



Meeting Date: June 15, 2022

Submitted by: Tiffany Farrell, Director of Corporate Services

Report No: CPS-26-2022

Subject: Employee future benefits Actuarial Valuation

Recommendation:

THAT Report CPS-26-2022, re: Employee Future Benefits Actuarial Valuation be received;

AND THAT the Employee future benefits Actuarial Valuation as at December 31, 2021 and actuarial updates to December 31 2022, 2023 and 2024 attached to Report CPS-26-2022 be approved.

Purpose:

To inform Council of the Municipality's employee future benefits actuarial valuation and obtain approval on future costing.

Background:

The Municipality of Middlesex Centre prepares its financial statements in accordance with general accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB). It is necessary to develop estimates of liabilities for the obligations associated with employee future benefits using an actuarial cost method and actuarial assumptions to ensure a fair presentation of a local government's financial condition and results of operations.

Accordingly, the Municipality engaged Nexus Actuarial Consultants Ltd. (Nexus) to review the Municipality's employee future benefits and calculate the Municipality's actuarial liability as at December 31, 2021, 2022, 2023 and 2024.

The Municipality previously worked with Nexus Actuarial Consultants Ltd. (Nexus) to review the Municipality's employee future benefits and calculate the Municipality's actuarial liability as at December 31, 2018.

This report provides an update, in terms of the current financial impact of the Municipality's employee future benefits.

For informational purposes

SECTION 3462 – EMPLOYEE FUTURE BENEFITS

Section 3462 applies to:

- Employee future benefits include the following:
 - Pension and other retirement benefits that an entity anticipates providing to employees and their beneficiaries after retirement.
 - Post-employment benefits that an entity anticipates providing to employees and their beneficiaries subsequent to employment but prior to retirement.
 - Compensated absences that an entity anticipates paying to employees.
 - Termination benefits.
- Any arrangement that is a benefit plan in substance irrespective of its form or the method / timing of its funding.
- Future benefits that an entity pays all / part of the cost.
- Entities with funded or unfunded benefit plans.

Section 3462 does not apply to:

- Benefits an entity provides to employees during active employment.

Middlesex Centre provides employee future benefits to retired employees that include extended health care, travel and dental.

Analysis:

The Municipality's employee future benefits liability has been disclosed in our financial statements.

Total obligation calculated for December 31, 2021 and 2022 is \$46,450 and \$53,068 respectfully.

It is important to note that the Municipality does not have an employee future benefit reserve fund due to the immaterial amount of the obligation at this time, but it is something to consider for the future and staff will continuously monitor the obligation balance and bring a recommendation to Council if required at a later date.

The Municipality has a note disclosure in the Municipality's financial statements under Summary of Significant Accounting Policies.

Other post-employment benefits Employee future benefits other than pension provided by the Municipality include medical, dental and travel benefits. These plans provide benefits to employees when they are no longer providing active service. Employee future benefit expense is recognized in the period in which the employees render services on an accrual basis. The accrued benefit obligations and the current service costs are calculated using the projected benefit method,

prorated on service, and based on assumptions that reflect management's best estimates. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period

Staff have removed all appendix documents from the attached Actuarial Valuation Employee Future Benefits Report.

Financial Implications:

Liability December 31, 2021 and 2022 is \$46,450 and \$53,068 respectfully.

Strategic Plan:

This matter aligns with following strategic priorities:

- Responsive Municipal Government

The report is in accordance with general accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) and additionally it responds directly to Objective 5.3– Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

Attachments:

A1 Actuarial Valuation Employee Future Benefits Report