

6. Pensions and Other Employee Future Benefits

Pensions and Other Employee Future Benefits Liability (Asset)				
As at March 31				
(\$ Millions)	2016	2016	2016	2015
	Pensions	Other Employee Future Benefits	Total	Total
Obligation for benefits	\$117,542	\$10,999	\$128,541	\$124,726
Less: plan fund assets	(141,749)	(562)	(142,311)	(129,880)
Unamortized actuarial gains	12,649	305	12,954	6,084
Adjustments ¹	2,246	9	2,255	2,221
Total	(\$9,312)	\$10,751	\$1,439	\$3,151

¹ Adjustments for pensions consist of:

- i) differences for amounts reported by the pension plans at December 31, instead of the Province's year-end of March 31
- ii) unamortized difference between employer and employee contributions for jointly sponsored pension plans
- iii) amounts payable by the Province that are reflected as contributions in the pension plan assets.

Information on pension plans with accrued benefit obligation in excess of plan fund assets is as follows:

Pensions Benefit Plans		
As at March 31		
(\$ Millions)	2016	2015
Obligation for benefits	\$26,607	\$26,217
Less: plan fund assets	(25,919)	(24,144)
Plan Liability	\$688	\$2,073

Pensions and Other Employee Future Benefits Expense				
For the year ended March 31				
(\$ Millions)	2016	2016	2016	2015
	Pensions	Other Employee Future Benefits	Total	Total
Cost of benefits	\$2,265	\$240	\$2,505	\$2,542
Amortization of actuarial (gains) losses	(145)	(2)	(147)	106
Employee contributions	(318)	–	(318)	(310)
Gain on plan amendment or curtailment	–	(98)	(98)	(39)
Recognition of unamortized experience gains	–	(22)	(22)	(5)
Interest (income) expense	(870)	238	(632)	(333)
Adjustments ¹	(126)	–	(126)	(126)
Total^{2,3}	\$806	\$356	\$1,162	\$1,835

¹ Adjustments for pensions consist of amortization of:

- i) the difference between employer and employee contributions for jointly sponsored pension plans
- ii) employee contribution reductions for solely sponsored plans.

² Total Pensions and Other Employee Future Benefits Expense is reported in Schedule 3. The Teachers' Pension expense of \$110 million (2014–15, \$564 million) is included in the Education expense in the Consolidated Statement of Operations and is disclosed separately in Schedule 4. The Public Service and OPSEU Pension expense of \$696 million (2014–15, \$787 million) and Other Employee Future Benefits — Retirement Benefits expense of \$393 million (2014–15, \$319 million) are included in the General Government and Other expense in the Consolidated Statement of Operations, and is under Employee and Pensioner Benefits in Schedule 4. The remainder of Other Employee Future Benefits expense is included in the relevant ministries' expenses in Schedule 4.

³ The Pensions and Other Employee Future Benefits Expenses for the hospitals, school boards and colleges sectors (except for the Ontario Teachers' Pension Plan) are not included in the table above. The expenses for HOOPP of \$747 million (2014–15, \$843 million) and CAATPP of \$190 million (2014–15, \$199 million) are included in the Salaries, Wages and Benefits expenses of the hospitals and colleges sectors respectively (Schedule 10) and in the expenses of the BPS ministries (Education, Health and Long-Term Care, and Training, Colleges and Universities) in Schedule 4.

Pensions

The Province sponsors several pension plans. It is the sole sponsor of the Public Service Pension Plan (PSPP) and joint sponsor of the Ontario Public Service Employees Union (OPSEU) Pension Plan and the Ontario Teachers' Pension Plan (OTPP).

These three plans are contributory defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators with a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to changes in the Consumer Price Index to provide protection against inflation. Plan members normally contribute seven to eleven per cent of their salaries to these plans. The Province matches these contributions.

The Province is also responsible for sponsoring the Public Service Supplementary Benefits Plan and the Ontario Teachers' Retirement Compensation Arrangement. Expenses and liabilities of these plans are included in the Pensions Expense and Pensions Liability reported in the above tables.

In addition to the Provincial sponsored plans, pension benefits for employees in the hospital and colleges sectors are provided by the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP) respectively and are included in these financial statements.

HOOPP is a multi-employer pension plan covering employees of Ontario's health care community. CAATPP is a multi-employer pension plan covering employees of the Colleges of Applied Arts and Technology in Ontario, the Board of Trustees, the Ontario College Application Services and the Ontario College Library Services. Both of these plans are accounted for as joint contributory defined benefit plans that provide eligible members with a retirement income based on a formula that takes into account a member's earnings history and length of service in the plan. The plans are financed by contributions from participating members and employers, and by investment earnings. As organizations covered under these plans are in the government's reporting entity, the Province includes 56 per cent of BPS organizations' portion¹ of the net obligation of HOOPP and includes 50 per cent of the net obligation of CAATPP.

The obligation for benefits and plan fund assets of the above plans is based on actuarial accounting valuations that are performed annually. Funding of these plans is based on statutory actuarial funding valuations undertaken at least once every three years.

¹ BPS organizations are represented in HOOPP at 85 per cent in 2015–16 (2014–15, 84 per cent).

Information on contributory defined benefit plans is as follows:

	OTPP	PSPP	OPSEU	HOOPP ¹	CAATPP
Government's Best Estimates as of December 31, 2015					
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%
Salary escalation rate	3.00%	3.00%	3.00%	4.25%	3.00%
Discount rate and expected rate of return on pension assets	6.25%	6.00%	6.25%	5.75%	6.00%
Actual return on pension assets	13.00%	6.14%	8.00%	5.12%	8.10%
Accounting Actuarial Valuation as of December 31, 2015					
Market value of pension fund assets (\$ millions)	171,440	23,075	18,399	63,924	8,592
Employer contributions ² (\$ millions)	1,600	361	214	930	202
Employee contributions ³ (\$ millions)	1,615	318	241	911	206
Benefit Payments (including transfers to other plans) (\$ millions)	5,548	1,176	897	1,924	410
Number of active members (approximately)	183,000	42,000	44,000	196,000	26,000
Average age of active members	42.5	45.6	46.1	44.8	48.0
Expected remaining service life of the employees (years)	15.3	10.8	12.2	12.8	13.7
Number of pensioners including survivors (approximately)	133,000	36,000	34,000	87,000	14,000
Government's Best Estimates as of December 31, 2014					
Inflation rate	2.25%	2.25%	2.25%	2.25%	2.25%
Salary escalation rate	3.25%	3.25%	3.25%	4.50%	3.25%
Discount rate and expected rate of return on pension assets	6.50%	6.25%	6.50%	6.00%	6.25%
Accounting Actuarial Valuation as of December 31, 2014					
Market value of pension fund assets (\$ millions)	154,476	22,231	17,481	60,848	7,965
Employer contributions ² (\$ millions)	1,531	355	218	899	196
Employee contributions ³ (\$ millions)	1,578	310	248	889	202
Benefit Payments (including transfers to other plans) (\$ millions)	5,315	1,083	798	1,702	372

1 HOOPP employer contributions only include the BPS organizations. The market value of pension fund assets, benefit payments (including transfers to other plans), employee contributions, number of active members, average age of active members, and number of pensioners including survivors, represent the entire HOOPP plan including non-BPS organizations.

2 Employer contributions paid during the Province's fiscal year. Employer contributions excludes other employers' contributions made by agencies participating in PSPP and OPSEU, and excludes other employers' contributions to OTPP. PSPP employer contributions include special payments of \$99 million (2014–15, \$99 million).

3 Employee contributions paid during the calendar year.