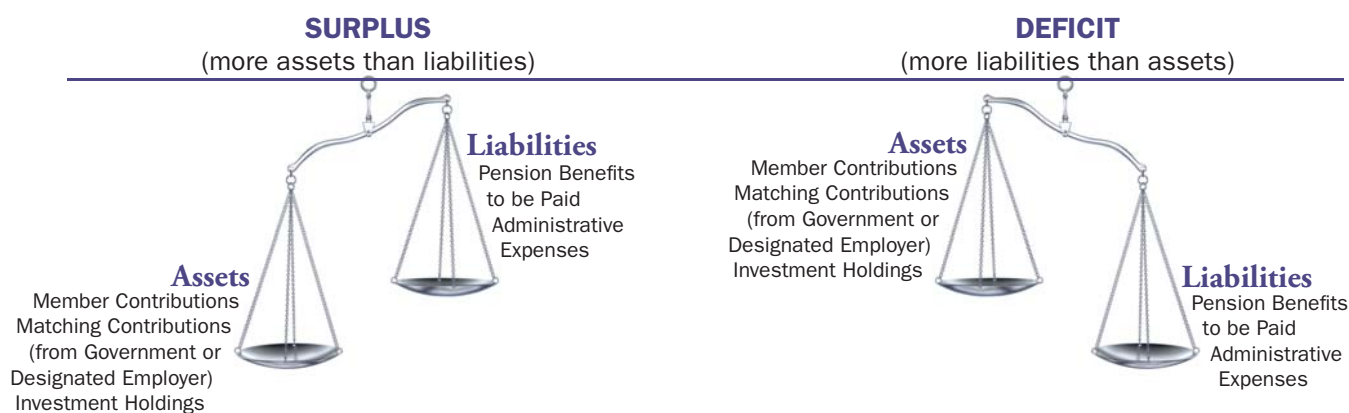


# ISSUE #1—OTPP PLAN VALUATIONS

OSSTF/FEESO Member Education Series regarding  
The Ontario Teachers' Pension Plan (OTPP)

In the Annual Action Plan, approved by AMPA 2009, the Provincial Executive proposed OSSTF/FEESO develop materials designed to educate members regarding the Ontario Teachers' Pension Plan. This is intended to be Issue #1 of a series of papers to be developed.

**A** pension plan valuation is simply a comparison of the pension plan's assets and liabilities. More assets than liabilities results in a surplus. More liabilities than assets results in a deficit.



Every year, the OTPP actuaries determine the value of the Plan's assets and the Plan's liabilities. To determine these values, the actuaries must make assumptions within a range of reasonableness. Actuaries may change assumptions within their guidelines. Assumptions include: **Economic Projections** (inflation rates, salary increases, investment returns), **Demographic Assumptions** (longevity, retirement projections) and **Actuarial Assumptions** (member and spousal ages, dependents, entrants, expenses).

When determining the plan's assets, the actuaries must also consider past performance within the investment holdings. Investment gains or losses are spread evenly over a five year period. This is called "smoothing". Pension plans include the smoothing adjustment to avoid annual extreme changes in the total asset values—thus mitigating significant fluctuations in contribution rates.

The OTPP actuaries prepare a valuation each year, showing whether there is a surplus or deficit—using their assumptions. Once the preliminary valuation is prepared, it is submitted to the Partners of the Plan (the Ontario Teachers' Federation and the Ontario Government). The Partners must consider whether or not to file the valuation with FSCO (Financial Services Commission of Ontario)—the Ontario Pension Regulators. By law, every pension plan must file a balanced valuation at least once in every three year period. However, the Partners may choose to file a valuation more frequently. Each year, upon receiving the preliminary valuation from the actuaries, the Partners must determine, within their fiduciary responsibilities and considering the best interests of the Plan members and the future financial health of the Plan, whether or not to file the valuation. Filing the 2009 valuation would move the date of the next required valuation from 2011 to 2012. This would allow one more year for improvement in the investments holdings.

Prior to September 30, 2009, the Partners must make their decision about filing the January 1, 2009 valuation.

*OTF (The Ontario Teachers' Federation) will also be sending information to members.*