

POST EMPLOYMENT BENEFITS – ACTUARIAL UPDATE

Recommendation

The Commissioner of Finance & Corporate Services and the Director of Finance recommends:

That staff be authorized to retain an actuarial firm to provide an updated two year valuation of employee future benefits so as to comply with accounting standards issued by the Public Sector Accounting Board.

Economic Impact

The actuarial assessment of the projected non-pension retirement benefit obligation is required by the Public Sector Accounting Board (PSAB). The cost of the two year actuarial assessment is estimated to be \$10,000 to \$15,000. Funds have been provided in the 2005 Operating Budget.

Purpose

To receive authorization to retain an actuarial firm to update the valuation of employees future benefits so as to comply with the PSAB accounting standards.

Background - Analysis and Options

The Public Sector Accounting Board (PSAB) has established standards for the recognition, measurement and disclosure of the cost of employee future benefits (i.e. non pension retirement benefits). Under the PSAB standard, retirement benefits that vest or accumulate are to be accrued and included as part of the liabilities in the financial statements of municipal governments.

The adoption of this standard by the City in 2002 changes the accounting for post-retirement benefits from a cash basis to an accrued basis accounting. The City's obligations for post-retirement benefits are now recorded in the accounts in the period in which the employees render the services. The expense in the year is booked and the outstanding accumulated liability is recognized. The determination of the projected benefit obligation at any point in time requires the involvement of an actuary.

Council recognized the future unfunded benefit obligation of approximately \$23.6m for active employees and retirees by establishing a reserve. This reserve balance of \$2.8m will form part of a funding strategy so that the City can meet this financial obligation. The financial strategy to appropriately fund this liability will encompass both contributions to the above referenced reserve over time and to provide appropriate funding through the operating budget process.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources for the actuarial assessment have been allocated and approved.

Conclusion

Staff recommend updating the current actuarial assessment on the projected non-pension retirement benefit obligation and recommend the funding be from the reserve "Employee Benefits" that was originally created for this type of expenditure. The cost of the actuarial assessment is estimated to be \$10,000 to \$15,000.

Attachments

None

Respectfully submitted,

Clayton D. Harris, CA
Commissioner of Finance & Corporate Services

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