MEETING DATE: March 1, 2011

SUBJECT: TTC PENSION FUND BYLAW AMENDMENTS

RECOMMENDATION

It is recommended that the Commission approve the appended TTC Pension Fund Bylaw amendments to move to actuarial funding and convert the Society to a Jointly Sponsored Pension Plan to be eligible for solvency funding relief.

FUNDING

As of the Pension Fund’s last filed actuarial valuation, current contribution rates are sufficient to meet the minimum funding levels, i.e. going concern funding as defined under the Pension Benefits Act for the plan. The next formal filing is required as at January 1, 2011 (due by September 30th) and it is expected to show a significant solvency funding shortfall. If the Society is to receive consideration for any solvency funding relief, the Bylaws must be amended to convert the Society to a Jointly Sponsored Pension Plan (JSPP). If the Society does not get relief from solvency funding, effective January 1, 2012 significant contribution increases will be required. These increases are currently estimated at $71 million, half of which would be included in the TTC’s 2012 budget.

BACKGROUND

Bylaw 3.09(i) of the Pension Fund requires that the Commission sanction any amendments to the Bylaws. All changes to the Society’s Bylaws must be passed by a majority of the Directors, sanctioned by the Commission and approved by the Members at the Society’s Annual General Meeting.

DISCUSSION

At meeting #1925 held on September 30, 2010, the Commission endorsed, structuring the Society as a JSPP contingent on the Society becoming recognized as a JSPP that is eligible for the solvency exemption to be granted to JSPP’s under the Ontario Pension Benefits Act. Since that time, discussions with the Ministry of Finance have confirmed that conversion to a JSPP requires the removal of the setting of contribution rates for the TTC Pension Fund from collective bargaining and the implementation of actuarial funding (the same funding basis as OMERS) by assigning the responsibility of setting contribution rates to the Board of Directors of the Society. This will not change the process that all Bylaw amendments, including changes to contribution rates will still require sanction by the Commission. The following describes the amendments:
Bylaw 7.01 Required Contributions and 7.03 Contributions -Other

These Bylaw amendments remove the setting of contribution rates from the collective bargaining process and implement actuarial funding for the Society. New wording will also be added to the collective agreements to reflect this change. The amendment moves the responsibility of setting the level of contributions to the Board of Directors based on the most recent actuarial valuation. Moving to actuarial funding is a requirement if the Society is to receive JSPP status and therefore, be eligible for solvency funding relief.

Based on the most recent estimates available, as at January 1, 2011 without funding relief, the current solvency funding rules will require the PFS to fund about $830 million (above and beyond going concern amounts) solely for the purpose of meeting the solvency requirements in the event of plan wind-up. Without solvency relief, the Commission and members will be required to contribute huge additional amounts over the next 10 years to pay off an unfunded “solvency” liability.

Also included is a previous amendment to Bylaws 7.01 & 7.03 that implemented on January 1, 2011 a 0.5% contribution increase for both Members of the Society and the Commission. This contribution increase was described in the Letter of Intent signed during the last collective agreements in recognition of the seriousness of the Society’s solvency funding requirements. The Commission included a $4 million increase as part of the 2011 Operating Budget to implement this contribution increase.

Bylaw 16.11 continues the employers current responsibility to fund any funding shortfall in the unlikely event that the Society is wound up.

Other changes were housekeeping issues to update the new numbering or reference.

JUSTIFICATION

Under Pension Fund Bylaw 3.09(i), the Commission must sanction all Bylaw amendments adopted by the Board. The Bylaws submitted will amend the plan to allow the Society to be recognized as a Jointly Sponsored Pension Plan to qualify for consideration for solvency funding relief. Membership approval of these amendments will be requested at the Annual General Meeting of the Society to be held on June 19, 2011.

February 4, 2011
44.54.58

Attachment – Amendments to Bylaws 2(xi), 5.05(i); 7.01; 7.03; 7.04; 16.11 and 17.07.
<table>
<thead>
<tr>
<th>NEW WORDBIND</th>
<th>OLD WORDBIND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEFINITIONS</strong></td>
<td><strong>DEFINITIONS</strong></td>
</tr>
<tr>
<td>CONTRIBUTIONS calculated as set out in Bylaw 7.03(II)</td>
<td>CONTRIBUTIONS calculated as set out in Bylaw 7.03(III)</td>
</tr>
<tr>
<td>2(xx)</td>
<td>2(xx)</td>
</tr>
</tbody>
</table>

**Purchase of Interruption IN Service**

| 5.05(1) | 5.05(1) |

| CONTRIBUTIONS would have been required to contribute under Bylaw 7.01(4), and what the Member would have been required to contribute under Bylaw 7.01(4), and what the Member would have been required to contribute. |

Effective: February 25, 2011

**Bylaw Amendments**

**TTC Pension Fund Society**
In effect prior to January 1, 2010 deleted

Paragraph with contribution rates that were

annually to the Fund an amount equal to:

Each Regular Member is required to contribute

will be made in accordance with these requirements.

The Board shall determine the total contributions that

be accounted under BW{7.0.111}, after taking into account

and any solvency deficiency that is required to be

amortization of any going concern unfunded liability

and to provide for the proper

of Regular Members and employees shall be at least

subject to BW{7.0.7}, the total contributions made

that is required by the Pension Benefits Act.

solvency deficiency, to the extent and in the manner

or any going concern unfunded liability and any

of the employers who participate in the Society are

and after February 25, 2011.

REGULAR CONTRIBUTIONS

REQUIRED CONTRIBUTIONS FROM REGULAR

MEMBERS

7.0.1
pursuant to Bylaw 1; and

any administrative lien on
an amount equal to the temporary additional

amount payable to the Fund:

(formerly Bylaw 7.03 (iii))

(viii) The commission shall contribute to the Fund:

"Earnings exceeding 9% of the probable
regular members' total contribution shall not
be permitted. When the requirement in (pq) above is not met, the
Society's contributions must exceed 9% of the probable
members' normal and supplementary contributions as demonstrated in
the most recent actuarial report of the
Society.

A regular member's annual contribution at
the YIPE,

1.95% of the probable earnings above
YIPE,

Effective January 1, 2011.

1.925% of his or her

such probable earnings above the YIPE,

1.925% of his or her

such probable earnings above the YIPE,

Effective January 1, 2010.

1.875% of his or her

such probable earnings above the YIPE,

Effective January 1, 2008.

and

1.875% of his or her

such probable earnings above the YIPE,


provided that:

"Earnings exceed 9% of the probable
regular members' total contribution by the
Society, and demonstrated in the most recent actuarial
report of the Society.

A regular member's annual contribution at
the YIPE,

1.95% of the probable earnings above
YIPE,

Effective January 1, 2011.

1.925% of his or her

such probable earnings above the YIPE,

1.925% of his or her

such probable earnings above the YIPE,

Effective January 1, 2010.

1.875% of his or her

such probable earnings above the YIPE,

Effective January 1, 2008.
Additional Voluntary Contributions by Regular Members.

The Commission shall make no contributions to match any

(formerly 7.03 (7))

Contribution made by a member under By-law 5.05 or

(formerly 7.03 (9))

Contribution made by a member under By-law 5.05 or

(formerly 7.03 (11))

[Deleted; no change to be made]

(formerly 7.03 (13))

[Deleted; no change to be made]

(formerly 7.03 (15))

Regular Members' Guaranteed Leave to serve with the

(formerly 7.03 (17))

Regular Member

(formerly 7.03 (19)) - Revised

(formerly 7.03 (21)) - Revised

(formerly 7.03 (23)) - Revised
<table>
<thead>
<tr>
<th>AMOUNT OF MEMBER'S CONTRIBUTIONS</th>
<th>EMPLOYER CONTRIBUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.03</td>
<td>7.03</td>
</tr>
</tbody>
</table>

Effective January 1, 2010: 8.75% of the Contributory Earnings of Regular Members above the YMPF. Earnings of Regular Members up to the YMPF.

Effective January 1, 2009: 8.25% of the Contributory Earnings of Regular Members above the YMPF. Earnings up to the YMPF.

Effective January 1, 2008: 7.75% of the Contributory Earnings of Regular Members above the YMPF. Earnings up to the YMPF.

Effective January 1, 2007: 7.25% of the Contributory Earnings of Regular Members above the YMPF. Earnings up to the YMPF.

Effective January 1, 2006: 6.75% of the Contributory Earnings of Regular Members above the YMPF. Earnings up to the YMPF.

Effective January 1, 1997: 6.25% of the Contributory Earnings of Regular Members above the YMPF. Earnings up to the YMPF.

Effective January 1, 1996: 5.75% of the Contributory Earnings of Regular Members above the YMPF. Earnings up to the YMPF.
Fund.

Consolidation for custody and investment of the

and insurance companies and investment counselors

approved by the Board, and the fees of the first and

approved by the Society, such other special expenses specifically

the following: any accidental and special legal fees incurred

and office expenses of the Society, with the exception of

administration and office expenses of the

The Commission shall, in addition bear all

renumbered as 7.0.3 (vi)

administration, membership, and supplementary disability

pension set out in bylaw 6.00 and any

additional pension and supplementary disability

The Commission shall also contribute to the

renumbered as 7.0.4 (vi)

Earnings from the Union pursuant to bylaw 6.01

contributed by Regular Members on Contribution

contribute to the fund an amount equal to the amount

Local 130 of the Amalgamated Transit Union shall

Earnings or Regular Members above the YMPF

and in an amount equal to 10.50% of the contribution

bylaw 6.02(a)(b) of Regular Members up to the YMPF

Earnings Exceeding Contribution Earnings pursuant to

Effective January 1, 2011, 9.25% of the contribution

Earnings or Regular Members above the YMPF and

and in an amount equal to 10.35% of the contribution

bylaw 6.03(a)(b) of Regular Members up to the YMPF

Earnings Exceeding Contribution Earnings pursuant to

Commission in lieu of Member contributions.

Commission in lieu of Member contributions.

Where this applies, bylaw 5.03, 5.05, and 5.06 are

renumbered as 7.0.5 (vi)

announced by the YMPF.
| (b) | Service pursuant to an agreement between those eligible to purchase, excluding contributions under P. 03, 0.5% of 2.06 of the amount of Member |
| (c) | of Group Members, of Subscribers, for an additional benefit to a Member, being made as being equal to the actual cost of the additional benefit, provided that each such amount is either: |
| (d) | The Commission may contribute additional amounts. |
| (e) | The outgoing additional normal cost resulting after 25 years of service pursuant to P. 03, 0.5% of the introduction of the additional benefit, effective January 1, 1999. |
| (f) | Be required to cover: |
| (g) | Members. |
| (h) | The Commission shall make no contributions to match |
| (i) | Reimburse as 2.0% (v) |
| (j) | Provided below moved to 7.0% (iv) - Rewarded |

Working below moved to 7.0% (iv) - Rewarded
<table>
<thead>
<tr>
<th>Members of the Union representing them</th>
</tr>
</thead>
</table>
| Permit contributions by the Commission in the event of flaws in Articles 4, 5, 6, and 9, as necessary to
| Whereby Article 7.03(vii)(b) applies, if necessary for
| the Commission and the Members of
| the Union representing them. |
(d) Valuation date:

Valuation date may apply to:

- Determining the normal form of pension to a date
- Updation of the Survivor Benefit Date used in determining Regular Members' accrued pension
- Updating the four-year base period used in determining the normal form of pension to a date

(e) Members:

Updation of benefits payable to associative

(f) Where a member's improvement is to be made pursuant
to an improvement in the Associate's pension:

(g) Effective from a date not later than 12 months after the

(h) To change both or neither:

(i) To change both or neither subject to Bylaw 3.09(1)(k).
future benefits under items (a), (b), and (c)
the existing benefits and the solvency of
the Plan, and may be adopted if one or
more of the following conditions are met:
Any benefits under item (d) shall only be adopted if one or
more of the following conditions are met:

(1) The Board is reasonably satisfied, based on
the advice of the Actuary and other
considerations, that the additional
future benefits under item (a) and the
solvency of the Plan, and the Plan's
ability to support the existing benefits
in effect under item (b) and the
solvency of the Plan, and the Plan's
ability to support the existing benefits
in effect under item (c) shall have no
material adverse impact on the Plan's
ability to support the existing benefits
in effect under item (b) and the
solvency of the Plan, and the Plan's
ability to support the existing benefits
in effect under item (c)

(2) The Actuary and the Board are reasonably
satisfied, based on
the advice of the Actuary and other
considerations, that the additional
future benefits under items (a) and (c)
and the solvency of the Plan, and the
Plan's ability to support the existing
benefits in effect under item (b) and the
solvency of the Plan, and the Plan's
ability to support the existing benefits
in effect under item (c)

(3) An amendment to the Bylaws is adopted
pursuant to decisions made under Bylaw
7.04(f), under which the contribution rates of the
Board is reasonably satisfied, based on the advice of the Actuary and other
considerations, that the additional future benefits under item (a) and the
solvency of the Plan, and the Plan's ability to support the existing benefits
in effect under item (b) and the solvency of the Plan, and the Plan's
ability to support the existing benefits in effect under item (c) shall have no
material adverse impact on the Plan's ability to support the existing benefits
in effect under item (b) and the solvency of the Plan, and the Plan's
ability to support the existing benefits in effect under item (c)
the requirement in Bylaw 7.0.1(e).
(a) it is necessary to cause contributions to meet adopt such additional benefits under Item (a).
(c) or correspondence with Bylaw 7.0.1(i) (a) the Board shall correspondence to the Society would be limited in contributions to the event that

[Paragraph deleted]
<table>
<thead>
<tr>
<th>Statutory Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Certain deferred or immediate benefits for the payment of existing pensions and for the continuation of existing pension benefits. The need to provide for the continuation of existing pension benefits into account: disposition of the Fund, the following shall be taken into account: in determining the board in determining the board.</td>
</tr>
<tr>
<td>(b)</td>
<td>In the event that the Fund is discontinued, is the Board of Directors of the Fund, in consultation with the Actuary, in determining the board in determining the board.</td>
</tr>
<tr>
<td>(c)</td>
<td>If at any time it becomes necessary to discontinue the Fund, it shall be determined by the Board of Directors of the Fund, the following shall be taken into account: disposition of the Fund.</td>
</tr>
<tr>
<td>(d)</td>
<td>The Board of Directors of the Fund, in consultation with the Actuary, in determining the board in determining the board.</td>
</tr>
</tbody>
</table>

**Table:**

<table>
<thead>
<tr>
<th>DISCONTINUANCE OF FUND</th>
<th>TERMINATION OF FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.7.11</td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td>The decision of the Board in consultation with the Fund.</td>
</tr>
<tr>
<td>(vi)</td>
<td>The decision of the Actuary is final and binding upon all Members.</td>
</tr>
</tbody>
</table>

Employees:

The Canada Revenue Agency are to be refunded to the extent that the maximum limits set out below are exceeded by the surplus of the Fund in respect of Members who would otherwise be entitled to benefits if the Funds were wound up. Any surplus assets which are not winded up as provided for in the Pension Benefits Act (R.S., 1985, c. P-14). |

<p>| (c) | The provisions of the Pension Benefits Act. |
| (d) | The length of service and earnings of Members. |</p>
<table>
<thead>
<tr>
<th>Tax Act</th>
<th>of the Income Tax Act.</th>
<th>be eligible contributions pursuant to Section 147.2(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions pursuant to Section 147.2(2) of the Income Tax Act, except as otherwise permitted by the Income Tax Act, except as otherwise permitted by the Income Tax Act.</td>
<td>Validation as required under Section 147.2 of the Income Tax.</td>
<td>Recommendation by the Actuary based on an actuarial valuation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Minimum Contributions</th>
<th>Maximum Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.07</td>
<td>7.07</td>
</tr>
</tbody>
</table>

(111) Employer contributions shall be made pursuant to a Notwithstanding Bylaws 7.03, 7.04, 7.04.1, 14.04 and 14.04.1.