



## REPORT FOR ACTION

# The Corporation of the City of York Employee Pension Plan - Proposed Merger with the OMERS Plan - Implementation of OMERS Indexing

**Date:** June 18, 2018  
**To:** Government Management Committee  
**From:** Treasurer  
**Wards:** All

## SUMMARY

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This report seeks authority to amend the by-law governing The Corporation of the City of York Employee Pension Plan (York Plan) to implement the OMERS provision for annual CPI-linked inflation adjustments, immediately prior to the merger of the York Plan with the OMERS Plan under the Pension Transfer Agreement (PTA) between OMERS and the City. The PTA requires that the York 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 inflationary adjustment that all OMERS Plan pensioners are entitled to.

## RECOMMENDATIONS

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The Treasurer recommends that:

1. City Council approve an amendment to By-law No. 1428-2018 governing The Corporation of the City of York Employee Pension Plan (the Plan), once the Superintendent of Financial Services consents to the transfer of assets from the Plan to the OMERS Plan, to:
  - (a) strike out the existing formula for conditional annual Post Retirement Adjustments for pensioner benefits in section 10.04 of the Plan and replace it with the OMERS provision for annual CPI-linked inflation adjustments, allowing for the fact that the section 10.04 increases are effective on July 1 of each year; and

- (b) make such other amendments as may be required to facilitate the merger and transfer of assets.

## **FINANCIAL IMPACT**

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There will be no expected financial impact to the City, as 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 York Plan to the OMERS Plan as compensation for assumption of the liabilities of the York Plan, in accordance with the Pension Transfer Agreement signed between the City and OMERS in November, 2017. At present it is not currently anticipated that any amount will need to be paid by the City to supplement the transfer from the York Plan.

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

## **DECISION HISTORY**

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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>

## **COMMENTS**

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Under the Pension Transfer Agreement (November 20, 2017) between the City and OMERS, the York Plan pensioners will be entitled to receive from the OMERS Plan, after the transfer to the OMERS Plan of the required assets from the York Plan, the same benefits they were entitled to receive before the transfer, except that instead of a possible Post Retirement Adjustment based on actuarial sufficiency on the Plan's assets, they will be entitled to the same unconditional CPI-linked inflationary adjustment as other OMERS Plan pensioners.

In order to implement the OMERS-type inflationary adjustment, an appropriate amendment must be made to the York Plan's governing by-law immediately prior to the transfer of assets. Such an amendment would serve to strike out the existing formula for conditional annual Post Retirement Adjustments for pensioner benefits and replace it with the OMERS provision for annual CPI-linked inflation adjustments, in accordance with the Pension Transfer Agreement between the City and OMERS respecting the York Plan. That amendment cannot be made to come into effect now as that is not acceptable to the Superintendent of Financial Services.

Therefore authority to pass the "inflation" amendment is being sought now with the intention that the amending by-law will be introduced at the business meeting of the new Council in December, 2018, which is anticipated to occur just before the transfer of assets to OMERS scheduled for January, 2019.

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

## **CONTACT**

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## **SIGNATURE**

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Mike St. Amant  
Treasurer