



# University of Toronto

(FINANCIAL SERVICES DEPARTMENT, BUSINESS AFFAIRS)

TO: Business Board

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AGENDA ITEM: 6

## **ITEM IDENTIFICATION:**

**Pension Plans – Annual Financial Report for the Year Ended June 30, 2008 – revised report reflecting revised solvency valuations.**

## **JURISDICTIONAL INFORMATION:**

The Audit Committee is responsible for reviewing the annual financial report and for recommending the annual financial statements for the pension plans to the Business Board.

## **PREVIOUS ACTION TAKEN:**

In December 2008, on the recommendation of the Audit Committee, the Business Board approved the audited financial statements for the University of Toronto Pension Plan (RPP) for June 30, 2008 and the audited financial statements for the University of Toronto (OISE) Pension Plan (RPP(OISE)) for June 30, 2008.

## **HIGHLIGHTS:**

The solvency liabilities of the University of Toronto pension plans are valued using Canadian Institute of Actuaries (CIA) guidance on the rates for annuity purchases, which rates are required to be used in the solvency calculation to present value the liabilities. The CIA has recently (February 11, 2009) issued its guidelines for 2009 and has indicated that “it would be reasonable to also apply the new indicated basis for valuations with effective dates on or after February 29, 2008 up to and including December 31, 2008”. That revised guidance for 2008 has increased the rates from 40 basis points over Government of Canada bond yields to 110 basis points over Government of Canada bond yields, an increase of 70 basis points, to reflect deteriorating credit conditions.

Therefore, the solvency valuations for the University of Toronto pension plans, as at July 1, 2008, have been revised to reflect that changed guidance. The impact for the University of Toronto Pension Plan (RPP) is a reduction in the solvency deficit from \$217.2 million to \$65.5 million, with a solvency ratio of 0.98. The impact for the University of Toronto OISE Pension Plan (RPP/OISE) is a change from a solvency deficit of \$3.2 million to a solvency surplus of \$3.2 million, with a solvency ratio of 1.03.

The University plans to file the actuarial valuation as at July 1, 2008, including this revised solvency valuation.

The pension annual financial report has been revised to reflect the changed solvency valuation. The affected pages are attached for information, along with a copy of the CIA guidance.

### **Financial and Planning Implications:**

The pension contribution strategy continues to require 100% current service cost employer contributions and additional special payments of \$27.2 million. Of this amount, \$14.8 million will be contributed to the RPP (\$9.8 million going concern special payments plus \$5.0 million of solvency special payments), with the remainder expected to be contributed to the SRA. The pension deficit contributes to the employee future benefits costs recorded in the University's financial statements.

### **RECOMMENDATION:**

For your information.