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April 3, 2013

Councillor Paul Ainslie
Chair – Government Management Committee
Toronto City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Dear Councillor Ainslie

Subject: City Treasurer's Report to the GMC re: Toronto Transit Commission (TTC) Pension Fund Society (Society): Preliminary Analysis, OMERS Options

We are strongly opposed to dedicating additional resources and incurring more costs to complete the recommendations contained in the City Treasurer's Report ("the Report") and we are definitely opposed to a merger of the Society and OMERS plans.

The Report demonstrates that the issue of a merger between the Society and the OMERS pension plans is very complex and the cost savings analysis, as well as the \$100 to \$200 million surplus availability discussion contained in the Second Report on the Preliminary Analysis of OMERS Options ("OMERS Options Report") are, at best, speculative, inconclusive and incomplete.

We confirm our stance and the Report's acknowledgement that the "Society is a well-managed JSPP with a strong risk-management model." The ability to approve Base Year updates and pensioner increases only when affordable has allowed the Society to weather the 2008 investment market turmoil, provide Base Year updates and indexing in 2011 and 2012 without significantly affecting its financial position, while maintaining stable contribution rates. What the Report did not capture was the fact that the OMERS financial situation has been deteriorating over the past several years and as a result contribution rates have been increasing. If the Society were currently under the OMERS NRA 60 plan, the 2013 contribution rates would result in an estimated \$16.6 million per year in additional contributions for each of the TTC and the Society's members. This strong risk management tool will be lost if the Society is converted to a final average plan with contractual indexing, as proposed in the OMERS Options Report. The Society's benefit structure is a recognized, ideal model for providing affordable pension benefits and we feel this should be a key consideration in any analysis of long-term cost sustainability.

The Report clarified that "the merger decision is not one which could be made by City Council or the TTC alone" and that it would require approvals from the Plan Sponsors, the Society's Board and membership. In reference to this, we reiterate that the Society's Board is not willing to pursue a plan merger, the ATU Local 113 as one of the Plan Sponsors has made it very clear that they would not support a merger and the Board continues to feel confident that the members are well served by the current sustainable benefit structure and would not approve of any changes.

Submitted on behalf of the Board of Directors of the Toronto Transit Commission Pension Fund Society.

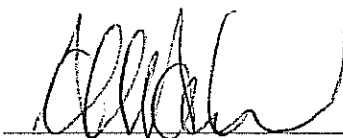
Sincerely,



Bob Kinnear – President



Vincent Rodo – Vice-President



Andy Byford – Director

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