

PLEASE POST

Funded Status of the Teachers' Pension Plan October, 2013

The information in this document is provided in accordance with the following resolution which was carried at the NLTA's 2009 BGM:

That the NLTA provide annually to the membership the estimated position of the funding of the Teachers' Pension Plan, such to include the estimated percentage of funding of the plan and the return on investments for the previous year.

BACKGROUND

An actuarial valuation of the TPP is conducted every three years, as per legislative requirements. Such a valuation involves a detailed analysis of all the **liabilities** of the fund (i.e. the present value of pension benefits owing to every active and retired teacher, based on projected final average earnings) in comparison to the **assets** in the fund. This analysis requires a number of assumptions re future experience of the Plan; e.g. projected fund earnings on investments, inflation rates, salary increases (upgraded certificate levels and negotiated increases), life expectancy rates, age of retirement, etcetera. The actuarial valuation then provides the "funded ratio" of the Plan, which is simply the Plan's assets expressed as a percentage of the total liabilities.

The regular triennial actuarial valuation of the TPP was recently completed effective as at August 31, 2012. Between actuarial valuations, an estimate of the funded level of the Plan is possible from the year-end financial statements of the Consolidated Pension Fund. These statements are prepared by the Auditor-General as of December 31 of each year, and include the value of the fund as of December 31 and an **estimate** of the liabilities based on a projection from the previous actuarial valuation.

FUNDED STATUS OF THE TPP

As at August 31, 2012, the funded status of the TPP was 52.5%. The return on investments net of expenses for the year ending August 31, 2012 was 3.8%.

As at December 31, 2012, the estimated funded status for the TPP was 56.6%. The return on investments for the year ending December 31, 2012, was 10.8%.

Prior Years

The following tables summarize the historical funding level of the Teachers' Pension Plan and the investment performance of the Fund for the last few years.

Of particular note is the infusion of \$1.953 B into the Teachers' Pension Plan in 2006 which brought the funded ratio from 26.4% in 2006 to 89.9% by December 2006.

The world-wide economic crisis of 2008 and subsequent market crash had a devastating impact on investments, while liabilities continued to grow. As a result, at **December 31, 2008**, the estimated funded ratio had fallen to **62.2%**.

Despite positive returns in 2009 (8.9%) and 2010 (11.6%), factors such as members living longer and a greater number of retirees than actives in the Plan, the liabilities have continued to outpace growth in assets resulting in a funded ratio of 56.6% in December, 2012.

It should be noted that any estimate of funded status is a "snapshot in time" and future performance of the fund will depend on a number of factors. As pension liabilities are by their very nature long-term, it is necessary to take a long-term view of funding performance. A further update, in accordance with the BGM 2009 resolution, will be provided following the availability of further data in the December 2013 financial statements.



Don Ash
EXECUTIVE DIRECTOR
(NLTA Representative – Pooled Pension Investment Committee)

Teachers' Pension Plan – Funding Level

	Aug. 31, 2003 ¹	Aug. 31, 2006 ¹	Dec. 31, 2006 ²	Dec. 31, 2008 ²	Aug. 31, 2009 ¹
Market Value of Assets	779,390,000	2,750,940,000	3,066,308,000	2,209,366,000	2,380,380,000
Actuarial Liability	2,952,440,000	3,344,950,000	3,378,298,000 ^e	3,552,256,000 ^e	3,702,190,000
Unfunded Liability	2,173,050,000	594,010,000	311,990,000 ^e	1,342,890,000 ^e	1,321,810,000
Funded Ratio	26.4%	82.2%	89.8%	62.2%	64.3%

	Dec. 31, 2010 ²	Dec. 31, 2011 ²	Aug. 31, 2012 ¹	Dec. 31, 2012 ²
Market Value of Assets	2,567,170,000	2,305,205,000	2,286,180,000	2,408,298,000
Actuarial Liability	3,828,710,000 ^e	3,926,928,000 ^e	4,354,640,000	4,254,195,000 ^e
Unfunded Liability	1,261,540,000 ^e	1,621,723,000 ^e	2,068,460,000	1,845,897,000 ^e
Funded Ratio	67.1%	58.7%	52.5%	56.6%

¹ Source: TPP Actuarial Valuation
(Note: The next actuarial valuation of the TPP will be as of Aug. 31, 2015.)

² Source: Year-end Financial Statements – Consolidated Pension Fund

^e Estimate

NL Pooled Pension Fund – Investment Performance					
2008	2009	2010	2011	2012	2013 (to Aug. 31)
-21.0%	8.9%	11.6%	-4.2%	3.8%	10.06%