TORONTO

REPORT FOR ACTION

Toronto Fire Department Superannuation and Benefit Fund – Funding Valuation Report as at December 31, 2024

Date: May 1, 2025
To: General Government Committee
From: Executive Director, Finance Shared Services
Wards: All

SUMMARY

This report submits, for the Committee's information, a Funding Valuation as at December 31, 2024 on the Toronto Fire Department Superannuation and Benefit Fund (the Fund) prepared by RSM Canada LLP (RSM). The Fund finances the pension plan (the Plan). This valuation provides information on the automatic cost-of-living increase of 0.70% in pensioner benefits effective January 1, 2025, called for under By-Law 10649 as amended, governing the Plan and the Fund.

The Fire Pension Plan has specific criteria in its By-law which, if satisfied, grants members an automatic cost-of-living increase paid from the fund, and therefore Council is not required to approve the increase. So long as sufficient surpluses exist on both a Going Concern and Solvency basis, members are entitled to an increase comprised of the lesser of (a) The Plan's 5-year average rate of return less the discount rate used for the current year's Solvency valuation; or (b) the increase in the year-over-year level of the average Consumer Price Index (CPI) as published by Statistics Canada. In this case, the first criterion is the lesser of the two, and hence members are entitled to an automatic increase of 0.70%.

The provincial funding rules for defined-benefit pension plans which came into effect on May 1, 2018, are incorporated into the 2024 Valuation Report, which sets forth the financial position of the Fund for the year ended December 31, 2024 on Going Concern and Solvency bases and confirms that the Fund does not require any special payments by the City of Toronto.

The Tables below summarize the financial position of the Fund as at December 31, 2024 and December 31, 2023 based on the Actuarial Valuations for those years.

Going Concern Valuation – This type of valuation assumes that the Plan will continue to operate until all pensions are paid out.

Table 1: Going Concern Valuation ($ millions)

	December 31, 2024	December 31, 2023
Assets	$160.7	$159.6
Liabilities	$112.8	$126.9
Surplus / (Deficit)	**$47.9**	**$32.7**

Solvency Valuation – This type of valuation assumes that the Plan was wound up on the valuation date (i.e., December 31st, 2024) and the assets used, to the extent necessary, to meet existing liabilities including the purchase of annuities for the pensioners and any unretired members.

Table 2: Solvency Valuation ($ millions)

	December 31, 2024	December 31, 2023
Assets	$160.5	$159.4
Liabilities	$106.1	$116.5
Surplus / (Deficit)	**$54.4**	**$42.9**

RECOMMENDATIONS

The Executive Director, Finance Shared Services, recommends that:

1. The General Government Committee receive this report for information, including the report entitled “The Toronto Fire Department Superannuation and Benefit Fund – Report on the Actuarial Valuation as at December 31, 2024" (attached as Attachment 1) prepared by RSM with respect to the Toronto Fire Department Superannuation and Benefit Fund and its underlying Plan.

FINANCIAL IMPACT

The Plan's actuary has certified that the criteria specified in the governing by-law for an increase in pensioner benefits has been met, and that there should therefore be an automatic benefit increase of 0.70% as of January 1, 2025. The Fund report reflects the estimated actuarial cost (present value) of this 2025 increase in pensioner benefits and as at January 1, 2025 on a Going Concern basis is $789,000 and on a Solvency basis is $742,000.

The estimated cost of the 2025 increase to the Fund is approximately $160,005. This amount was derived by applying the 0.70% increased rate to a yearly payroll derived from the last monthly pay cycle of 2024. The increased cost will be payable from the assets of the Fund. As is apparent from the Funding Report, these costs will not create any deficit at this time, given the Fund's Going Concern and Solvency surpluses.

As the Plan no longer has active members and is fully funded on a Going Concern and a Solvency basis, there is also no requirement for the City to make any contributions in 2025 under the Plan. Per the governing by-law, as long as there are excess monies under the Going Concern and Solvency basis, the City, as the Plan's sponsor, is not required to make any special payments. Given the sound history of the Plan's funded status on both Going Concern basis and Solvency basis, it is unlikely that the City will have to make future special payments in the next few years.

The Plan's actuary has also performed an analysis of the impact of selected plausible adverse scenarios on the financial position of the Plan for the valuation as at December 31, 2024, which is a stress-testing process on various risks to the funded status of the pension plan, including interest rate risk, deterioration of asset values, longevity risk and concluded that the Plan remains in surplus position on a Going Concern basis and a Solvency basis.

The December 31, 2024, valuation incorporates actual data compiled by City of Toronto reflecting the age and gender of the spouses of retired members, as opposed to estimates of retired members that were married and the ages of these spouses used in prior years.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

The most recent Actuarial Valuation Report on the Toronto Fire Department Superannuation and Benefit Fund, and the related Plan which it finances, is submitted annually to General Government Committee. The last report was considered by General Government Committee at its meeting held on July 2, 2024, when it adopted report GG14.27 titled "Toronto Fire Department Superannuation and Benefit Fund – Funding Valuation Report as at December 31, 2023".

Following is the link to the report and decision document:
https://secure.toronto.ca/council/agenda-item.do?item=2024.GG14.27

COMMENTS

Issue Background

Ontario pension plans are governed by the Pension Benefits Act (PBA) and regulated through the Financial Services Regulatory Authority of Ontario (FSRA). FSRA is an arm's-length agency of the Ontario Ministry of Finance, and its responsibilities include the administration and enforcement of the PBA and the regulations under it.

The PBA establishes minimum standards for such plans, and the regulations require the preparation and filing (at least every three (3) years) of an actuarial valuation report with the next valuation to be filed no later than December 31, 2027, on a pension plan's assets and liabilities, to determine the funded status of the plan on both a Going Concern basis and a Solvency basis.

Going Concern Valuation:

This type of valuation assumes that the pension plan will be ongoing for an indefinite period of time (until the last beneficiary is paid out). It compares the value of the plan's assets as at the valuation date with the actuarially calculated present value of all future liabilities as at the same date, yielding either a funding surplus or a deficit. The Valuation Report also contains a reconciliation with the surplus or deficit shown in the previous Valuation Report as a measure of the plan's financial health.

The Fire Plan has had a history of steady surpluses on a Going Concern basis, with an average Going Concern surplus of $29.7 million over the past 10 years and as a result, there will be no such requirement for the City to make special payments this year.

Solvency Valuation:

This type of valuation basis assumes that the plan was wound up on the valuation date and all its assets were used to meet its existing liabilities, including the purchase of annuities for its pensioners. If a plan has greater assets than liabilities on a Solvency basis on the valuation date, it has an actuarial surplus. If there are more liabilities than assets, the plan has a "Solvency deficiency" and moreover as part of the recently-enacted regulations, if assets are less than 85% of liabilities, the employer must eliminate that deficiency by one or more special payments which may be amortized over a period of no longer than five (5) years.

Actuarial valuation reports must be filed with FSRA and the Canada Revenue Agency (CRA) at least every three (3) years. If, at the end of any year, a plan had a Solvency deficiency in excess of 15% (i.e., the plan was less than 85% funded), such a report must be filed each year, until the deficiency is eliminated.

Table 3 below shows the Going Concern and Solvency Surpluses / Deficits over the past 10 years. The Benefit Fund Committee, at its April 30, 2025 meeting, decided to file the December 2024 report with FSRA, and as such the next required filing is not until the December 2027 valuation. Since special payments by The City is not required unless that year's report is filed, and assets are less than 85% of Solvency liabilities, future special payments in the next few years are extremely unlikely.

Table 3: Historical Going Concern and Solvency Surpluses / Deficits for Fire Plan ($ millions)

Effective Date	Going Concern Surplus / (Deficit)	Solvency Surplus / (Deficit)
December 31, 2015	$24.9	$(9.9)
December 31, 2016	$36.9	$3.4
December 31, 2017	$25.8	$20.0
December 31, 2018	$26.5	$11.4
December 31, 2019	$17.0	$14.8
December 31, 2020	$24.4	$18.1
December 31, 2021	$39.6	$38.2
December 31, 2022	$21.3	$31.3
December 31, 2023	$32.7	$42.9
December 31, 2024	$47.9	$54.4
10-year average	**$29.7**	**$22.5**

History of Cost-of-Living Increases

In recent years, the Fire Plan’s fund performance has been favourable, resulting in both Going Concern and Solvency surpluses. This allowed for a cost-of-living adjustment in nine of the last 10 years. Table 4 below shows the history of cost-of-living adjustments to the Fire Plan over the past 10 years:

Table 4: Historical Cost of Living Increases for the Fire Plan

Effective Date	Increase
January, 2015	1.95%
January, 2016	0.00%
January, 2017	1.42%
January, 2018	1.56%

Effective Date	Increase
January, 2019	2.30%
January, 2020	1.95%
January, 2021	0.74%
January, 2022	3.36%
January, 2023	0.89%
January, 2024	1.00%

Asset Mix and Investment Returns

The Benefit Fund Committee is the “administrator” of the Plan and the Fund within the meaning of the PBA, and therefore must ensure that both are administered in accordance with the Act and its regulations. Those regulations contain investment rules and restrictions and require the administrator to formulate and abide by a Statement of Investment Policies and Procedures (SIPP) with annual reviews.

Given the demographics of the Plan, the Benefit Fund Committee continues to invest the Fund’s assets conservatively, through a number of investment managers, in a well-diversified portfolio of equity and fixed-income securities in accordance with the Fund's SIPP.

The target asset mix of the Fund as set out in its current SIPP is as follows:

Table 5: Target Asset Mix

Cash & Equivalents	2%
Fixed Income	63%
Canadian Equity	13%
U.S. and Other Foreign Equity	22%
TOTAL	**100%**

The Fire Pension Plan

The Fire Plan is the only pre-OMERS pension plan still sponsored by the City of Toronto. It covers 185 retired members, and 264 survivor pensioners. The plan now has more beneficiaries compared to pensioners.

The Fund’s Actuary, RSM Canada LLP, conducts an annual actuarial valuation of the Fund’s assets and liabilities. The purpose of the valuation is to determine:

- the financial position of the Fund as at the latest year-end on both Going Concern and Solvency bases; and
- the minimum PBA requirements for funding from the City, if any, during the calendar years following that year-end.

Going Concern Valuation

During the April 30, 2025 meeting with the Benefit Fund Committee, it was agreed that the value of assets used will be the market value of assets. The Valuation Report shows that at December 31, 2024, the Fund had smoothed actuarial assets of $160,672,000, actuarial liabilities of $112,756,000 and a Going Concern surplus of $47,916,000 (an increase of $15,176,000 from the Going Concern surplus of $32,740,000 as at December 31, 2023).

Solvency Valuation

The Valuation Report shows that on a Solvency basis, the value of the assets of $160,472,000 exceeded the Solvency liabilities of $106,040,000, producing a Solvency surplus of $54,432,000 (an increase of $11,569,000 from the Solvency surplus of $42,863,000 as at December 31, 2023).

Cost-of-Living Increase

The Plan can fairly be compared to the fund of the Ontario Municipal Employees Retirement System (OMERS) given the similarities in plan design and municipal employee plan membership. However, while the OMERS plan provides automatic indexation for pension service earned prior to January 1, 2023, the Plan's by-law has, since 1997, provided for contingent indexation at a rate equal to the lesser of:

(a) the investment rate of return of Fund assets (using a 5-year smoothing technique) in excess of the rate of return required to maintain the actuarial Solvency of the Fund as determined by the Actuary; and

(b) the increase in the year-over-year level of the average Consumer Price Index (CPI) for Canada as published by Statistics Canada, provided that the Fund is in a sufficient surplus position to cover the cost of the increase.

In respect of 2024, there is an excess investment return as outlined in (a) above, equal to 0.70%, and the increase in the year-over-year level of the average CPI outlined in (b) above was 2.38%.

As required by the Plan's governing By-law and endorsed by the Benefit Fund Committee at its meeting held on April 30, 2025, an automatic cost-of-living adjustment is called for in respect of 2024 equal to 0.70% effective January 1, 2025.

CONTACT

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SIGNATURE

David McIsaac
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ATTACHMENTS

Attachment 1: The Toronto Fire Department Superannuation and Benefit Fund – Report on the Actuarial Valuation as at December 31, 2024 (May 1, 2025)