Re: Follow Up Questions: Teachers

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Sun, 18 Sep 2016 22:44:21 -0400

Whether we needed o change our assumptions related to indexation. N

From: Veinot, Cindy (TBS)
Sent: Sunday, September 18, 2016 10:10 PM
To: Petsche, Nadine (TBS)
Subject: RE: Follow Up Questions: Teachers

Thanks – what was EY consulting on?

From: Petsche, Nadine (TBS)
Sent: September-18-16 5:50 PM
To: Veinot, Cindy (TBS)
Subject: FW: Follow Up Questions: Teachers

Not sure if this helps. n

From: Fong, Pauline (FIN)
Sent: August-08-12 10:31 AM
To: 'LeeAnne.Probert@ca.ey.com'
Cc: Psinas, John (FIN); Petsche, Nadine (FIN)
Subject: Follow Up Questions: Teachers

Hi Lee Anne,

Here are the answers from the questions you had from last meeting:

<u>OTPP funded at 100%</u>

For funding, both member and employer contributions for future benefits are based on the present value of future benefits based upon 100% indexing assumption. Therefore on a go forward basis contributions are based on 100% indexing. Funding deficit up to date (i.e. Accrued benefits up to date less plan assets) is funded by both parties with respect to special payments. Currently both members and employers are contributing an additional 1.1% to the plan to eliminate the funding deficit to date over 15 years

Therefore even though conditional indexing has been invoked at 60%, members and employer are making contributions for based on future benefit as if 100% indexed. The 60% indexing prevents further increases in special payments to pay for the current funding deficit.

<u>Inflation restored at the “run rate”</u>

The “run rate” is similar to the compounded inflation rate.

For example:

Year 1 = the inflation rate is 1%
Year 2 = inflation rate is 0.5%
Year 3 = inflation rate is 1.5%

Say we have $100 and in year 1 and year 2, and indexation of inflation was not granted for the two years. In year 3, inflation is granted and restored at the "run rate".

So in year 3 the benefit accrued would be $100 x 1.01 x 1.005 x 1 x 1.015 = $103.03

<u>Restoration of inflation in stages</u>

Once funding is available inflation is restored at the run-rate starting with 2009 and then going forward when funding is available. This is outlined the agreement between the Province and the Ontario Teachers' Federation.

I have attached the following agreements for your review:

1) Teachers' Pension Act (specifically section 5. (2.1) and section 5. (2.2), discusses the forgone inflation adjustments)
2) Schedule 1 to the Teachers' Pension Act (specifically section Part III 25 2(d), 26 1(d), discusses the share the pain payments or inflation adjustment payments)
3) Agreement between the Province and Ontario Teachers' Federation (page 21 (4) – how the restoration will be restored)

Let me know if you have further questions.

Regards,

Pauline Fong, CA

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