



## **TTC Pension Fund Society Bylaw Amendments**

**Date:** July 14, 2020

**To:** TTC Board

**From:** TTC Pension Fund Society

### **Summary**

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The subject report is forwarded to the TTC Board for review and consideration.

### **Contact**

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| <b>TTC PENSION FUND SOCIETY<br/>BYLAW AMENDMENTS</b> |
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**Date:** July 14, 2020  
**To:** TTC Board  
**From:** TTC Pension Fund Society Board

## **SUMMARY**

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The TTC Pension Fund Society (PFS) Board of Directors approved changes to the PFS Bylaws. These changes will update the base year period used to calculate a retiring TTC employees' pension and will provide a 1.96% increase to former Member's currently in receipt of a pension.

Pursuant to TTC PFS Bylaw 3.09, 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 next Annual General Meeting (AGM) of the TTC PFS.

## **RECOMMENDATION**

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It is recommended that:

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

## **FINANCIAL SUMMARY**

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There are no financial implications resulting from the adoption of this report as the Bylaw amendments do not change the existing pension contribution rate.

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

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

## **DECISION HISTORY**

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Based on the TTC PFS's strong financial position, both the 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 analysis of the TTC PFS'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 amounts paid to TTC retirees.

On June 24, 2020, 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 2019) and 1.96% pensioner increase, which is subject to limits under the Canadian Income Tax Act. These approvals are effected by the Bylaw amendments appended 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. Administration of these benefit changes will commence after all required approvals are received.

## **BACKGROUND**

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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, ATU (the employers) and PFS 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 Regulatory Authority 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, 2019, the PFS had approximately 15,000 active members and 9,500 pensioners. The PFS plan design supports equal cost and risk sharing between employees and employers.

In 2019, the PFS net assets grew to \$7.3 billion, representing an investment return of 13.6% after all fees and expenses, one of the strongest years on record. The strength of 2019's performance is a continuation of consistent long term results. Over the past 10 years, the PFS earned 8.5%, net of expenses, which has exceeded the benchmark return by 0.5%. The financial position of the Pension Fund entering January 2020 was among the strongest that it had ever been in its 80-year history.

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 updates, the funded status of the plan on a going-concern basis will remain at levels comparable to the prior three years at approximately 95%.

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 updates, the funded status of the plan on a going-concern basis will remain at levels comparable to the prior three years at approximately 95%. As confirmed by the plan's Actuary, Mercer (Canada) Limited, a compliant actuarial valuation as at January 1, 2020, will be filed with Regulators within the prescribed deadlines.

## **COMMENTS**

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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 June 24, 2020 the PFS Board of Directors approved the Bylaw amendments, appended to this report as Attachment 1, to effect plan updates. These amendments will not change the current employer/employee contribution rates, which have been in effect since 2011, and it is worth noting that the PFS contribution rates are among the lowest of other Ontario JSPPs.

## **CONTACT**

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## **SIGNATURE**

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Sean Hewitt  
TTC Pension Fund Society Chief Executive Officer

## **ATTACHMENT**

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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, 2020.

## **6.02 PENSIONABLE EARNINGS**

### **(1) Average Base Period Earnings**

Effective January 1, 2020 for Members retiring on or after January 1, 2020 pursuant to Bylaw 8 and for Regular Members whose death occurs on or after January 1, 2020 for purposes of Bylaw 11, and effective June 24, 2020, for Members terminating on or after June 24, 2020, for the purposes of calculating the amount of Regular Member's pension for Credited Service accrued to December 31, 2019, Average Base Period Earnings shall be the greater of:

- (a) the average of the highest consecutive four calendar year's Pensionable Earnings prior to 2020 and for this purpose two calendar years will be considered consecutive even if they include a temporary break in service, and
- (b) the average of the highest four calendar year's Pensionable Earnings after December 31, 1985 and prior to 2020.

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 2020, the Member's Base Period shall be his or her total number of calendar years, including fractional years, of Pensionable Earnings prior to 2020.

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.

## 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, 2020 and for a Regular Member whose death occurs on or after January 1, 2020 for purposes of Bylaw 11, the annual amount of pension shall be determined as the sum of:

(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, 2019; plus

(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, 2019; plus

(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, 2019, determined in accordance with the Bylaws of the Society in effect as at December 31, 2019.

(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.

(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).



## 13.02 AD HOC ADJUSTMENTS

- (1) Notwithstanding Bylaw 13.01, and subject to Bylaw 16.13 and Bylaw 13.02(2) and (3), pensions in the course of payment to Associate Members may be increased in accordance with this Bylaw 13.02. Increases approved by the Board shall be set out in Bylaw 13.02(4) and shall specify the effective date, the pensions to which the increase is applicable and the amount of the increase.
- (2) An increase under Bylaw 13.02(1) that applies to a pension which first becomes payable in the year prior to the effective date of the increase shall be the full increase multiplied by the ratio of the number of days for which the pension was payable to the total number of days in the corresponding calendar year.
- (3) Increases under Bylaw 13.02(1) shall be applied equally to pensions in the normal form or optional forms available to Members under Bylaw 10.
- (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.

(12) Effective January 1, 2019, pensions in the course of payment shall be increased by 2.16%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

(13) Effective January 1, 2020, pensions in the course of payment shall be increased by 1.96%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.