

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: September 27, 2012

SUBJECT: PROCUREMENT AUTHORIZATION AMENDMENT:
ACTUARIAL SERVICES FOR THE TORONTO TRANSIT
COMMISSION

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission authorize the issuance of Contract Amendment No. 3 to Mercer (Canada) Limited (Mercer) in the amount of \$515,000 increasing the upset limit to \$1,360,000 under Purchase Order No. C05P106838 for the remaining four years of the contract (September 1, 2012 to September 20, 2016).

FUNDING

Sufficient funds are included in the 2012 TTC operating budget which was approved by the Commission at its meeting on January 31, 2012 and will be included in the 2013 and subsequent years' budget submissions.

BACKGROUND

The TTC Pension Fund Society (the Society), through the TTC Materials and Procurement Department, conducted a competitive Request for Proposal (RFP) for actuarial and investment consulting services. A ten year contract was awarded to Mercer as the highest rated qualified proponent, for the services required and paid by the Society. As the Society is a separate legal entity from the TTC, the RFP did not include pension related consulting services required and paid by the TTC. The TTC uses actuarial services in connection with pension issues including accounting and funding valuations for the TTC Retirement Compensation Arrangement (RCA), accounting financial statement disclosure, contract negotiations costing, etc. As Mercer was awarded the contract for the Society, awarding a contract to Mercer for the TTC's actuarial work was considered to be both time and cost effective as the actuarial valuation data used for the TTC are the same as that used for the Society and much of the valuation work overlap. Using a different actuary for TTC work would be more costly as it would require extra time and resources by staff to duplicate the data transfer and update the actuary on changes to the underlying plan etc. On this basis, the Commission at its meeting of September 20, 2006 authorized an award to Mercer for consulting on pension related services for the Toronto Transit Commission for a period of 10 years on the basis of sole source.

In the last several years special projects such as the conversion to a Jointly Sponsored Pension Plan and adopting new accounting standards under Section 3250 of the Public Sector Accounting Standards, has resulted in \$807,875.70 being expended to date. Mercer has provided an estimate of fees for annual recurring projects and anticipated one time projects for the remaining period of the contract in the amount of \$515,000. This estimate reflects the increased complexity of accounting and financial reporting for the TTC and special actuarial calculation of benefits under new marriage breakdown legislation (became effective July 1, 2012).

Purchase Order No. C05P106838 details are as follows:

Original Upset Limit Amount:	\$795,000.00
Previous Amendments:	\$ 50,000.00
This Contract Amendment:	<u>\$515,000.00</u>
Total Revised Upset Limit:	\$1,360,000.00

DISCUSSION

Using a different actuary for these services would be more costly as it would require extra time and resources by staff to duplicate the data transfer and co-ordinate information between the TTC and the Society's service requirements.

JUSTIFICATION

The Contract Amendment is required to enable Mercer to complete existing ongoing projects on marriage breakdown legislation and to co-ordinate actuarial service requirements of the TTC with the Society.

September 10, 2012
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