Statement of Facts and Assumptions

The Province of Ontario (Province) is a joint sponsor of the Ontario Teacher's Pension Plan (OTPP or the plan) and accounts for the Province's share of the plan (50%) as a defined benefit plan under PS 3250 when preparing the financial statements of the Province.

The Plan is a contributory defined benefit pension plan co-sponsored by the Province and Plan members, represented by Ontario Teachers' Federation (OTF) (the co-sponsors) and is governed by the Teacher's Pension Act – Ontario (TPA). The Plan is administered and the investments are managed by the Ontario Teachers' Pension Plan Board (the Board). Under the TPA, the Board is constituted as a corporation without share capital to which the *Corporations Act (Ontario)* does not apply. The TPA provides that the governing documents for the Plan are the pension plan established under Schedule 1 to the TPA, along with such other governing documents as may be created or adopted under the TPA or the text of the pension plan.

Section 5 of the TPA provides that the contributions of Ontario and contributing employers, on one hand, and active Plan members on the other hand, are to be approximately equal.

Section 10 of the TPA provides that the Minister of Education and the executive of The Ontario Teachers' Federation (OTF) may enter into an agreement that provides for, among other things, the joint management of the Plan and the sharing of entitlement to gains or surplus under the plan and of liability for deficiencies in the pension fund.

Pursuant to Section 10 of the TPA, the Minister of Education and the OTF (collectively the Partners) have entered into an agreement for the management of the Plan (Partners Agreement), to which is appended a Funding Management Policy (FMP) that is deemed to form part of the agreement.[1] The FMP provides for the funding of the Plan and how deficits and surpluses will be addressed.

The Province has a net pension asset recorded in connection with this plan

In recording the asset, the Province has considered whether a valuation allowance should be factored into the analysis in order to ensure that the asset recorded reflects the expected future benefit from the plan that the Province can realize. Under Public Sector Accounting standards, the expected future benefit would be determined by examining the withdrawable surplus the Province can realize or through the reduction in future contributions (PS 3250.55).

In conducting its analysis, the Province has not considered any ability of the Province to withdraw surplus from the plan and has therefore focused on its ability to realize the recorded asset through a reduction of future contributions.

The FMP expressly anticipates the possibility of contribution holidays in two scenarios:

- Article IV (Temporary Improvements) of the FMP provides for temporary actions that can be taken by the partners when Plan assets are greater than current liabilities (subject to the restorations required in section 3.06 of the FMP having already been provided). Section 4.05 of the FMP provides that in such a scenario, the parties may reduce current contributions, provide temporary surplus distributions or provide a temporary benefit improvement.

- Article V (Permanent Improvements) of the FMP provides for permanent actions that can be taken when Plan assets exceed current liabilities by more than 10% of current liabilities. Section 5.05 provides for actions that can be taken in respect of the amount that assets exceed current liabilities plus the 10% margin noted previously. Such actions can include changes to current benefits, current contributions, or both.

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[1] Partners Agreement, section 110.