

Filing of a 2012 balanced valuation for the Ontario Teachers' Pension Plan announced today

TORONTO, February 7, 2013 - The co-sponsors (Partners) of the Ontario Teachers' Pension Plan (Plan), the Government of Ontario and the Ontario Teachers' Federation (OTF), have announced Plan changes that will eliminate a deficit, as of January 1, 2012, and permit the filing of a balanced valuation with the Ontario pension regulator.

A preliminary 2012 valuation showed that, despite earning \$11.7 billion in 2011, the \$117 billion fund had a deficit of approximately \$9.6 billion. The Plan's liabilities are very sensitive to interest rates, and the current low interest rate environment has led to a series of deficits, despite excellent investment returns achieved by the Plan in recent years. The Partners recognized the need to take action now to balance the Plan's assets and liabilities and to reduce the Plan's risk profile so that it will remain financially viable long into the future.

To eliminate the deficit, the Partners have expanded the conditional nature of the inflation protection that is paid on benefits, based on the availability of sufficient funding in the Plan. This change will provide greater flexibility in addressing future funding challenges. The changes announced today mean that inflation protection on pension service accruing after 2013 will depend entirely upon the Plan's funded status. According to OTF President Terry Hamilton, "Both Partners are hopeful that the strength of the Plan will allow retirees to receive full inflation protection in the future."

"The filing of a balanced valuation as of January 1, 2012 is a positive step toward our Plan's long-term funding stability," said Hamilton. "With the persistence of low interest rates, the Plan may continue to experience future deficits. For this reason, the Partners intend to study all of the factors that contribute to funding shortfalls, including increased teacher life expectancies, Plan demographics and the balance between the average number of years worked versus those spent in retirement. We will be surveying active Plan members in the fall of 2013 to better understand their perspectives on these issues. The Plan is ahead of many others in understanding the impact of longevity on funding, and the Partners have already begun to address changes in demographic patterns."

The Partners will be assisted in this study by Dr. Harry Arthurs as well as by senior management at the Plan. "Dr. Arthurs' knowledge and expertise, most recently as Chair of the Ontario Expert Commission on Pensions, will be invaluable to the Partners," said Hamilton.

“The Government of Ontario and OTF have worked together constructively to identify Plan changes that respond to prevailing economic conditions in a way that is fair to all members and to the taxpayers of Ontario,” stated Kathleen Wynne, Premier-designate. “The investment track record of the Ontario Teachers’ Pension Plan is acknowledged to be one of the best in the world, yet it is clear that its funding challenges cannot be solved by investment returns alone. Today’s announcement reflects collaboration between the Government and Ontario’s teachers to ensure that a well-governed and well-designed defined benefit plan can remain viable and affordable by evolving in response to changing conditions.”

The Ontario Teachers’ Federation represents all active and retired members of OTPP. The OTF Affiliates are l’Association des enseignantes et des enseignants franco-ontariens (AEFO), the Elementary Teachers’ Federation of Ontario (ETFO), the Ontario English Catholic Teachers’ Association (OECTA), and the Ontario Secondary School Teachers’ Federation (OSSTF).

- 30 -

For further information, contact:

Terry Hamilton

OTF President

416.966.3424, 1.800.268.7061

Andrew Morrison

Ministry of Education

416.325.2454