

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: September 27, 2012

SUBJECT: NOTICE OF APPROVAL – TTC PENSION FUND SOCIETY
OPTING OUT OF GROW-IN BENEFITS

INFORMATION

RECOMMENDATION

It is recommended that the Commission receive the notice of approval of Chair Stintz, Vice-Chair De Baeremaeker and the Chief Executive Officer authorizing the election to opt out of grow-in benefits under Section 74.1 of the Pension Benefits Act allowing the Toronto Transit Commission, as a plan sponsor of the TTC Pension Fund Society, to sign the attached Appendix "A".

FUNDING

There is no funding impact to opting out of grow-in benefits as the pension funding valuation on a going concern basis will remain unchanged.

BACKGROUND

At its meeting of July 14, 2010, the Commission approved the revisions and updates to the Authorization for Expenditures and Other Commitments Policy, effective August 1, 2010, which states that *'The Commission delegates authority to the Chair, Vice-Chair and the Chief Executive Officer to authorize items that would normally be authorized by the Commission when the approval is required before the next Commission meeting. If the Chair and/or Vice-Chair are not available, authority would be deemed to be delegated to any two (2) Commissioners and the Chief Executive Officer.'* These authorizations are to be followed up by a notice of award Commission report that is to be submitted to the next scheduled Commission meeting for information.

Effective July 1, 2012, the Pension Benefits Amendment Act (PBA) includes a provision which extends "grow-in benefits" to plan Members upon involuntary termination of employment or upon the unlikely event of a full or partial plan wind-up. A grow-in benefit means that Members with 55 points (age plus service) are treated as being eligible for enhanced early retirement benefits even though they do not satisfy the normal eligibility requirements for an unreduced pension. This is a significantly higher level of benefit than

that allowed under the Plan's Bylaws. It is estimated that grow-in rights could increase the lump sum value of a Member's pension or termination entitlement by an average of 35%.

If the TTC Pension Fund Society opts out of grow-in benefits, the normal rules for early retirement benefits under the Plan Bylaws would apply, taking into account the Member's eligibility for such benefits based on age and years of service.

Section 74.1 of the PBA allows Jointly Sponsored Pension Plans (JSPP) to opt out of the grow-in benefit provision. For the purposes of the PBA and the JSPP requirements under the Sponsor Agreement, the decision to opt out needs to be made by the ATU and the TTC, as plan sponsors. The ATU executive have already made the decision to opt out and after the approval of this report, the TTC Pension Fund Society will proceed to file the election (Appendix A) with the Financial Services Commission of Ontario.

DISCUSSION

The grow-in benefits will affect a very small group of TTC Pension Fund Society Members whose employment is terminated involuntarily. Without an election to opt out, the impact on the going concern funding liability under normal circumstances is a small increase, however this may vary with valuation results and could increase considerably in the future. Although the benefits affect a small group, the costs would be borne by all Members. After careful consideration, the TTC Pension Fund Society Board determined that, at this point, opting out of the grow-in provisions is the more equitable option for the Plan and its Members. Most other JSPP's have elected to opt out of the grow-in provisions as of the July 1, 2012 implementation date.

JUSTIFICATION

The recommendation to opt out of grow-in benefits is equitable for all plan Members and maintains the status quo in terms of the Plan's funding position.

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July 25, 2012
44.86.58

Attachment – Appendix A - Notice of Election Under Section 74.1 of the Ontario Pension Benefits Act ("PBA")

Notice of Election Under Section 74.1 of the Ontario Pension Benefits Act (“PBA”)

Toronto Transit Commission Pension Fund Society (the “Society”) (Reg. No. 317586)

WHEREAS effective January 1, 2011 the Society was established as a jointly sponsored pension plan (“JSPP”) pursuant to a memorandum of agreement (the “Sponsors Agreement”) between the Toronto Transit Commission (the “TTC”) and the Amalgamated Transit Union, Local 113 (the “ATU”) as co-sponsors;

AND WHEREAS the affairs of the Society are administered by a Board of Directors (the “Board”) consisting of an equal number of representatives appointed by the ATU and the TTC;

AND WHEREAS section 74 of the PBA has been amended to provide, subject to certain exceptions, enhanced ancillary benefits (‘grow-in benefits’) to eligible employees whose employment is involuntarily terminated on or after July 1, 2012;

AND WHEREAS section 74.1 of the PBA permits employers and members (or their representatives) of JSPPs like the Society to elect to exclude the JSPP and its members from the operation of section 74 by filing a notice of election to that effect with the Superintendent of Financial Services for Ontario;

AND WHEREAS pursuant to their authority under the Sponsors Agreement, the TTC and the ATU desire that the Society opt out of grow-in benefits and, as a result, have decided to elect to exclude the Society and its members from the operation of section 74 of the PBA by executing this Notice of Election and directing the Board to file it with the Superintendent;

AND WHEREAS the TTC and the ATU desire that the Society By-laws be amended to reflect the election;

NOW THEREFORE based on the foregoing and effective July 1, 2012, the TTC and the ATU hereby:

1. Elect to exclude the Society and its members from the operation of section 74 of the PBA pursuant to section 74.1 of the PBA;
2. Direct the Board to forthwith file this Notice of Election with the Superintendent; and
3. Agree to take all necessary steps to facilitate the Board adopting such amendments to the Society By-laws as may be required to reflect this Notice of Election.

Dated effective July 1, 2012

FOR TORONTO TRANSIT COMMISSION

Per:

Per:

FOR AMALGAMATED TRANSIT UNION, LOCAL 113

Per:
