The Corporation of the City of York Employee Pension Plan – Termination/Wind-up

Date: September 12, 2019  
To: General Government and Licensing Committee  
From: Controller  
Wards: All

SUMMARY

This report seeks authority from Council to terminate The Corporation of the City of York Employee Pension Plan (York Plan) and distribute the assets remaining following the January 8, 2019 merger of the York Plan with the Ontario Municipal Employees Retirement System (OMERS) (“remaining assets”).

RECOMMENDATIONS

The Controller recommends that:

1. City Council approve the termination of The Corporation of the City of York Employee Pension Plan (the Plan), outlined in Schedule A attached to By-law 1428-2017, as amended, governing the Plan.

2. City Council authorize the City Solicitor, following the distribution of The Corporation of the City of York Employee Pension Plan’s remaining assets in accordance with the decision of the York Plan Committee on June 19, 2019, to introduce a Bill to repeal By-Law 1428-2017, as amended.

FINANCIAL IMPACT

There is no financial impact resulting from the adoption of the recommendations in this report.

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

DECISION HISTORY

The York Plan was established to cover all former employees of the former City of York hired prior to July 1, 1968.
In 1962, the Province of Ontario established the Ontario Municipal Employees Retirement System (OMERS) to provide retirement benefits for employees of local government in Ontario. Furthermore, effective July 1, 1968 the provincial government granted OMERS exclusivity to be the only registered pension plan for all Ontario municipalities and local boards. As such, membership in the York Plan was closed to further enrolments at that time.

The York Plan continued to be administered and sponsored by the former City of York and ultimately by the City of Toronto after amalgamation. The last active member of the York Plan retired in November 2004.

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 (“legacy”) pension plans with the OMERS plan; and

(ii) potentially winding up each of the Plans through purchase of annuities.


As a result, City staff initiated discussions with OMERS staff regarding the potential transfer/merger of each of the five plans. However, these discussions were placed on hold following indication by the Provincial government that for the public sector, further legislation would be required to enable mergers of defined-benefit single-employer pension plans (such as the City’s five legacy plans) with jointly-sponsored pension plans such as OMERS.

In 2014, the Pension Benefits Act (PBA) was amended to add a new Section 80.4 setting out the framework for such mergers and stipulating that before such a merger could proceed, notice of any such proposed merger had to be provided to all members and beneficiaries and that their consent had to be given in accordance with the regulations.

On October 22, 2015, the Province promulgated Ontario Regulation 311/15 under the PBA titled “Conversions and Transfers of Assets under Section 80.4 of the Act and Conversions under Section 81.0.1 of the Act”, stipulating that consent for a public-sector merger will exist if at least two-thirds of active members of the single-employer pension plan consent, and no more than one-third of pensioners and other beneficiaries of the plan object.

Since Council's direction in 2011, City staff have maintained an open and transparent dialogue with OMERS staff and with each of the Boards/Committees which are the administrators of the City’s five legacy pension plans. City staff also arranged for senior OMERS representatives to attend some meetings of those Boards/Committees to provide information and answer questions.
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.


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.


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.


At its meeting held on October 2, 3 and 4, 2017 City Council adopted the recommendations in the report entitled Direction Regarding Merger of the Five (5) City of Toronto pre-OMERS Pension Plans with OMERS.


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.


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 dated June 18, 2018, titled Mergers of Pre-OMERS Pension Plans with OMERS and Proposal for Sharing of Surplus, including the recommendations in Confidential Attachment 1 regarding surplus sharing.

On November 20, 2017, the City of Toronto executed a Pension Transfer Agreement with the OMERS Sponsors Corporation and the OMERS Administration Corporation pertaining to the York Plan and presented it to the Committee of the City of York Employee Pension Plan for their approval.

Notices were mailed to the 156 members of the York Plan providing detailed information on both the York Plan and OMERS plan, the merger process and providing them with a voting ballot. As noted above the merger could not have proceeded if more than 1/3 of the members objected to the merger. The City received objection votes from only three (3) members.

On March 2, 2018, at the conclusion of the allotted time frame for the York Plan pensioners to submit their ballots, the City filed an application with the Superintendent of Financial Services seeking consent to the proposed merger of the York Plan into the OMERS Pension Plan under Section 80.4 of the PBA.

After reviewing the application, on September 17, 2018, the Superintendent of Financial Services issued a Notice of Intended Decision (NOID) of his intention to consent to the transfer of assets from the York Plan to the OMERS Pension Plan with an Effective Transfer date of October 31, 2018 and a Closing Date of January 8, 2019.

Subsequently, on December 20, 2018, the Superintendent issued his consent to the merger of the York Plan with OMERS. As part of the Pension Transfer Agreement, a valuation of the future liabilities to meet the on-going pension payments was conducted by the Plan's actuary and on January 8, 2019, the assets from the York plan required to meet that liability was transferred to OMERS. Effective February 1, 2019, all members in receipt of a benefit payment from the York Plan commenced receiving their first pension payment from OMERS as opposed to the York Plan.

After the transfer of the required assets to OMERS in accordance with the actuary's valuation, a surplus of approximately $375,000 remained in the York Plan. On June 29, 2019, the York Pension Committee determined and approved a method for distribution of this surplus to eligible Plan members. Aside from the surplus, there are no other assets currently in the York Plan.

There being no remaining pension liabilities owing to members under the York Plan, authority is being sought to terminate the plan as of November 30, 2019.

After City Council authorizes the termination of the York Plan, the City will proceed with all necessary steps including notifying the pension regulator of the termination, and distributing the remaining assets of the plan, e.g. the surplus to eligible members of the York Plan.
Once the surplus has been distributed, the City Solicitor would introduce a bill repealing By-Law 1428-2017, for which further authority would not be required.

CONTACT

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SIGNATURE

Andrew Flynn
Controller