4	\$ 3,216
Males	2	\$ 1,242
Females	2	\$ 5,190

Plan Participants Split by Employer

The number of Plan participants at December 31, 2009 are split by Participating Employer below.

ER Code	Pensioners	Survivors	Other	Total	Participating Employer Name
1	748	450	6	1,204	Metro Toronto
4	1	1	-	2	Metro Planning Dept
6	3	3	-	6	Metro Toronto Zoo
9	6	2	-	8	Riverdale Hospital
16	-	2	-	2	City of Toronto (Swansea)
18	-	1	-	1	Toronto (Forest Hill) Fire Dept
21	127	57	-	184	North York (Inside Employees)
22	154	131	1	286	North York (Outside Employees)
23	26	12	-	38	North York PLB (Union)
24	12	1	-	13	North York PLB (Non-Union)
26	203	75	-	278	North York Firefighters
31	165	130	-	295	Scarborough
32	5	2	-	7	Scarborough PLB
33	123	48	1	172	Scarborough Firefighters
42	-	-	-	-	Etobicoke (New Toronto PLB)
51	2	3	-	5	York (Weston)
52	5	2	-	7	York (Weston) Firefighters
61	47	48	-	95	East York
62	71	19	-	90	East York Firefighters
63	3	2	-	5	East York Board of Education
64	2	1	-	3	East York (Leaside)
71	13	6	1	20	Toronto & York Roads Commission
80	114	41	2	157	Police (Civilians)
Total	1,830	1,037	11	2,878	



Appendix C

Actuarial Methods and Assumptions – Going-Concern Basis

The actuarial value of the benefits under the Plan is based on economic and demographic assumptions. At each valuation, we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise the assumptions if necessary.

In this valuation, we have used the same assumptions as in the previous valuation, except as noted. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations. For this valuation, we have used the following assumptions:

Economic Assumptions

Investment Return

We have assumed that the investment return on the actuarial value of the Plan assets, net of eligible expenses charged to the Plan assets, will average 5.50% per year over the long term. We have based this assumption on an expected long-term return on the pension fund less an allowance for investment and administrative expenses and less a margin for adverse deviations, as described below.

We have assumed a gross rate of return of 6.64% consistent with market conditions applicable on the valuation date, based on estimated returns for each major asset class and the target asset mix specified in the Plan's investment policy. We have allowed for investment and administrative expenses of 0.17% per year, the expected average rate of such expenses in the future. We have included a margin for adverse deviations, from all sources, of 0.97% per year.

Discount Rate

We have assumed that the discount rate for determination of the actuarial liabilities will be equal to the investment return assumption of 5.50% per year.

Expenses

We have not included a specific allowance for eligible Plan expenses. Instead, we have assumed that the investment return assumption is net of all eligible Plan expenses.

Increases in Pensionable Earnings

The benefits ultimately paid will depend on each member's final average earnings. To calculate the pension benefits payable upon retirement, death or termination of employment, we have taken the 2009 annualized earnings and assumed that such earnings will increase at 4.50% per year.

This is based on an assumed inflation rate of 2.50% per year, a productivity component of 1.0% per year and a merit and promotional increase component of 1.00% per year.

Increases in the YMPE

Since the benefits under the Plan depend on the average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, it is necessary to make an assumption about future increases in the YMPE for this valuation.

It is assumed that the YMPE will increase at the rate of 3.50% per year from its 2010 level of \$ 47,200.

Increases in the Maximum Pension Permitted under the Income Tax Act

The *Income Tax Act (Canada)* (ITA) stipulates that the maximum pension that can be provided under a registered pension plan will increase from \$ 2,444 in 2009 to \$2,494 in 2010 and, thereafter, increase in accordance with general increases in the average wage. For this Plan the ITA maximum pension limitations apply only to the pension benefits accrued after 1991.

For this valuation, it is assumed that the ITA maximum pension will increase at the rate of 3.50% per year, starting in 2011.

Cost-of-Living Increases

We have not included an assumption for potential future post retirement cost-of-living increases to pensions.

Demographic Assumptions

Retirement Age

Because early retirement pensions are reduced in accordance with a formula, the retirement age of Plan members has an impact on the cost of the Plan benefits.

Accordingly, we have assumed that active members will retire at the age of 61 years (58 years for firefighters) or the age at the valuation date plus one, if greater.

Termination of Employment

We have not made an explicit assumption for benefits payable on pre-retirement termination.

Mortality

The actuarial value of the pension depends on the lifetime of the member. We have assumed mortality rates after retirement in accordance with the Uninsured Pensioner Mortality Table for 1994 (UP94), with allowance for future mortality improvements. No mortality assumption was included in the pre-retirement period. According to this table, the life expectancy at age 65 years is 18.7 years for a male and 21.3 years for a female.

Disability

We have not made an implicit assumption for benefits payable on disability retirement.

Spousal Benefit Assumptions

Based on actual data provided and an allowance for remarriage of 0.25% of the pensioner liability.

Subject to the entitlement of the prior spouse, if any, the waiting period specified in the Plan and the requirements under the *Pension Benefits Act (Ontario)*, a spouse acquired after retirement date may be entitled to receive the spousal pension. Based on remarriage rates for older adults in Canada, it was estimated that the additional liability as a result of this provision is approximately 0.25% of the pensioner liability.

Assumed Percentage of Members Married

We have assumed that 100% of active members are married. Female spouses are assumed to be 4 years younger than males.

Allowance for Stepped Pensions

Upon the death of a pensioner whose pension has been stepped at retirement, the Plan provides a pension to the spouse whereby the survivor percentage is applied to the post-65 pre-stepped pension rather than the post-65 pension in payment. A stepped pension is a pension that has been increased before age 65 and reduced after age 65 to produce a level pension in anticipation of the OAS pension commencing from age 65.

We have performed a calculation based on the membership data supplied to estimate the spousal pension.

Reserve for Surplus Distribution to Retired Members

We have valued a one-time payment of \$ 2,500 to each regular pensioner and surviving spouse and \$ 4,500 to each firefighter pensioner and surviving spouse. These figures approximate the annual contribution that would have been made to the Plan, were it not for the contribution holiday, by each active regular member and firefighter member, respectively. This payment was approved by the Trustees in 1999, but has yet to be approved by City Council.

Deviation from Assumptions

Emerging experience differing from the assumptions will result in gains or losses in future actuarial valuations.

Funding Method

The total *actuarial liability* has been determined as the actuarial present value of projected benefits for active, disabled and suspended participants plus the actuarial present value of accrued benefits for current pensioners, spousal pensioners and deferred pensioners. The total *value of assets* has been determined as the actuarial value of invested assets. The difference between the total value of assets and the total actuarial liability is called the *funding excess* or *unfunded liability*, as the case may be. An unfunded liability will be amortized over no more than 15 years through special payments as required under the *Pension Benefits Act (Ontario)*.

The Indexation Reserve Account which is equal to the funding excess, subject to a maximum of 30% of the actuarial liability, is to be used primarily to provide ad hoc pension increases to Members in receipt of pension payments from the Pension Fund.

Differences between actual experience and that expected based upon the set of actuarial assumptions during the period between two actuarial valuation dates will result in experience gains/(losses) which will increase/(decrease) the Indexation Reserve Account and Funding Excess.



Appendix D

Actuarial Methods and Assumptions – Solvency Basis

The value of assets used for determining the financial position of the Plan on the solvency basis includes the solvency assets plus a solvency asset adjustment.

The *solvency assets* are determined as the market value of investments held by the Plan plus any cash balances of the Plan and accrued or receivable income items.

The *solvency asset adjustment* is determined as the amount, positive or negative, by which the value of the solvency assets are adjusted as a result of applying an averaging method that stabilizes short-term fluctuations of the Plan assets.

The value of the liabilities used for determining the financial position of the Plan on the solvency basis includes the solvency liabilities plus a solvency liability adjustment.

To determine the *solvency liability*, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date with all members vested in their accrued benefits.

The *solvency liability adjustment* is determined as the amount, positive or negative, by which the value of the solvency liabilities are adjusted as a result of using a solvency valuation interest rate that is the average of the market interest rates calculated over a period of 4 years (the same period used for the averaging method used to determine the solvency asset adjustment).

The difference between (1) the sum of the solvency assets and solvency asset adjustment and (2) the sum of the solvency liability, solvency liability adjustment and prior year credit balance is called the *solvency excess* or *solvency deficiency*, as the case may be.

A solvency deficiency will be amortized over no more than 5 years through special payments as required under the *Pension Benefits Act (Ontario)*.

Since virtually all members have qualified for a retirement pension, we have assumed that all benefits will be settled through the purchase of annuities and have used a valuation interest rate for solvency purposes which, when used with the 1994 Uninsured Pensioners mortality table with mortality projected to 2015 (U94P2015), provides an estimate of group annuity purchase rates for non-indexed pensions.

The Plan provides that the new spouse of a pensioner, whose former spouse at retirement has died or who was without spouse at retirement, is eligible for a survivor pension provided that the new spousal relationship, as defined in the Plan, has been in effect for a minimum of 5 years. In order to make allowance for the possible increase in future liabilities on remarriage of a pensioner, we have loaded the pensioner liabilities by 0.25% as an allowance for remarriage.

Spousal benefits for members with stepped pensions have been determined in the same manner as outlined under the going-concern valuation assumptions.

Assumptions for determination of the solvency and wind-up liability are as follows:

Actuarial Assumptions

Mortality rates:	UP 1994 table, with mortality projected to 2020
Interest rate for benefits to be settled through annuity purchase:	4.49% per year
Family composition:	Same as for going concern valuation
Post retirement cost-of-living increases	0.00%
Termination expenses:	\$ 433,000 (based on \$ 150 per pensioner/survivor and \$ 250 per active/suspended/deferred vested)

Assumptions for determination of the solvency liability adjustment are as follows:

Actuarial Assumptions

Mortality rates:	UP 1994 table, with mortality projected to 2020
Interest rate for benefits to be settled through annuity purchase:	4.625%
Family composition:	Same as for going concern valuation
Post retirement cost-of-living increases	0.00%

We have used an average of the annuity proxy rates as at December 31, 2006 (4.60% per year), December 31, 2007 (4.50% per year), December 31, 2008 (4.85% per year) and December 31, 2009 (4.49% per year) which produces a rate of 4.625% per year (rounded to the nearest 1/8%).



Employer Certification

With respect to the report on the actuarial valuation of the *Metropolitan Toronto Pension Plan*, as at December 31, 2009, I hereby certify that, to the best of my knowledge and belief:

- a copy of the official Plan documents, and of all amendments made up to the date of the valuation, were provided to the actuary;
- the membership and financial data provided to the actuary for the purposes of this valuation are accurate and complete;
- the membership data provided to the actuary include a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to the date of the valuation, and
- all events subsequent to December 31, 2009 that may have an impact on the results of the valuation have been communicated to the actuary.

Date

Signed

Name

Title

MERCER



MARSH MERCER KROLL
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