



For Action

TTC Pension Plan Bylaw Amendments

Date: June 20, 2024

To: TTC Board

Summary

The TTC Pension Plan (TTCP) Board of Directors approved changes to the TTCP Bylaws as follows:

1. To update the base year period used to calculate retiring TTC employees' pension to include 2023 and to provide a 4.77% increase to former members currently in receipt of a pension.
2. To update Bylaw 5.03(1) and 5.03(2) – Previous Service Credit, to permit rehired deferred members to resume immediate membership in the Plan upon rehire.

Pursuant to TTCP Bylaw 3.09, TTC Board sanction is required in order for the Bylaw Amendments to be effective. Subject to approval by the TTC Board, the amendments will be brought forward for membership approval at the next Annual General Meeting of TTCP on June 22, 2024.

Recommendations

It is recommended that the TTC Board:

1. Approve the recommended changes to the TTC Pension Plan Bylaw, included as Attachment 1 to the TTC Pension Plan Bylaw Amendments report.

TTC Pension Plan Bylaw Amendments

Date: June 20, 2024

From: Chief Executive Officer (Acting) – TTC Pension Plan

Summary

The TTC Pension Fund Society (TTC Pension Plan/TTCPP) Board of Directors approved changes to the TTCPP Bylaws as follows:

1. To update the base year period used to calculate retiring TTC employees' pension to include 2023 and to provide a 4.77% increase to former members currently in receipt of a pension. Based on TTCPP's strong financial position, both base year updates and pensioner cost of living increases have been provided annually since 2011.
2. To update Bylaw 5.03(1) and 5.03(2) – Previous Service Credit, to permit rehired deferred members to resume immediate membership in the Plan upon rehire.

Pursuant to TTCPP Bylaw 3.09, TTC Board sanction is required in order for the Bylaw Amendments to be effective. The amendments will be before the TTC Board for consideration on June 20 and membership approval of these amendments will be requested at the next Annual General Meeting (AGM) of TTCPP on June 22, 2024.

Financial Summary

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 TTCPP 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).

Members contribute to the TTCPP Pension Plan based on their earnings and the above-noted contribution rates. Employers match the employees' contribution amounts. The contribution rate has not changed since 2011.

Issue Background

Based on TTCPP'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 TTCPP Actuary prepares an actuarial valuation and detailed analysis of TTCPP's funded status which is used by the TTCPP 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 April 29, 2024, after consideration of long-term pension benefit affordability based on current contribution rates, TTCPP Board of Directors approved a one-year base period update (to include 2023) and a 4.77% pensioner increase, which is subject to limits under the Canadian *Income Tax Act*. The 4.77% pensioner increase represents the maximum permitted under the *Canadian Income Tax Act* and TTCPP Bylaws, and is within the range of comparable pension plans.

The recommended changes to Bylaw 5.03 were made to permit members of the Plan, who have a deferred entitlement, to resume immediate membership in the Pension Plan upon returning to work. The previous wording limited that option only to deferred members who are returning to employment with a participating employer within 24 months. This proposed change aligns with administrative practices with peer pension plans.

These approvals are effected by the Bylaw amendments appended to this report as Attachment 1.

Comments

TTCPP 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 TTCPP Actuary prepares detailed analyses of the Plan's funded status which guides the TTCPP Board of Directors in their decisions regarding indexing of pensions in payment, providing updates to the base period and other plan updates. 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 29, 2024, TTCPP Board of Directors approved the Bylaw Amendments, appended to this report as Attachment 1, to bring Plan updates into effect. These amendments will not change the current employer/employee contribution rates, which have been in effect since 2011 and it is worth noting that TTCPP contribution rates are among the lowest of other Ontario JSPPs.

Contact

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Signature

James Clarkson
TTCPP Chief Executive Officer (Acting)

Attachments

Attachment 1 – 2024 TTCPP Bylaw Amendments

BYLAW NUMBER 2

DEFINITIONS

2.01 – Where Used in Any Bylaws of the Society:

(35) “Survivor Benefit Date” shall mean January 1, ~~2023~~2024.

6.02 PENSIONABLE EARNINGS

(1) Average Base Period Earnings

Effective January 1, ~~2023-2024~~ for Members retiring on or after January 1, ~~2023 2024~~ pursuant to Bylaw 8 and for Regular Members whose death occurs on or after January 1, ~~2023-2024~~ for purposes of Bylaw 11, and effective April ~~2429~~, ~~20232024~~, for Members terminating on or after April ~~2829~~, ~~20232024~~, for the purposes of calculating the amount of Regular Member's pension for Credited Service accrued to December 31, ~~20222023~~, Average Base Period Earnings shall be the greater of:

- (a) the average of the highest consecutive four calendar year's Pensionable Earnings prior to ~~2023-2024~~ 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 ~~20232024~~.

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 ~~20232024~~, the Member's Base Period shall be his or her total number of calendar years, including fractional years, of Pensionable Earnings prior to ~~20232024~~.

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, ~~2023~~2024 and for a Regular Member whose death occurs on or after January 1, ~~2024~~2023 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, ~~2022~~2023; 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, ~~2022~~2023; 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, 2022, determined in accordance with the Bylaws of the Society in effect as at December 31, ~~2022~~2023.

(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) Pensions in the course of payment shall be increased according to the following confirmed approvals by the Board:

Effective Date	Percentage Increase	Application of Increase
January 1, 2011	2.0%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2012	1.0%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2013	2.0%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2014	2.0%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2015	2.0%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2016	1.28%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2017	1.35%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2018	1.56%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2019	2.16%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2020	1.96%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2021	1.03%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2022	2.41%	Determined in the same manner as provided under Bylaw 13.01
January 1, 2023	5.35%	Determined in the same manner as provided under Bylaw 13.01

<u>January 1, 2024</u>	<u>4.77%</u>	<u>Determined in the same manner as provided under Bylaw 13.01</u>
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BYLAW 5.03 Previous Service Credit

(1) A Regular Member who ceases to be a Regular Member in accordance with Bylaw 4.01(3) and who later returns to employment with an employer participating in the Society, upon becoming a Regular Member may within ~~90-120~~ days elect to repurchase his or her previous periods of Continuous Service and Credited Service provided that:

(a) Subject to Bylaw 5.03(3), the period from the date Regular Membership ceased to the date of election to repurchase the previous service does not exceed two years;

~~(b) the previous Credited Service was for a continuous period of at least two years;~~

~~(c)~~ the Member repays to the Fund the full amount of any required contributions and interest which were refunded at the date of resignation, plus any deferred pension or Commuted Value which was disbursed to the Member at the date of resignation, plus interest at the current rate of interest for Required Contributions on any such refund, deferred pension, or Commuted Value. Any previously credited pre-1990 service may only be credited if the funds for repayment with respect to that benefit are transferred from another registered pension plan or from a registered retirement savings plan of the Member;

~~(d)~~ the amount is repaid, either by a single lump-sum payment, within 30 days of the election, or by level monthly payments which are at least equal to the Member's then current Required Contribution and are actuarially equivalent in amount to the lump-sum payment, based on the current rate of interest for Required Contributions; and,

~~(e)~~ the Member is not also an Associate Member of the Society.

(2) Temporary and furlough employees will be given 90 days from the time they are given status as Regular Members to determine if they wish to elect to purchase eligible pre-1988 Continuous Service. A furlough driver who becomes employed with an employer participating in the Society and who has a deferred pension with the Society, shall have his or her deferred pension cancelled and shall receive credit for the periods of Continuous Service and Credited Service upon which the calculation of this deferred pension was based.

(3) An Inactive Member who is rehired and becomes a Regular Member shall be deemed to have elected to repurchase the previous Continuous Service and Credited Service if he or she are and who is eligible under Bylaw 5.03(1) for such, to a repurchase previous Continuous Service and Credited Service shall be deemed to have elected such a repurchase, except that the two years requirement in Section 5.03(1)(a) does not apply to such a Member. The Member shall receive the Continuous Service and Credited Service on which his or her deferred pension is based, in lieu of the deferred pension. Credit shall be proportionately reduced on account of a refund of 25% of Commuted Value pursuant to Bylaw 12.01(4) if such refund has been paid to the Member. For purposes of determining such Member's Average Base Period Earnings, the last full calendar year of service on which the Member's original deferred pension was based and the Member's first calendar year of service upon the Member becoming rehired shall be considered to be consecutive.