

SPECIAL ISSUE

Update

MAY 2011

The Ontario Teachers' Pension Plan has lots of money in the fund, but...

The future security of the jointly sponsored Ontario Teachers' Pension Plan (OTPP) is not in doubt. Featuring matching contributions from the Ontario government, it is a well-run plan with net assets totalling \$107.5 billion as of January 1, 2011. Because it is a defined benefit plan, the OTPP promises a certain level of income for as long as pensioners (or their eligible survivors) live. A complex actuarial process is necessary to determine whether today's contributions and investment income will fund tomorrow's pension promise for current contributors. Each year, an independent actuary prepares a financial assessment of the Plan, based on best-estimate assumptions, examining the assets and liabilities of the Plan, projecting 70 years into the future. This "valuation" is presented to the Partners, the Ontario Teachers' Federation (OTF) and the Ontario Government, who then must decide whether or not to "file" that valuation with the regulators. If they decide to file the valuation, it must be fully funded. Legally, public pension plans must file a balanced valuation at least every three years. Filing can occur sooner, if the Partners decide it is in the best interests of the members.

The role of the Sustainability Working Group (SWG)...

This tri-partite working group, consisting of representatives from OTF, the government and Plan management, was formed in 2009 to study ways to keep the Teachers' plan secure and affordable well into the future. SWG agreed to employ a series of processes to encourage transparency, accountability and improved communications. These include a review of the rate of return assumption, which is used to estimate the future cost of teachers' pensions, formalized annual consultations among the parties as well as a review of all options,

including possible changes to contribution and benefit levels, if a valuation shows a projected funding shortfall in the pension plan. To deal with potential shortfalls into the future, conditional inflation protection for pension credit earned after 2009 and contribution increases up to 15% were introduced in the filing of the 2008 valuation as agreed-to "levers" to be considered as options for solving a funding deficit. In a deficit situation, the Partners can also decide to make changes to other benefits that members will earn in the future, or adopt a combination of these measures to bring the Plan into balance.



What is happening now?

Currently, the Partners are engaged in ongoing discussions with Plan management in order to reach consensus about the potential future impact of risk assumptions (longevity, interest rates, investment returns, etc.). Risk assumptions are the parameters used to determine future liabilities and the Plan's value to ensure its viability for current and future contributors. Under consideration is whether the impact of these assumptions can mitigate the \$17.2B deficit from the January 2011 preliminary valuation as reported by Plan management in its Financial Statement released on April 5th and whether, therefore, it is in the best interests of plan members to file a valuation in 2011. If the Partners, however, decide not to file and address the deficit this year, it may be more difficult to balance the Plan for a required filing in 2012.

What may happen?

If an agreement is reached to file a balanced valuation this year, you will be informed of the possible changes to your pension, how these changes resolve any funding shortfall, and how they will be implemented. OSSTF/FEESO bylaws require that prior to final approval of a valuation agreement that would result in either a contribution rate increase or a benefit decrease or a combination of both, a vote of the contributing members of the Plan must take place. The OTF Board of Governors will have the responsibility of endorsing any remedy to correct a funding deficit for this valuation. Before any deal is signed on behalf of Plan members, you will be given the opportunity to vote in a one-per-member ballot to determine how our ten OTF Governors will vote at the OTF Board of Governors which consists of ten representatives from each teacher affiliate, for a total of forty Governors.

Your input may be required...

OSSTF/FEESO will conduct a vote if a tentative agreement is reached for filing the January, 2011 valuation. The ballot would simply ask members to endorse or not endorse the solution jointly recommended by the Partners to address the funding deficit. If a vote is being held, all OSSTF/FEESO members who are contributors to the Ontario Teachers' Pension Plan (including OTs, PSSPs, and ESS) would be eligible to vote. Members who are not in a Teacher Bargaining Unit should ensure that their names are added to the voters' list by contacting the local District Office. Local Bargaining Unit/District Presidents would arrange for Plan-contributing members to participate in the vote.

The OSSTF/FEESO ballot for the vote on filing a 2011 valuation would read as follows:

| Ballot Mark your option with an "X" | |
|--|--------------------------|
| I endorse the joint Government-OTF proposal to address the funding deficit. | <input type="checkbox"/> |
| I do not endorse the joint Government-OTF proposal to address the funding deficit. | <input type="checkbox"/> |

You will be informed...stay tuned....

If a tentative agreement is reached, the time will be very limited between the achievement of a tentative resolution and the completion of our vote.

The timelines constraining this process will make it necessary for any future communication, including a summary of the proposed solution, to be communicated electronically directly to Bargaining Unit/District Presidents and then via the pensions page of the provincial OSSTF/FEESO website.

***For more information see fundingyourpension.com. There is a link on the provincial OSSTF/FEESO website. If you have questions, you can contact Ruth Kirkham, Shelley Page or David Russell at the Provincial Office of OSSTF/FEESO by phone (1-800-267-7867 or 416-751-8300) or by e-mail at kirkhar@osstf.on.ca, pages@osstf.on.ca, or russeld@osstf.on.ca.