**For Action**

# TTC Pension Fund Society Bylaw Amendments

**Date:** May 8, 2018
**To:** TTC Board
**From:** Chief Financial Officer

## Summary

The TTC Pension Fund Society (PFS) Board of Directors approved changes to the PFS Bylaws. The changes will update the base year period used to calculate a retiring TTC employees' pension and will provide a 1.56% increase to former TTC employees currently in receipt of a pension.

Pursuant to the TTC Pension Fund Society Bylaw 3.09, the TTC Board sanction is required in order for the Bylaw amendments to be effective. Based on the TTC PFS's strong financial position, both base year updates and pensioner cost of living increases have been provided annually since 2011.

Membership approval of these amendments will be requested at the Annual General Meeting of the TTC PFS to be held on Saturday, June 16, 2018.

## Recommendations

It is recommended that:

1. The TTC Board approve the necessary changes to the PFS Bylaws, attached to this report as Attachment 1.

## Financial Summary

There are no financial implications as a result of the change for the current fiscal year. These Bylaw amendments will have no impact on the current pension contribution rate, nor is it expected to materially impact the long-term sustainability of the pension plan at the existing contribution rate for the foreseeable future.

The TTC PFS contribution rate of 9.25% up to the Yearly Maximum Pensionable Earnings (YMPE) and 10.85% above YMPE remains comparable to, or significantly lower than, other Ontario Jointly Sponsored Pension Plans.

Employees contribute to the PFS pension plan based on their earnings and the above noted contribution rates. Employers match the employees' contribution amounts.

## Equity/Accessibility Matters

This report has no accessibility or equity issues.

## Decision History

Based on the TTC PFS's strong financial position, both base year updates and pensioner cost of living increases have been provided annually since 2011. Each year, the external PFS Actuary prepares an actuarial valuation and detailed analyses of the TTC Pension Fund Society's funded status which is used by the PFS Board of Directors to determine the affordability of granting base-year period updates and ad-hoc pensioner increases. The granting of these benefits is used to determine pension amount paid to TTC retirees.

On April 13, 2018, after consideration of long term pension benefit affordability based on current contribution rates, the PFS Board of Directors approved a one year base period update (to include 2017) and a 1.56% pensioner increase, which is subject to limits under the Canadian Income Tax Act. These approvals are effected by the Bylaw amendments attached to this report as Attachment 1.

In accordance with PFS Bylaw 3.09 any Bylaw amendments require sanctioning by the TTC Board and approval by the Regular Members at the PFS AGM to be held on June 16, 2018. Administration of these benefit changes will commence after all required approvals are received.

## Issue Background

The PFS was established through collective bargaining and incorporated on January 3, 1940 to provide retirement benefits for Toronto's transit employees. The PFS pension plan is administered by a Board consisting of five directors appointed by the TTC and five directors who are ex-officio members of the ATU executive.

The PFS is a defined benefit, multi-employer pension plan. It covers substantially all employees of the TTC and ATU (the employers) who have completed six months of continuous service. Contributions are made into the plan by members and matched dollar for dollar by their employer. The plan is registered with the Financial Services Commission of Ontario and is subject to regulation under the Ontario Pension Benefits Act and the Income Tax Act (registration number 0317586).

As at December 31, 2017, the PFS had approximately 14,000 active members and 8,000 pensioners and net assets of $6.6 billion. The PFS plan design supports equal cost and risk sharing between employees and employers.

Contributions under the existing rates are sufficient to meet the going concern funding requirements as defined under the Ontario Pension Benefits Act and the Canadian Income Tax Act. After taking into account this year's plan improvements, the funded status of the plan on a going concern basis will remain at levels comparable to the prior two years at approximately 97%. As confirmed by the plan actuary, Mercer (Canada) Limited, a compliant actuarial valuation as at January 1, 2018, will be filed with Regulators within the prescribed deadlines.

## Comments

The PFS does not provide automatic annual updates to the best four-year base period used in determining pension benefits, and does not guarantee automatic increases to pensions in payment. Instead, benefit changes are approved only when, and to the degree that, they are deemed actuarially affordable.

Each year the PFS Actuary prepares detailed analyses of the plan's funded status, which guides the directors in their decisions regarding indexing of pensions in payment, providing updates to the base period and other plan improvements. This model has allowed the plan to contain costs during unfavourable market conditions by foregoing base period updates and indexing, as was the case during the period between 2008 and 2010.

On April 13, 2018 the PFS Board of Directors approved the Bylaw amendments, attached to this report as Attachment 1, to effect plan improvements. These amendments will not change the current employer/employee contribution rates, which have been in effect since 2011. It is worth noting that the PFS contribution rates are among the lowest of other Ontario JSPPs.

## Contact

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## Signature

Dan Wright
Chief Financial Officer

## Attachment

Attachment 1 - TTC Pension Fund Society Bylaw Amendments

## Attachment 1: TTC Pension Fund Society Bylaw Amendments

**BYLAW NUMBER 2**

**DEFINITIONS**

2.01 – Where Used in Any Bylaws of the Society:

(35) “Survivor Benefit Date” shall mean January 1, 2018.

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**6.02 Pensionable Earnings**

(1) Average Base Period Earnings

Effective January 1, 2018 for Members retiring on or after January 1, 2018 pursuant to Bylaw 8 and for Regular Members whose death occurs on or after January 1, 2018 for purposes of Bylaw 11, and effective April 13, 2018, for Members terminating on or after April 13, 2018, for the purposes of calculating the amount of Regular Member’s pension for Credited Service accrued to December 31, 2017, Average Base Period Earnings shall be the greater of:

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(a) the average of the highest consecutive four calendar year’s Pensionable Earnings prior to 2018 and for this purpose two calendar years will be considered consecutive even if they include a temporary break in service, and

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(b) the average of the highest four calendar year’s Pensionable Earnings after December 31, 1985 and prior to 2018.

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A Member’s Base Period shall mean the four years used for computing his or her Average Base Period Earnings. For a Member who does not have four calendar years of Pensionable Earnings prior to 2018, the Member’s Base Period shall be his or her total number of calendar years, including fractional years, of Pensionable Earnings prior to 2018.

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The YMPE used in the calculation of pension entitlements for the Base Period pursuant to Bylaw 9.01 and 9.04 shall be the YMPE under the Canada Pension Plan for each of the corresponding calendar years used in determining the Member’s Average Base Period Earnings, or if the Member’s Pensionable Earnings are less than the YMPE in a corresponding calendar year, the Member’s Pensionable Earnings in that year.

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**9.01 Normal or Postponed Retirement Pension**

(1) For a Regular Member who retires pursuant to Bylaw 8.01 or 8.02 on or after January 1, 2018 and for a Regular Member whose death occurs on or after January 1, 2018 for purposes of Bylaw 11, the annual amount of pension shall be determined as the sum of:

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(a) 1.6% of the Member's Average Base Period Earnings Below YMPE plus 2% of the Average Base Period Earnings Above YMPE,

multiplied by

the number of calendar years in the Member's Base Period divided by the number of years of Credited Service in the Member's Base Period,

multiplied by

the years of Credited Service accrued to December 31, 2017; plus

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(b) 1.6% of Pensionable Earnings Below the YMPE plus 2% of Pensionable Earnings above the YMPE for the period of Credited Service after December 31, 2017; plus

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(c) 0.4% of the Member's Average Base Period Earnings Below YMPE multiplied by the number of calendar years of Credited Service before 1987 during which the Member:

(i) was at least age 65 for the entire year; and,

(ii) did not contribute any amount to the Canada pension Plan during the calendar year.

(2) The total amount of pension payable to any Member under this Subsection shall not be less than the total amount of accrued pension payable to such Member in respect of years of service up to December 31, 2017, determined in accordance with the Bylaws of the Society in effect as at December 31, 2017.

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(3) Notwithstanding Bylaw 9.01(1), for each calendar year in which a Member is sick or injured and is credited with Pensionable Earnings pursuant to Bylaw 6.02 but not Contributory Earnings, the level of YMPE for purposes of Bylaw 9.01(1) shall be based on the YMPE in the year such sickness or injury was incurred or, if later, the year in which the Member's Pensionable Earnings ceased to be adjusted for general increases that are granted to all other employees in the Member's job class.

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(4) The annual pension of a Member who retires in accordance with Bylaw 8.01(2) and who:

(a) has Credited Service and Continuous Service which are each less than 30 years, and

(b) has age plus Continuous Service which equal less than 80 years shall be multiplied by the early retirement factor applicable to the Member as of his or her pension commencement date shown in the Table of Early Retirement Factors adopted by the Board, and shall be further reduced if necessary so that the total reduction is at least that required under Bylaw 9.02(2).

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**13.02 Ad Hoc Adjustments**

(4) Effective January 1, 2011, pensions in the course of payment shall be increased by 2.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(5) Effective January 1, 2012, pensions in the course of payment shall be increased by 1.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(6) Effective January 1, 2013, pensions in the course of payment shall be increased by 2.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(7) Effective January 1, 2014, pensions in the course of payment shall be increased by 2.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(8) Effective January 1, 2015, pensions in the course of payment shall be increased by 2.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(9) Effective January 1, 2016, pensions in the course of payment shall be increased by 1.28%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(10) Effective January 1, 2017, pensions in the course of payment shall be increased by 1.35%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(11) Effective January 1, 2018, pensions in the course of payment shall be increased by 1.56%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

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