Key Funding Decisions Since 1990

The Ontario Teachers' Federation (OTF) and the Ontario government, which jointly sponsor the Ontario Teachers' Pension Plan, must file a funding valuation with the provincial pension regulator at least once every three years. A valuation must be filed with assets and liabilities (the cost of future pensions) in balance.

OTF and the Ontario government can file a valuation more frequently than required to help manage the plan's funding status.

The following chart shows how OTF and the Ontario government have used surplus funds or resolved funding shortfalls for each valuation filed with the regulator since the inception of the Ontario Teachers' Pension Plan as an independent entity in 1990.

For more information on plan funding, visit the Corporate section of our website at www.otpp.com.

Funding decisions

YEAR	VALUATION STATUS AND KEY DECISIONS
1990	The initial unfunded liability of $7.8 billion was to be amortized over 40 years by special payments from the Ontario government. The basic average contribution rate increased to 8% from 7%.
1993	A preliminary $1.5 billion surplus was distributed: $1.2 billion used to reduce government's special payments; $0.3 billion used to offset government cost reductions in the education sector (social contract days).
1996	A preliminary $0.7 billion surplus was distributed: $0.6 billion used to reduce early retirement penalty to 2.5% from 5% for each point short of 90 factor and lower the CPP reduction after age 65 (to 0.68% from 0.7%).
1998	A preliminary $6.8 billion surplus was distributed: $2.2 billion to pay for the 85 factor window from 1998 to 2002 and further lower the CPP reduction to 0.6%; $4.6 billion to reduce the value of special payments owed by the Ontario government. OTF and the Ontario government agree future surplus would be used to eliminate the government's remaining special payments, and the next $6.2 billion surplus would be available to OTF for benefit improvements.
1999	A preliminary $3.5 billion surplus was distributed to eliminate government's remaining special payments.
2000	$4.5 billion surplus; no changes to benefits or contribution levels.

ONTARIO TEACHERS' PENSION PLAN

Plan History

YEAR	VALUATION STATUS AND KEY DECISIONS
2001	A preliminary $6.8 billion surplus was distributed: $6.2 billion to pay for benefit improvements, including a permanent 85 factor; 10-year pension guarantee; reduced pension as early as age 50; lower CPP reduction (to 0.45%); 5-year average Year's Maximum Pensionable Earnings (YMPE) to calculate CPP reduction; pension recalculation based on approximate best-5 salary years for older pensioners; and top-up waived for Long-Term Income Protection (LTIP) contributions. The remaining $76 million was set aside in a contingency reserve to be used by OTF at a later date
2002	$1.9 billion surplus; no changes to benefits or contribution levels.
2003	$1.5 billion surplus; no changes to benefits or contribution levels. Funding Management Policy adopted by plan sponsors.
2005	$1.5 billion surplus; no changes to benefits or contribution levels. Funding Management Policy adopted by plan sponsors.
2008	A preliminary $12.7 billion shortfall was resolved with the introduction of conditional inflation protection for pension benefits earned after 2009 and an increase in the basic average contribution rate for members and the government to 9% from 8%. Employers are now required to make special payments equal to any annual pension increases retirees forgo to a maximum of 50% missed inflation. The final filed surplus was $0.
2009	A preliminary $2.5 billion shortfall was resolved primarily by assuming a slightly higher long-term rate of return on investments: yield on real-return bonds plus 1.5%, versus real-return bonds plus 1.4%. Other minor changes made to assumptions to reflect recent plan experience. The final filed surplus was $800 million.
2011	A preliminary $17.2 billion shortfall was resolved with a 1.1% contribution rate increase (phased in over three years), slightly smaller annual cost-of-living increases for teachers who retired after 2009, and recognition of current contribution rate as the permanent base rate. The final filed surplus was $200 million.
2012	The $9.6 billion preliminary shortfall was adjusted to reflect changes in mortality assumptions and the impact of the two-year freeze on teachers' salaries. 2012 shortfall resolved by making inflation protection for pension credit earned after 2013 fully conditional on plan's funded status and providing slightly smaller pension increases, beginning in 2014, for members who retired after 2009. These changes enabled the plan to assume a slightly higher discount rate. The changes left the plan with a $200 million surplus at January 1, 2012.
2014	Some of the $5.1 billion preliminary funding surplus was used to boost pensions of members who retired after 2009 to the level they would have been at if full inflation protection had been provided each year since they retired. The surplus funds were also used to raise conditional inflation protection to 60% from 50% of the increase in the cost of living for the portion of retirees' pensions earned after 2009. Both changes were effective January 2015. The final filed surplus was $1.2 billion.

Plan History

YEAR	VALUATION STATUS AND KEY DECISIONS
2015	Some of the $6.8 billion preliminary funding surplus was used to boost pensions of members who retired after 2009 to the level they would have been at if full inflation protection had been provided on January 1, 2015. The surplus funds were also used to raise conditional inflation protection for pension credit earned after 2009 to 70% from 60% of the increase in the cost of living. Both changes were effective January 2016. In addition, some surplus funds were reserved to help facilitate stability in contribution and benefit levels should a future funding valuation show a decline in assets or increase in pension costs. The final filed surplus was $3.1 billion.
2016	Some of the $13.2 billion preliminary funding surplus was used to boost pensions of members who retired after 2009 to the level they would have been at if full inflation protection had been provided on January 1, 2016. The surplus funds were also used to raise conditional inflation protection for pension credit earned after 2009 to 90% from 70% of the increase in the cost of living. Both changes were effective January 2017. In addition, some surplus funds were reserved to help facilitate stability in contribution and benefit levels should a future funding valuation show a decline in assets or increase in pension costs. The final filed surplus was $4.5 billion.
2017	Some of the $11.5 billion preliminary funding surplus was used to fully restore cost-of-living increases for the portion of pensions earned after 2009. The surplus funds were also used to decrease contribution rates by 1.1%. Both changes were effective January 1, 2018. In addition, some surplus funds were reserved to help facilitate stability in contribution and benefit levels should a future funding valuation show a decline in assets or increase in pension costs. The final filed surplus was $5.4 billion.
2018	The $10.3 billion funding surplus as of January 1, 2018 was classified as a contingency reserve. Retaining a reserve in the funding valuation is intended to reduce volatility in the funded position of the plan and facilitate stability in members' contributions and benefits. The plan is fully funded with base provisions – an average contribution rate of 11% and full inflation protection on all pension credit.
2020	The $6.1 billion preliminary surplus as at January 1, 2020 increased to $11.7 billion after reflecting wage agreements ratified as part of the collective bargaining process. The surplus was classified as a contingency reserve to help facilitate stability in members' contributions and benefits.
2021	The $8.5 billion funding surplus as of January 1, 2021 was classified as a contingency reserve. The plan continues to be fully funded with base provisions.
2022	The $17.2 billion funding surplus as of January 1, 2022 was classified as a contingency reserve. The plan continues to be fully funded with base provisions.