UNIVERSITY OF TORONTO

FINANCIAL SERVICES

TO: Business Board

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DATE: December 3 for December 17, 2012

AGENDA ITEM:

ITEM IDENTIFICATION:

Pension Plans Annual Financial Report for the Year Ended June 30, 2012

JURISDICTIONAL INFORMATION:

The Business Board reviews the annual financial report on the pension plans.

PREVIOUS ACTION TAKEN:

The Pension Plans Annual Financial Report for the year ended June 30, 2012 was provided for information to the Audit Committee and approved by the Pension Committee at its meeting of December 12, 2012.

HIGHLIGHTS:

The University of Toronto provides pension benefits to current and future retirees via two registered defined benefit pension plans – the University of Toronto pension plan and the University of Toronto (OISE) pension plan – and one unregistered defined benefit plan – the Supplemental Retirement Arrangement.

This report brings together in one place, and places in historical perspective, information on the funded status of the pension plans, the plan liabilities (including participants, benefit provisions and assumptions) and plan assets (including contributions, investment earnings, fees and expenses, and payments to pensioners). It includes the audited financial statements at June 30, 2012 and excerpts from the actuarial reports at July 1, 2012.

At June 30, 2012, the RPP had a deficit of $1.115 billion, an increase in the deficit of $138.6 million from June 30, 2011. At June 30, 2012, the RPP(OISE) had a deficit of $41.3 million, an increase in the deficit of $1.1 million from June 30, 2011.

The actual results to July 1, 2012 had the following impact on the pension contribution strategy approved by the Business Board on May 3, 2012:

- With respect to **going concern** results, there has been an actual nominal investment return of 0.9% as compared to 6.25% assumed by the strategy. Given the nature of the Government's solvency relief programme, there is no impact on the going concern special payments for 2012, 2013 or 2014. At July 1, 2015, everything else remaining unchanged, the going concern special payment projected in the strategy of $76 million per annum for 15 years would rise to $85 million per annum for 15 years, thus requiring an increase of $9 million per annum to the operating fund special payments budget.

- Any possible **impact on the net solvency payment** is much harder to gauge, given the continuing uncertainties around the policy climate. A key requirement for acceptance to stage 2 of the temporary solvency relief programme in its current form was an increase in member contributions. The University has put in place the required increases to member contributions, thus meeting the requirements for stage 2 acceptance and thus meeting the fundamental assumption in the pension contribution strategy with respect to solvency payments. However, whether or not universities will be permitted to deal with net solvency payments via letters of credit is still uncertain. And interest rates continue to be volatile, making it very hard to predict what the solvency deficit might be at July 1, 2014, and therefore what the net solvency payments might be beginning July 1, 2015, even with acceptance to stage 2. The Government is considering 50/50 sharing of current service costs, and continues to investigate other regulatory changes that could affect what might ultimately be required with respect to net solvency payments.

FINANCIAL AND/OR PLANNING IMPLICATIONS:
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RECOMMENDATION:
For information