

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: May 28, 2009

SUBJECT: TTC PENSION FUND SOCIETY ANNUAL REPORT AND
AUDITED FINANCIAL STATEMENTS FOR THE FISCAL PERIOD
ENDED DECEMBER 31, 2008

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Commission receive the Pension Fund Society's Annual Report and audited financial statements for the fiscal period ended December 31, 2008 for information.

BACKGROUND

The Annual Report and audited financial statements for the fiscal period ended December 31, 2008 of the Pension Fund Society are appended for the information of the Commission.

DISCUSSION

The Annual Report has been approved by the Directors of the Pension Fund Society and is published in the June, 2009 Pension Fund Society Newsletter. The Annual Report will be presented to the membership at the Pension Fund's Annual General Meeting on June 21, 2009. There were no Pension Fund Bylaw amendments in 2008.

In 2008, the S&P/TSX and S&P 500 composite indices, which are used as benchmarks for measuring the Society's Canadian and U.S. equities, were down 35% and 39% respectively.

At year-end 2008, the Fund's net assets had decreased by \$539.3 million bringing the market value of the Fund to \$2.96 billion. The -15.5% return was slightly below our benchmark return of -15.0% but well above the median return of -16.2% and substantially above the average -18.4% return for Canadian pension funds greater than \$1 billion (source: RBC Dexia).

On April 24, 2009, the Actuary updated the Board on the Society's funding status based on a report as at January 1, 2009. On a "going concern" basis, which historically is the basis that the Board uses to determine if updates and indexing are affordable, the Society has a surplus of \$362 million. It should be noted that the Society uses asset smoothing so gains and/or losses are absorbed over a 3 year period. On an unsmoothed "going concern" basis the Society has a \$65 million deficit. The Society was able to absorb the large investment losses in 2008 because the plan started out in a strong financial position and indexing provisions were reduced.

On the solvency basis, a test which is based in part on the immediate wind-up of the plan, the Society has a \$403 million deficit on a smoothed basis and a \$860 million deficit on an unsmoothed basis. In recent years, due to interest rate declines, the solvency valuation has had a dramatic impact on the Society's affairs. Under the Pension Benefits Act, we cannot make plan improvements while facing a solvency deficit. Therefore, neither a plan improvement (such as base period updates), nor indexing for Pensioners is possible in 2009.

In February, 2009 in response to the findings of the Ontario Expert Commission on Pensions (OECPE), the Board made a submission to the Minister of Finance of Ontario supporting the OECPE's recommendations concerning the solvency issue and requested an exemption from solvency funding for the TTC Pension Fund. To date we have not received a reply. Members and Pensioners have been advised that plan improvements are not possible because of the solvency funding restrictions and the general economic climate over the past year.

Also included in the Newsletter for information on pages 45-47 are the annual report and audited financial statements of the TTC Sick Benefit Association. There were no Sick Benefit Association Bylaw amendments made in 2008.

JUSTIFICATION

The Annual Report and audited Financial Statements of the Pension Fund Society are provided for information.

May 8, 2009
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Attachment – TTC Pension Fund Society Annual General Meeting Newsletter – June, 2009