CHAPTER III: ONTARIO'S ECONOMIC AND FISCAL STRENGTH

Section C: Fiscal Outlook

Teachers' Pension Plan

Q: Why is the 2018-19 Teachers' Pension Plan income (i.e. negative expense) forecasted to increase from $460M in 2017-18 to $861M in 2018-19?

A: The Teachers' Pension Plan has experienced favourable investment returns in the past several years (i.e. 2009 to 2015 & 2017). The cumulative effect of the investment gains in 2017 on the net pension asset and those earned from prior years is more than sufficient to offset the Province's share of the cost of pension benefits that were earned by the members of the Teachers' Pension Plan. The income has grown in 2018-19 as more of the investment gains on fund assets earned from 2009 to 2015 & 2017 are recognized.

Q: Why is the Teachers' Pension Plan income forecasted to be higher for fiscal year 2018-19 compared to what had been initially forecasted for the same year in last year's Plan?

A: The 2018-19 Teachers' Pension Plan income forecast has increased compared to last year's Plan primarily due higher than expected market returns on pension fund assets in calendar 2017, a lower salary escalation expectation, as well as lower than expected inflation.

Q: Why has the 2017-18 Teachers' Pension Plan income of $460M decreased by $71M compared to what was forecasted in last year's plan?

A: The 2017-18 Teachers' Pension Plan income forecast has decreased in the current fiscal plan due to an adjustment made to exclude Provincial cash contributions in arrears from pension assets.

Q: Does the 2018-19 income forecast of $861M indicate a reduction in the Province's annual cash contributions in the plan?

A: No. Employee and employer contributions are determined by a funding valuation. Funding and accounting valuations serve different purposes.

The purpose of a funding valuation is to assess the long-term financial health of a pension plan. The valuation shows whether the plan has a surplus of assets, a shortfall of assets, or the right amount of assets to cover the costs of future pension benefits (including the level of future contributions required to meet the obligations of the plan). Whereas an accounting valuation is performed to calculate and present for accounting purposes the actuarial present value of benefits attributed to employee services rendered to a particular date.

An income (i.e. negative pension expense) does not imply a reduction in pension contributions. Whether an adjustment in the contribution rates is warranted would be determined based on the next funding valuation filed.

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