

LOOKING AHEAD



# The 2009 Valuation



October 2009



# Funding Valuations

- A funding valuation is an assessment of a pension plan's ability to meet its pension promise.
- On a given day, the plan's actuary compares the plan's assets to its liabilities – primarily the present and future cost of providing pensions.



# Background

To understand the 2009 filing, we have to remember the outcome of the 2008 filing.



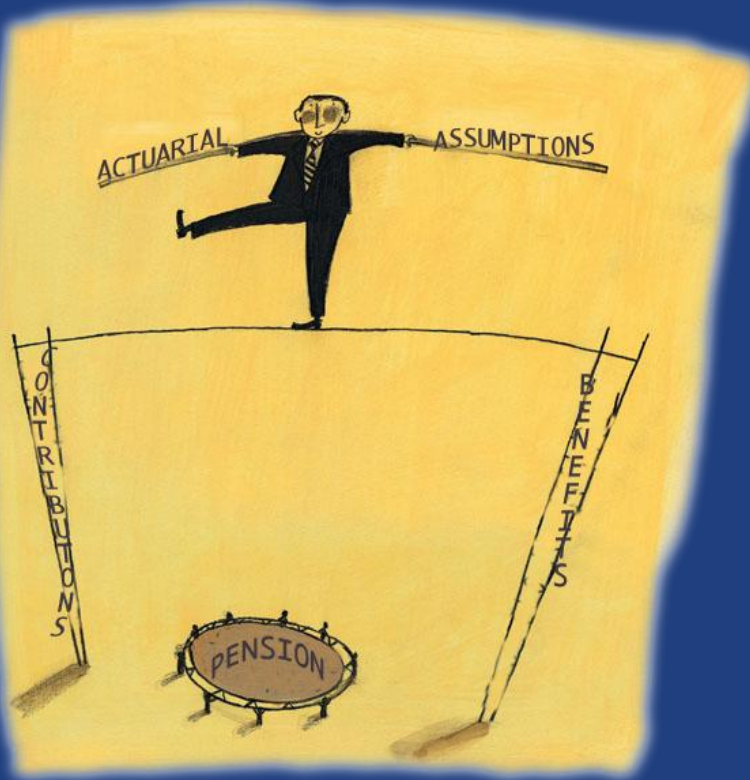
# The 2008 Deal



- No new contribution rate increases
- No changes until January 1, 2010
- Contribution Cap of 15%
- Partial conditional indexing *IF* rates pushed near cap



# Conditional Inflation Protection



- Introduced in 2008 valuation
- On pension accrued *after* January 1, 2010
- Only when needed and
- Only as much as needed



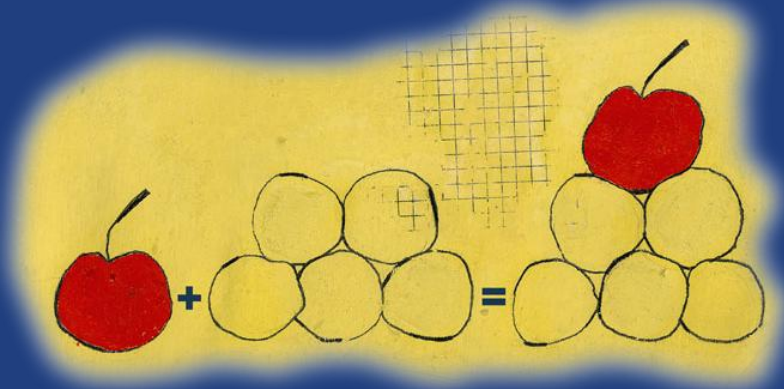
# How CIP\* works

\* Conditional Inflation Protection

- Only on accrual *after* Jan. 1, 2010
  - 50% cola remains guaranteed
  - 50% cola becomes discretionary
- For full details see *The 2008 Filing* here:  
<http://www.otffeo.on.ca/english/images/LOOKING%20AHEAD/filing.pdf>



# Valuation Due January 1, 2011



- We said:
  - ▲ Next mandatory filing 2011
  - ▲ 100% inflation protection guaranteed until then



# The State of the Union - 2009

- Preliminary Funding Valuation for Jan. 1, 2009 as reported to OTPP AGM

- ▲ Assets \$106.9 billion
- ▲ Future contributions \$30.6 billion
- ▲ Total assets \$137.5 billion
- ▲ Future benefits (\$140.0 billion)
- ▲ Preliminary shortfall (\$2.5 billion)





# A Reminder - 2008 v. 2009

	Prelim. 2008 (\$ in billions)	Prelim. 2009 (\$ in billions)
Assets	\$104.9	\$106.9
Future Contributions	\$21.8	\$25.1
Special Contributions	\$6.1	\$4.2
Current Members		
Future Members	\$2.1	\$1.3
Actuarial Assets	\$134.9	\$137.5
Future Benefits	(\$147.6)	(\$140.0)
Surplus/(Deficiency)	(\$12.7)	(\$2.5)



# The 2009 Deal



- No changes in contribution rates or benefits
- No changes until January 1, 2012 or next filing
- Under CIP 100% cola guaranteed on discretionary portion until 2013



# Solving the 2009 Shortfall


- Discount rate adjusted by 0.1%
- Resolved \$2.24 Billion of liabilities
- Real data shows teachers retire a little later than their earliest opportunity
- Accounting for that fact reduced liabilities





# The State of the Union - 2009

- Funding Valuation for Jan. 1, 2009 as filed with the Financial Services Commission of Ontario



▲ Assets	\$106.9 billion
▲ Future contributions	<u>\$31.4 billion</u>
▲ Total assets	\$138.3 billion
▲ Future benefits	(\$137.6 billion)
▲ Surplus/(Shortfall)	\$0.7 billion



# Tripartite Working Group

- Partners understand possibility for future shortfalls
- Recessionary pressure through 2009
- Partners and Plan to develop new strategies
- Implemented at next valuation

