

OSSTF Limestone District 27

Teachers' Bargaining Unit

735C Arlington Park Place,
Kingston, Ontario K7M 8M8



Tel: 613-546-6985 Fax: 613-545-1295 Email: osstf@kingston.net

MEMORANDUM

To: Occasional Teachers
From: Steve Newstead, District and Teachers' Bargaining Unit President
Date: June 6, 2011
Re: Information for OSSTF/FEESO Ontario Teachers' Pension Plan Members

Dear OTPP Member,

At a special meeting in Toronto on June 3, 2011, the Ontario Teachers' Federation (OTF), presented all local presidents with the current state of our pension plan and the challenges we are facing. Some key points that were presented were:

- OTPP earned a 14.3% rate of return last year.
- Net assets rose to \$107.5 billion from \$96.4 billion.
- Current preliminary funding shortfall based on actuarial assumptions is \$17.2 billion.
- Given a balanced valuation must be filed in 2011 or 2012, our OTF Governors feel we should file now to address the funding shortfall and avoid a potential \$30 billion shortfall in 2012.

To address the 2011 projected funding shortfall, the Partners of OTPP Management are proposing the following amendments to the plan:

- Current contribution rate becomes the Base Rate.
- A contribution rate increase of 1.1%, to be phased in with increments of .4%, .35% and .35% respectively, in each of the next three years.
- Invoking Conditional Inflation Protection (CIP) at 40% for contributors who retire after 2009. Based on this proposal for filing, and in the absence of future changes to the Plan, these pensioners will receive 60% of the annual cost-of-living adjustment on the portion of their pensions for credited service earned after 2009. The portion of their pensions for credited service earned before 2012 will remain fully adjusted to inflation.

In accordance with our Bylaws, OSSTF/FEESO is conducting a vote asking members to endorse or not endorse the plan amendments jointly recommended by the Partners to address the funding shortfall. All OSSTF/FEESO members who are contributors to the Ontario Teachers' Pension Plan (including OTs, PSSPs, and ESS) are eligible to vote. Members who are not in the Teachers' Bargaining Unit should ensure that their names are added to the voter's list by contacting the District Office.

Bylaw 21.1.1.5 states:

- It shall be the duty of the Provincial Executive to ensure that prior to OSSTF OTF Governors giving final approval to a valuation plan for the Ontario Teachers' Pension Plan that would result in an increase in pension contributions and/or a decrease in benefits, a vote of the Members

who are contributing members of the Ontario Teachers' Pension Plan will be held to approve or reject the proposed valuation plan. (A.10)

Voting

Branch Presidents will be conducting workplace votes on the pension proposal on Wednesday June 8 and/or Thursday, June 9, 2011. Tabulated results must be reported to the District Office by 2p.m. on Thursday, June 9. Individuals not reporting to a specific school/worksites are able to vote at the District Office at the following times:

- Wednesday, June 8 – 9am – 4pm
- Thursday, June 9 – 9am – 2pm

(Please bring photo identification and OSSTF Membership Card)

OSSTF/FEESO Recommendation

The Provincial Executive considered the proposal and the alternatives and makes the following recommendation:

That OSSTF/FEESO recommend that OSSTF/FEESO OTPP Contributors endorse the joint Government-OTF proposal to address the OTPP funding deficit.

Additional Information

Additional Information can be found at the following:

<http://www.otffeo.on.ca> (Ontario Teachers' Federation)

<http://www.osstf.on.ca/OTPPinfo> (Ontario Secondary School Teachers' Federation)

<http://www.otpp.com> (Ontario Teachers' Pension Plan)

Regards,
Steve Newstead
President, District and Teachers' Bargaining Unit
Ontario Secondary School Teachers' Federation
Limestone District 27
735C Arlington Park Place, Kingston ON
Office: 613-546-6985 Fax: 613-545-1295
Protecting and Enhancing Public Education

"Let us not take thought for our separate interests, but let us help one another."

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Colleague:

The "Special Issue Update" accompanying this letter is being mailed to all Occasional Teachers listed in the OSSTF/FEESO database for whom we have personal postal addresses. It is also being made available at worksites and on the provincial OSSTF/FEESO website. The document has been produced and distributed in order to provide updates regarding Ontario Teachers' Pension Plan information, and also to provide information pertinent specifically to OSSTF/FEESO members.

An OTF Communiqué with similar information, based on the OSSTF/FEESO template, is also being distributed through the workplaces. As a member of OSSTF/FEESO you are encouraged to read the "OSSTF/FEESO Special Issue Update" which includes information pertinent to fulfilling Bylaw 21.1.1.5.1 (i.e., voting procedures).

This will be the only direct mailing on this issue. In future, all pension information will be posted to the OSSTF/FEESO provincial website. Bargaining Unit Presidents are also being requested to make all information available on their local websites.

Additionally, you are encouraged to provide your personal e-mail address to your Bargaining Unit President to facilitate future communication.

Sincerely,

Kenneth Coran
President, OSSTF/FEESO

Protecting and Enhancing Public Education
Protéger et faire avancer l'éducation publique

Ontario Secondary School Teachers' Federation
Fédération des enseignantes-enseignants
des écoles secondaires de l'Ontario
60 Mobile Drive, Toronto, Ontario M4A 2P3

TEL 416.751.8300
TEL 1.800.267.7867
FAX 416.751.3394
www.osstf.on.ca



SPECIAL ISSUE

Update

MAY 2011

The Ontario Teachers' Pension Plan has lots of money in the fund, but...

The future security of the jointly sponsored Ontario Teachers' Pension Plan (OTPP) is not in doubt. Featuring matching contributions from the Ontario government, it is a well-run plan with net assets totalling \$107.5 billion as of January 1, 2011. Because it is a defined benefit plan, the OTPP promises a certain level of income for as long as pensioners (or their eligible survivors) live. A complex actuarial process is necessary to determine whether today's contributions and investment income will fund tomorrow's pension promise for current contributors. Each year, an independent actuary prepares a financial assessment of the Plan, based on best-estimate assumptions, examining the assets and liabilities of the Plan, projecting 70 years into the future. This "valuation" is presented to the Partners, the Ontario Teachers' Federation (OTF) and the Ontario Government, who then must decide whether or not to "file" that valuation with the regulators. If they decide to file the valuation, it must be fully funded. Legally, public pension plans must file a balanced valuation at least every three years. Filing can occur sooner, if the Partners decide it is in the best interests of the members.

The role of the Sustainability Working Group (SWG)...

This tri-partite working group, consisting of representatives from OTF, the government and Plan management, was formed in 2009 to study ways to keep the Teachers' plan secure and affordable well into the future. SWG agreed to employ a series of processes to encourage transparency, accountability and improved communications. These include a review of the rate of return assumption, which is used to estimate the future cost of teachers' pensions, formalized annual consultations among the parties as well as a review of all options,

including possible changes to contribution and benefit levels, if a valuation shows a projected funding shortfall in the pension plan. To deal with potential shortfalls into the future, conditional inflation protection for pension credit earned after 2009 and contribution increases up to 15% were introduced in the filing of the 2008 valuation as agreed-to "levers" to be considered as options for solving a funding deficit. In a deficit situation, the Partners can also decide to make changes to other benefits that members will earn in the future, or adopt a combination of these measures to bring the Plan into balance.



What is happening now?

Currently, the Partners are engaged in ongoing discussions with Plan management in order to reach consensus about the potential future impact of risk assumptions (longevity, interest rates, investment returns, etc.). Risk assumptions are the parameters used to determine future liabilities and the Plan's value to ensure its viability for current and future contributors. Under consideration is whether the impact of these assumptions can mitigate the \$17.2B deficit from the January 2011 preliminary valuation as reported by Plan management in its Financial Statement released on April 5th and whether, therefore, it is in the best interests of plan members to file a valuation in 2011. If the Partners, however, decide not to file and address the deficit this year, it may be more difficult to balance the Plan for a required filing in 2012.

What may happen?

If an agreement is reached to file a balanced valuation this year, you will be informed of the possible changes to your pension, how these changes resolve any funding shortfall, and how they will be implemented. OSSTF/FEESO bylaws require that prior to final approval of a valuation agreement that would result in either a contribution rate increase or a benefit decrease or a combination of both, a vote of the contributing members of the Plan must take place. The OTF Board of Governors will have the responsibility of endorsing any remedy to correct a funding deficit for this valuation. Before any deal is signed on behalf of Plan members, you will be given the opportunity to vote in a one-per-member ballot to determine how our ten OTF Governors will vote at the OTF Board of Governors which consists of ten representatives from each teacher affiliate, for a total of forty Governors.

Your input may be required...

OSSTF/FEESO will conduct a vote if a tentative agreement is reached for filing the January, 2011 valuation. The ballot would simply ask members to endorse or not endorse the solution jointly recommended by the Partners to address the funding deficit. If a vote is being held, all OSSTF/FEESO members who are contributors to the Ontario Teachers' Pension Plan (including OTs, PSSPs, and ESS) would be eligible to vote. Members who are not in a Teacher Bargaining Unit should ensure that their names are added to the voters' list by contacting the local District Office. Local Bargaining Unit/District Presidents would arrange for Plan-contributing members to participate in the vote.

The OSSTF/FEESO ballot for the vote on filing a 2011 valuation would read as follows:

Ballot Mark your option with an "X"	
I endorse the joint Government-OTF proposal to address the funding deficit.	<input type="checkbox"/>
I do not endorse the joint Government-OTF proposal to address the funding deficit.	<input type="checkbox"/>

You will be informed...stay tuned....

If a tentative agreement is reached, the time will be very limited between the achievement of a tentative resolution and the completion of our vote.

The timelines constraining this process will make it necessary for any future communication, including a summary of the proposed solution, to be communicated electronically directly to Bargaining Unit/District Presidents and then via the pensions page of the provincial OSSTF/FEESO website.

***For more information see fundingyourpension.com. There is a link on the provincial OSSTF/FEESO website. If you have questions, you can contact Ruth Kirkham, Shelley Page or David Russell at the Provincial Office of OSSTF/FEESO by phone (1-800-267-7867 or 416-751-8300) or by e-mail at kirkhar@osstf.on.ca, pages@osstf.on.ca, or russeld@osstf.on.ca.

COMMUNIQUÉ



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Ontario Teachers' Federation • 1300 Yonge Street • Toronto • Ontario • M4T 1X3 • 416.966.3424 • FAX : 416.966.5450

PENSION UPDATE

2011 Valuation Discussions

THE ONTARIO TEACHERS' PENSION PLAN HAS LOTS OF MONEY IN THE FUND, BUT...



Each year, an independent actuary prepares a financial assessment of the Ontario Teachers' Pension Plan based on best-estimate assumptions. This "valuation" examines Plan assets and liabilities, projecting 70 years into the future. The Partners—the Ontario Teachers' Federation (OTF) and the Ontario Government—must then decide whether to "file" that valuation with the regulators. To file the valuation, the Plan must be fully funded, that is, without a deficit. Legally, public pension plans must file a valuation at least every three years showing that they are fully funded. Filing can occur sooner, if the Partners decide it is in the best interest of the members.

valuation for January 1, 2011 has been presented to the Partners, showing a \$17.2 billion deficit. In determining whether we should file this year's valuation with the regulators or wait until next year, the Partners are considering projections for next year's valuation and the measures that would have to be implemented in order to file a valuation this year.

The future security of the jointly sponsored Ontario Teachers' Pension Plan (OTPP) is not in doubt. Featuring matching contributions from the Ontario Government, it is a well-run plan with net assets totalling \$107.5 billion as of January 1, 2011. Because it is a defined benefit plan, the OTPP promises a certain level of income for as long as pensioners (or their eligible survivors) live. A complex actuarial process is necessary to determine whether today's contributions and investment income will fund tomorrow's pension promise for current contributors.



The Partners last filed the 2009 Valuation. They have the option to file early for January 2011, or to wait until the mandatory filing required for January 2012. The preliminary

THE ROLE OF THE SUSTAINABILITY WORKING GROUP (SWG)...

This tri-partite working group, consisting of representatives from OTF, the Government, and Plan management, was formed in 2009 to study



COMMUNIQUÉ



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ways to keep the Teachers' plan secure and affordable well into the future. The SWG agreed to employ a series of processes to encourage transparency, accountability, and improved communications. These include:

- a review of the rate of return assumption, used to estimate the future cost of teachers' pensions;
- formalized annual consultations among the parties; and
- a review of all options, including possible changes to contribution and benefit levels, should a valuation show a projected funding shortfall.

In the filing of the 2008 Valuation, the Partners agreed that, as an option to deal with potential future shortfalls, contribution increases could be used up to a maximum of 15%. As a second option, conditional inflation protection for pension credit earned after 2009 was introduced. In a deficit situation, the Partners can also decide to make changes to other pension benefits that members will earn in the future, or adopt a combination of these measures to bring the Plan into balance.

WHAT IS HAPPENING NOW?

The Partners and Plan management are attempting to reach consensus concerning the risk assumptions (longevity, interest rates, investment returns, etc). These assumptions determine the Plan's future liabilities and assets. The assets must at least equal the liabilities to ensure its viability for current and future contributors. The Partners and Plan



are considering whether prudent adjustments to these assumptions can mitigate the \$17.2B deficit reported by Plan management in its Annual Report released on April 5, 2011. Ultimately, the Partners will decide whether it is in the best interest of plan members to file a 2011 Valuation. However, should the Partners decide not to address the deficit and file the 2011 Valuation, it may be more difficult to balance the Plan for a required filing in 2012.

WHAT MAY HAPPEN?

If the Partners and Plan agree to file a balanced valuation this year, you will be informed of the possible changes to your pension, how these changes resolve any funding shortfall, and how they will be implemented.



We will continue to keep you informed as discussions continue.

For further information visit fundingyourpension.com or contact OTF's Director of Pension & Economic Affairs at (416) 966-3424 or 1-800-268-7061





OTPP Contribution Rate History

January 1, 1992 – December 31, 2006	7.3% up to YMPE	8.9% above YMPE
January 1, 2007 – December 31, 2007	9.3% up to YMPE	10.9% above YMPE
January 1, 2008 – December 31, 2008	9.6% up to YMPE	11.2% above YMPE
January 1, 2009 – December 31, 2011	10.4% up to YMPE	12.0% above YMPE

Proposed: additional 1.1% increase spread over 3 years – (supplemental for 15 years)

January 1, 2012 – December 31, 2012	10.8% up to YMPE	12.4% above YMPE
January 1, 2013 – December 31, 2013	11.15% up to YMPE	12.75% above YMPE
January 1, 2014 – forward	11.5% up to YMPE	13.1% above YMPE

Recent Filed Valuations – changes incurred

- 2005 \$6.1B shortfall resolved with contribution rate increase of 3.1% spread over 3 years
- 2008 \$12.7B shortfall resolved by creating new tool – Conditional Inflation Protection (and increasing base contribution rates to 8.3%/9.9%)
- 2009 \$2.5B shortfall resolved with Discount Rate Assumption changes and creation of SWG and CWG

Proposed: 2011 valuation -

1.1% contribution rate increase spread over 3 years and invoking of 40% CIP
(and increasing base contribution rates to 10.4%/12.0%)

OSSTF/FEESO Information Regarding the 2011 OTPP Valuation

The Ontario Teachers' Pension Plan (OTPP) has reported a projected \$17.2B funding shortfall. The joint sponsors of the OTPP or Partners, the Ontario Teachers' Federation (OTF) and the Government of Ontario, have decided to address this shortfall by filing a valuation this year. Significant discussion has taken place with Plan management about the potential future impact of assumptions such as longevity, interest rates, and investment returns which determine the Plan's value and ensure its viability for current and future contributors. The proposal to file this year is in the best interests of plan members and will mitigate the impact on pension benefits of an even larger projected shortfall for a required filing in 2012.

Although a filed valuation is not required until 2012 (we last filed in 2009), the decision of the Partners to file this year will permit us to address the current shortfall and seek alternative avenues for funding the Plan to minimize potential future shortfalls before we choose to file again.

To address the 2011 projected funding shortfall, **the Partners and OTPP Management are proposing the following amendments to the plan:**

- A **contribution rate increase of 1.1%**, to be phased in with increments of .4%, .35% and .35% respectively, in each of the next three years.
- **Invoking Conditional Inflation Protection (CIP) at 40% for contributors who retire after 2009.** Based on this proposal for filing, and in the absence of future changes to the Plan, these pensioners will receive 60% of the annual cost-of-living (CPI) adjustment on the portion of their pensions for credited service earned after 2009. The portion of their pensions for credited service earned before 2010 will remain fully adjusted to inflation.

(For more detailed information, visit the provincial **OSSTF/FEESO website** to view the latest *Special Issue Update* which features an example of CIP applied to a sample pension. Other resources can also be accessed on the OTF/FEO and OTPP websites.)

In accordance with our bylaws, OSSTF/FEESO is conducting a vote asking members to endorse or not endorse the plan amendments jointly recommended by the Partners to address the funding shortfall. All OSSTF/FEESO members who are contributors to the Ontario Teachers' Pension Plan (including OTs, PSSPs, and ESS) are eligible to vote. Members who are not in a Teacher Bargaining Unit should ensure that their names are added to the voters' list by contacting the local District Office. Teacher Bargaining Unit Presidents (or their designates) are requested to arrange for Plan-contributing members to participate in the vote in whatever manner is deemed efficient and cost-effective.

The results of this **OSSTF/FEESO Vote** will direct how the OSSTF/FEESO OTF Governors vote on this pension proposal at the OTF Board of Governors.

The Provincial Executive considered the proposal and the alternatives and makes the following recommendation:

THAT OSSTF/FEESO recommend that OSSTF/FEESO OTPP contributors endorse the joint Government-OTF proposal to address the OTPP funding deficit.