

# COMMUNIQUÉ



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# PENSION UPDATE

## Filing of a 2012 balanced valuation

To find out the particulars of the filing of the 2012 balanced valuation, check the previous *Communiqué* dated January 29, 2013 which outlines the tentative proposal.

This *Communiqué* was confidential to all OTF members until the filing was approved on February 6, 2013.

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## PENSION UPDATE

### Tentative 2012 Valuation Agreement Reached

The Partners, the Ontario Teachers' Federation (OTF) and the Government of Ontario, have agreed on a proposal to eliminate the 2012 deficit and file a balanced valuation of the Ontario Teachers' Pension Plan (the Plan). The agreement is subject to final approval by the OTF Executive; the Executive will be seeking a recommendation from the OTF Board of Governors on February 6, 2013 to file on the basis outlined in this *Communiqué*. Until that happens, this agreement remains confidential to members of OTF.

**Is OTF required to file a 2012 valuation?**  
The short answer is no. Because the Partners filed in 2011, the next mandated filing is not until 2014. Members will recall that, on several occasions, the Partners have made the decision to file in a non-mandatory year because they determined it was beneficial to members and the long-term sustainability of the Plan. That is where we find ourselves again in 2012.

The 2011 Report to Members (April, 2012) from the Ontario Teachers' Pension Plan Board (OTPP) announced that, despite the filing of a balanced valuation in 2011 and an 11.2% return on investments in 2011, the Plan was facing a further \$9.6 billion funding deficit at January 1, 2012. This deficit arises primarily from two factors: increasing life expectancies and low interest rates.

In early February of 2012, when the Partners received the preliminary valuation results identifying a \$9.6 billion deficit, they were also provided projections for 2013 and 2014. Given that the low interest rate environment is expected to continue, the projected deficits were much larger (potentially twice as large) and, if valuations were filed in those years, more significant Plan changes would be required in order to balance.

**What factors into a decision to file?**  
In a typical year where a filing is being pursued, many factors are considered. Since a balanced filing is required when a deficit exists, the Partners consider their options—reduce benefits, increase contributions or some combination of both. Likewise, the Partners discuss the actuarial assumptions (factors which influence the cost of pensions) used by the OTPP. While the OTPP sets the assumptions that factor into the discount rate (interest rate) used to value the Plan's liabilities, if the Partners have questions or concerns, they discuss them with the OTPP.

**OTFFEO**