

April 2014

Dear Colleagues,

Thinking back to 2003, when the Ontario Teachers' Pension Plan (OTPP) first reported a pension shortfall, many viewed it as a unique circumstance. However, in the following years, factors such as longer life expectancies, the 2008 economic crisis and the ever decreasing interest rates saw pension shortfalls become a stark reality.

OTPP's investment in 2013 surpassed the 10 percent rate of return. Its assets now total \$140.9 billion and generate a fully funded pension.

In 2013, for the first time in 10 years, OTPP reported a pension surplus of over \$five billion.

This rise in the level of pension funding was not unique to OTPP. As a result of interest rate increases and the double digit returns in investments reported by many Canadian pension plans, the 2013 results were favourable and forecasts by economists for 2014 are encouraging. For years, many Canadian pension plans faced excessive losses and decreased funding levels in comparison to OTPP. These have bounced back to funding levels of 80 percent or better. For example, the Ontario Municipal Employees Retirement System (OMERS), which reported a funding deficit of \$9.9 billion in 2012, has reached a pension funding level of 88 percent. This is the result of improved interest rates in 2013 and a 6.53 percent return on investments.

Even with this positive news, pension plans and the benefits of retirement security continue to be tainted by the right wing agenda. C.D. Howe recently released a report entitled "Evaluating Public-Sector Pensions: How Much Do They Really Cost?" in which Malcolm Hamilton claimed that pension guarantees are expensive, though he failed to report on the long-term economic benefits. This report applies concepts based on its analysis of the federal public sector pensions plans, and makes biased statements attacking all public sector pension plans. It dissuades management, in both the private and public sectors, from enhancing retirement benefits for workers. Fortunately, some forward thinking economists are countering the opinions of their counterparts at C. D. Howe. Many Canadians understand the long-term benefits of secure pension plans as they relate to the Canadian economy, particularly as the baby boomers live out their golden years.

In terms of the road ahead, OTPP sponsors continue to focus on long-term plan sustainability and exceptional service to their members. The right decisions have led OTPP to become the most successful defined benefit plan in Canada. It is the model to follow.

Julie Pauletig

OTF President