

# **Teachers' Pension Plan Funding Policy**

June 5, 2023

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## 1 PURPOSE

1.1 The purpose of this Funding Policy is:

- a) To provide a fiscal framework for managing the Teachers' Pension Plan (Plan) contribution rates and pension benefits.
- b) To ensure compliance with applicable federal and provincial legislation and the Joint Trust Agreement (JTA).

## 2 PLAN OVERVIEW

2.1 The Plan provides the following benefits to Plan members:

- a) Basic Pension - Guaranteed non-indexed pension benefits.

The basic benefit is based on the member's years of pensionable service ("Yrs") and highest average salary ("HAS"). HAS is the average of the highest 5 years of earnings (adjusted for full time equivalency) and is derived using the following formula:

For service prior to January 1, 2018

If the person's HAS is greater than the prior year's Canada Pension Plan's Years Maximum Pensionable Earnings ("YMPE") then

$$\text{Lifetime Pension} = \text{Yrs} * ((\text{HAS} - \text{YMPE}) * 2\% + \text{YMPE} * 1.3\%)$$

Otherwise

$$\text{Lifetime Pension} = \text{Yrs} * \text{HAS} * 1.3\%$$

In addition to the lifetime pension, retired members under the age of 65 also receive a bridge benefit equal to the lesser of

$$\text{Yrs} * \text{HAS} * 0.7\% \quad \text{or} \quad \text{Yrs} * \text{YMPE} * 0.7\%$$

For service from January 1, 2018

$$\text{Lifetime Pension} = \text{Yrs} * \text{HAS} * 1.90\%$$

And there is no bridge benefit.

The pension may be reduced if the member retires early.

- b) Future indexing - Non-guaranteed future cost of living adjustments (COLA) to the Basic Pension benefits. These adjustments could be less than the increase in the consumer price index (CPI).
- 2.2 The Basic guaranteed non-indexed (i.e. no future COLA) benefits are secured by the funds in the Basic Account. To ensure the guarantee, benefits are pre-funded based on contribution rates that are revised triennially following an actuarial valuation. There is joint cost sharing between members and employers. The JTA sets out how costs are to be shared.

a) The main risks to the Basic Benefits are:

i) Deterioration in the funded status causing unacceptably high contribution rates which could occur as a result of:

A. Poor investment performance;

B. Experience differing from actuarial assumptions; and

C. The plan having a high ratio of retired to active members.

ii) Volatility in the funded status causing unacceptable contribution rate volatility which is accentuated by having a high ratio of retired to active members.

b) These risks are managed by setting an appropriate Investment Policy which is reviewed at least annually, and by using the methods described throughout this Funding Policy.

As part of a triennial asset allocation review, when setting the Investment Policy, potential scenarios that could result in more contribution rate volatility are considered in order to limit the Plan's risk exposure.

As the Plan has a high ratio of retired to active members, the Plan's risk tolerance, reflected in the Investment Policy, requires that the investment manager avoids investment strategies which involve excessive investment risk.

c) Provisions for adverse deviation are used by the Actuary in assessing assets and liabilities for the Basic Account to limit any negative effects of deviations in actual experience from the actuary's assumptions.

- 2.3 The non-guaranteed COLA increases are funded from the Inflation Adjustment Account (IAA). The contributions to the IAA are at rates agreed by the Plan Partners and are not automatically adjusted to reflect the IAA's funded status. Future COLA increases are only provided to the extent that there are sufficient funds available.

- a) The main risk to the future COLA Benefits is an inability to continue to provide COLAs that maintain the purchasing power of the pensions (as measured by the increases in the CPI). Thus, the sustainability of the COLAs provided is key.
- b) Sustainability can be negatively affected by poor real investment returns (i.e. poor investment returns in excess of inflation). The Investment Policy is an important tool for managing this risk, but it is also important to manage the COLA granted each year to ensure that the IAA is not depleted. The policy for managing the COLA is described in this Funding Policy. COLA increases are not guaranteed, and as such the Plan's tolerances for risk related to the IAA are greater than for the Basic Account.
- c) The sustainability can also be negatively affected by higher than expected inflation.

### **3 POLICY OBJECTIVES**

3.1 The objectives of this Funding Policy are:

- a) With respect to the Basic Pension,
  - i) Benefit security for plan members and
  - ii) Contribution rate stability for members and employers, subject to requirement of the JTA that the first priority must be to reduce contribution rates if possible when current contribution rates are higher than the entry age normal cost.
- b) With respect to future COLA, to sustain indexing at the highest possible level subject to the available resources.
- c) For all benefits, to promote equity among the active, retired and deferred pension members.

3.2 These objectives have been set taking into account the objectives of the Plan Partners as laid out in the JTA.

### **4 BASIC NON-INDEXED PENSION BENEFITS**

4.1 Purpose

- a) To provide guaranteed non-indexed defined benefit pensions to retired Plan members.

4.2 Financial Objectives

- a) Benefit security is the primary funding objective for the Basic Account. The jointly trusted nature of the Plan, its broad public sector base, and the resulting low likelihood of the Plan terminating all contribute to benefit security.

- b) In addition, contribution stability is an important secondary objective. The cost of the Plan should be systematically recognized over time based on a long-term view of the Plan's assets and liabilities.
- c) To achieve these objectives, the basic non-indexed pension benefits are pre-funded by setting the member and employer contributions at an appropriate level taking into account current Basic Account assets and liabilities and expected investment income.
- d) Contributions must be set in accordance with the requirements of the JTA.

#### 4.3 Assessment

- a) A going concern actuarial valuation report will be prepared by a certified actuary at least triennially in accordance with the standards established by the Canadian Institute of Actuaries (CIA).
- b) The entry age normal funding method will be used as the underlying actuarial funding method.
- c) Asset values and investment returns should be smoothed over a rolling five year period. The smoothed value of the assets should be limited to no more than 108% and no less than 92% of the market value of the assets. The actuary should monitor the difference between the smoothed and market value of assets and discuss the implications of the gap with the Board during the valuation process.
- d) The Plan is exempted from the Pension Benefits Standards Act (PBSA) with regard to solvency valuation requirements. Therefore solvency requirements are not taken into account when establishing the contribution rates. This is appropriate given the nature of the Plan.
- e) Further, the current CIA standards of practice do not require that the actuary include an assessment of assets and liabilities on a Plan termination basis (solvency valuation) in cases where the benefits on wind-up are not defined. The JTA and the Plan rules do not contemplate Plan termination. Accordingly, no solvency valuation is required as part of the triennial valuation.

#### 4.4 Assumptions

- a) To achieve an appropriate level of benefit security, assumptions will be based on best estimates with margins for adverse deviations.
- b) The investment return assumption should take into account the Plan's investment policy, asset mix, expected returns from the Plan's investment managers including anticipated equity risk premiums, and the degree of asset smoothing.

- c) Given the objective of contribution stability, a long-term perspective on assumptions is appropriate; assumptions should not be unduly influenced by short-term conditions.
- d) The assumptions should be set taking into account that the Plan is maturing and, therefore, a similar unfunded liability will produce a much higher contribution rate increase than it would have when the plan was less mature.

#### 4.5 Basic Account Policy

- a) The JTA provides that if the actuarial valuation report indicates a requirement to increase contribution rates, the increase must be shared equally between plan employers and plan members. If the actuarial valuation report shows that a contribution rate reduction is possible and the Board decides to implement one, any reduction will be shared equally between plan employers and plan members.
- b) While exempt under the PBSA, the JTA requires that “The Board must have the Pension Plan reviewed, and the results of the review set out in the form of an actuarial valuation report for a going-concern valuation in the manner and at the times specified in the PBSA, the regulations under the PBSA and Appendix B.” Appendix B of the JTA (JTA-B) sets out the going concern funding requirements of the PSBA as they existed prior to the amendments made to the PBSA effective December 31, 2019. Therefore the plan continues to be funded in accordance with these requirements as it has since the plan became a jointly trustee plan. The JTA sets out other constraints and guidelines for the Board that will be discussed later in this policy.

The requirements of JTA-B are as follows:

- i.) pay normal cost (NC)
  - ii.) if there is an unfunded liability (UL), it should be amortized over 15 years
  - iii.) if there is a surplus (S)
    - A surplus cushion equal to 5% of the net liability must be retained, and,
    - The remaining balance can be amortized over not less than five years.
- c) If there are surplus assets, the JTA requires that the Board:
- i.) First reduce the aggregate Employer and Plan Member contribution rate to the Basic Account to the greater of the entry age normal cost and the minimum rate required under the JTA-B (the JTA-B Contribution Rate), unless the Board determines that such a reduction is not material and would be unduly disruptive to the Employers and Plan Members to implement;
  - ii.) However, if the EANC is greater than the Current Contribution Rate, and there is Accessible Going Concern Excess in the Basic Account as of the effective date of the actuarial valuation report, the Board must first use the Accessible Going Concern Excess to set the Required Contribution Rate equal to the Current Contribution Rate, provided the reduction below the EANC does not exceed 1%.
  - iii.) Next, if there are additional surplus assets, transfer such portion of the surplus assets remaining after implementation of subsection (ii) above to the Inflation



Adjustment Account (IAA) as is necessary to ensure the IAA has

- Sufficient assets to index all benefit payments from the Basic Account for accrued and future service at a rate equal to the long term rate of inflation assumed in the most recent filed actuarial valuation report of the Plan, and
- A prudent reserve

iv.) Then, if there are additional surplus assets, the Board may:

- Leave all or a portion of the surplus assets in the Basic Account for the purpose of a reserve to stabilize contribution rates;
- equally reduce the employer and plan member contributions, to a maximum of 1%, i.e. 0.5% each, below the EANC;
- make changes to the benefit provisions.

d) Accordingly, the surplus allocation policy as detailed in (c) above is summarized as follows:

- i.) Firstly, reduce the contribution rate to the greater of the JTA-B Contribution Rate and the entry age normal cost, subject to materiality, but if the current contribution rate is less than the EANC, then use surplus to support a contribution rate of the greater of the current contribution rate and the EANC minus 1.0%,
- ii.) Secondly, transfer surplus to the IAA to support the indexing, as required,
- iii.) Thirdly, consider a rate stabilization reserve, benefit improvements, including reintroducing subsidized post retirement group benefits, or further contribution rate reductions.

The actions to achieve these steps are described in sections 4.6 to 4.8 below.

#### 4.6 Contribution Rate Changes

- a) The first priority is to set the contribution rate to the greater of the JTA-B Contribution Rate and the entry age normal cost. Any reduction should only be made if, in the opinion of the Board, it is material.
- b) However, if the EANC is greater than the Current Contribution Rate, and there is Accessible Going Concern Excess in the Basic Account as of the effective date of the actuarial valuation report, the Board must use the Accessible Going Concern Excess to fund a reduction in the aggregate Employer and Plan Member contribution rate to the Basic Account equal to the least of:

- i) the difference between the EANC and the Current Contribution Rate,
- ii) the maximum such reduction that can be funded with the Accessible Going Concern Excess pursuant to JTA-B, and
- iii) the reduction that will result in an aggregate Employer and Plan Member contribution rate to the Basic Account equal to the EANC minus 1.0%.

The Accessible Going Concern Excess must be so applied by amortizing it over a 25-year period from the effective date of the valuation assuming an open group of Plan Members. Any such reduction must be shared equally between the Employers and the Plan Members, and the Board must amend the Pension Plan Rules accordingly.

#### 4.7 Transfers to support indexing

- a) If there are surplus assets after amending the contribution rate under 4.6 above, the priority will be to transfer assets to the IAA to support indexing.
- b) Surplus will be transferred from the Basic Account to the IAA as follows:
  - i) Calculate the Basic Account surplus assets remaining after adjusting the Basic Contribution Rate as required in section 4.6.
  - ii) Calculate the "required total assets", which are the assets required to meet full sustainable indexing at the long term inflation rate assumed for the most recent sustainable indexing valuation. Accordingly,
    - 1) If the actual total assets are less than the required total assets, transfer the entire Basic Account surplus assets remaining to the IAA.
    - 2) If the actual total assets are equal to or more than the required total assets, transfer the portion of the surplus assets remaining required to ensure that the indexing has a prudent reserve.
      - The target amount in the IAA to achieve a prudent reserve is the amount required in order to keep the stochastically modeled likelihood of an indexing cap being reinstated to less than 25% over a period of 15 years following the valuation in question.
    - 3) The remaining balance of the surplus assets may be used as described in 4.8 below.

#### 4.8 Other use of surplus

- a) If there are any surplus assets remaining after adjusting contribution rates per 4.6 above and making any transfers to the IAA to support indexing per 4.7 above, they will be considered unallocated Surplus Assets of the Basic Account unless and until the Board elects to apply the Surplus Assets in one or more of the following manners:
1. **RSA:** Transfer to the notional Rate Stabilization Account;
  2. **Benefit Improvements:** Improve benefits provided this does not result in an increase in the Required Contributions. In doing this, surplus is to be amortized over 25 years on an open group basis.
  3. **Further Contribution Reduction (below EANC):** Reduce equally Employer and Plan Member contribution rates below the level set in section 4.6(b), but not to a level which is less than the EANC minus 1%. In doing this, surplus is to be amortized over 25 years on an open group basis;
  4. **Further Contribution Reduction (to fund Group Benefits):** Reduce the Basic Contribution Rate up to 1%. This is in addition to the reductions under 4.6, and could result in a contribution rate up to EANC minus 2%. The IAA contributions will be increased by a corresponding amount. This adjustment is to be used to fund post retirement group benefits to retired plan members. In doing this, surplus is to be amortized over 25 years on an open group basis;
  5. **Employer Rate Reduction and Member Benefit Improvements:** Subject to receiving any approval under the ITA needed to allow the Employer contribution rates to be less than the Plan Member contribution rates, implement in accordance with item (ii) a benefit enhancement for Plan Members and a temporary reduction in Employer contribution rates equal in actuarial value to the benefit enhancement given to the Plan Members. In doing this, surplus is to be amortized over 25 years on an open group basis.
- b) The Board has not set further priorities for surplus asset use at this stage but will consider options in light of the circumstances at the time they arise.
- c) The treatment of surplus assets is subject to the ITA rules regarding permissible contributions to a plan. In particular, the ITA does not allow contributions if the surplus exceeds certain levels. At all times, the surplus must be managed so that the contributions to the plans are permissible in terms of the ITA.
- d) Benefit increases can arise either as a result of surplus assets or as a result of a decision by the plan partners to increase the benefits and meet the cost either by making a lump sum payment or increasing the contributions. When considering a benefit increase, the Board will consider the attendant cost of indexing at the current maximum sustainable

level and will require that an appropriate amount be allocated to the IAA account to meet this cost.

#### 4.9 Rate Stabilization Account

- a) The Rate Stabilization Account (RSA) is a notional account within the Basic Account. At each future valuation the RSA will be reported separately from the balance of the Basic Account assets and shall be excluded from the Basic Account assets when calculating the Basic Account funded position and required Basic contribution rates.
- b) The RSA balance will be reported in the notes to the financial statements, even if the account is drawn down to a zero balance.
- c) Interest will be credited annually at the smoothed investment return rate as calculated by the actuary.
- d) At each future valuation, if the Plan actuary identifies that the Basic Account will have an unfunded liability, the balance in the RSA will be drawn down to the extent needed to keep the required Basic contribution rates unchanged.
- e) At each future valuation, after the implementation of subsection (d), any remaining assets notionally allocated to the Rate Stabilization Account may be transferred from the Basic Account to the Inflation Adjustment Account as of the effective date of the valuation report as recommended by the Plan Actuary to ensure that indexing at the long term assumed rate of inflation is sustainable and that there is a prudent reserve in the IAA for this purpose.

#### 4.10 Rate Stabilization Contributions

- a) Effective January 1, 2020, the Plan Rules were amended to:
  - i) reduce each of the Employer and Plan Member contribution rate to the Inflation Adjustment Account by 1.0%;
  - ii) provide for Employer and Plan Member contributions to the Rate Stabilization Account within the Basic Account at a rate of 1.0% each.
- b) At each valuation, if the Plan actuary identifies that the then rate of Employer and Plan Member contributions to the Inflation Adjustment Account (ignoring for this purpose any temporary increase to such contribution rates made pursuant to this subsection b) as a result of a previous actuarial valuation report) is insufficient to maintain sustainable indexing at the assumed inflation rate, the Board will, for a three year period commencing one year after the valuation date, redirect as much of the Rate Stabilization Contributions that the Actuary specifies to the IAA, by reducing the Basic contribution rate and increasing the IAA contribution rate by a corresponding amount. The adjustment will be applied equally to the Employer and Member

contribution rates.

- c) At each valuation, if the Basic Account has an Unfunded Liability, the Board will, for a three year period starting one year after the valuation date, redirect as much of the Rate Stabilization Contributions that remain after any redirection to the IAA as the plan actuary specifies to the Basic account. The adjustment will be applied equally to the Employer and the Member contribution rates.
- d) At each valuation, if the EANC is greater than the Current Contribution Rate and, after applying surplus as previously described the Required Contribution rate is greater than the Current Contribution Rate, the Board will for a three year period starting one year after the valuation date redirect as much of the Rate Stabilization Contributions that remain as required to keep the Basic Contribution rate unchanged.
- e) The Rate Stabilization Contributions can never be reduced to less than nil when making the adjustments described above.

## 5 INDEXING BENEFITS

### 5.1 Purpose

- a) To provide non-guaranteed COLAs to pensions-in-payment in accordance with the Plan rules.

### 5.2 Financial Objectives

- a) The target is COLAs equal to the increase in the CPI over the 12 months ending on the immediately preceding September 30.
- b) Intergenerational equity is an important consideration and hence the sustainability of COLAs going forward is a high priority.
- c) The sustainable COLA rate will be assessed every three years as part of the triennial valuation. The Board may obtain an interim assessment of the sustainable COLA rate at any time.
- d) If, after taking into account the overall resources of the Plan, the target COLA rate is not sustainable in the long term, efforts will be made to encourage the plan partners to increase the contributions to the IAA. If this is not successful, the future COLAs to some or all of the pensioners will be reduced so as to achieve an appropriate intergenerational balance.
- e) If the balance of the IAA, combined with the contributions going into the IAA, is more than is necessary to allow the Board to pay full COLA, any excess contribution will continue going into the IAA and the balance in the IAA shall be retained as a reserve.

### 5.3 Assessment

5.3.1 As a reference point, the "maximum sustainable COLA rate", the highest rate of COLA, to a maximum of 100% of CPI, that can be sustained indefinitely into the future taking into account the resources and obligations of the Plan, will be calculated at each valuation as follows:

- a) The rate will be based on a valuation of the total Plan, i.e. the Basic Account and IAA combined. The assets will exclude any amounts in a Rate Stabilization Account. Assumptions will be as for the Basic valuation, but using best estimate investment return and inflation assumptions, i.e. with the margins for adverse deviations in the investment return and inflation assumptions removed.
- b) As for the Basic Account assessment, asset values and investment returns should be smoothed over a five-year period. To prevent the IAA from being run down faster than appropriate in periods of extremely weak investment returns, the smoothed value of all the assets should be limited to no more than 105% of the market value of the assets.

Correspondingly, the smoothed value of the assets will not be less than 95% of the market value of the assets. The actuary should monitor the difference between the smoothed and market value of assets and discuss the implications of the gap with the Board during the valuation process.

- c) The actuary will calculate the level rate of increase that can be sustained over the lifetime of the current members of the Plan, taking into account:
  - i.) The smoothed value of the assets in the Basic and IAA accounts,
  - ii.) The value of the contributions to the Basic Account at the rate required by the corresponding Basic Account valuation,
  - iii.) The current contributions to the IAA,
  - iv.) Any future contribution increases already approved by the Plan Partners; and
  - v.) The cost of any benefit improvements contemplated by the transitional arrangements of the JTA.

(ii), (iii) and (iv) together are referred to as the "available contributions".
- d) In assessing the sustainable COLA rate, the contribution rate required to fully fund the Plan at the maximum sustainable COLA rate must be set equal to the long term level equivalent of the available contributions. The required contribution at the maximum sustainable COLA rate will consist of the entry age normal cost of the Plan when benefits are indexed at the sustainable rate, plus the amount required to amortize any resulting surplus or unfunded liability over an infinite period, on an open group basis, i.e. based on the current payroll of the Plan membership allowing for increases at the assumed salary increase rate. The effect of this approach is that at the maximum sustainable COLA rate, the required contribution rate will be a level rate that is expected to be sustainable indefinitely into the future.

5.3.2 If the maximum sustainable COLA rate is greater or equal to the assumed rate of increase in the CPI, then COLAs at the actual annual rate of increase in the CPI will be provided for three years starting 2 years after the valuation date. For greater clarity, if the valuation date is December 31, 20XX, the COLAs will be provided effective January 1, 20XX + 3, January 1, 20XX + 4 and January 1, 20XX + 5, subject to 5.3.7

5.3.3 If the maximum sustainable COLA rate is less than the assumed rate of increase in the CPI then:

- a) The Board will increase the IAA contributions by redirecting Rate Stabilization Contributions to the IAA to the extent deemed necessary by the actuary.

- b) The Board will initiate discussions with the Plan Partners regarding further increasing contributions to the IAA so as to restore sustainable COLAs to 100% of the increase in the CPI.
- c) If contributions remain insufficient to provide for full COLAs then
  - i.) Consider increasing the age below which COLAs will not be provided until full COLAs above that age is sustainable.
  - ii.) Reduce COLAs to less than 100% of the increase in the CPI, so as to keep the age referred to in (b)(i) at an acceptable level.

5.3.4 It is anticipated that the discussions referred to in 5.3.3.(a) will take place in the year following the completion of the COLA sustainability report.

5.3.5 The adjustments referred to in 5.3.3.(b), if needed, will take effect at the start of the calendar year that begins 2 years after the valuation date. For greater clarity, if the valuation date is December 31, 20XX, the restrictions on COLA will apply to the COLA granted on January 1, 20XX+3.

5.3.6 Any restrictions will apply for three years. After this, COLA will be provided as per the next valuation's COLA sustainability report.

5.3.7 Despite 5.3.2, 5.3.5 and 5.3.6, the Board may change the three-year schedule in 5.3.2, 5.3.5 and 5.3.6 for applying the sustainable COLA rate based on an interim assessment of the sustainable COLA rate.

#### 5.4 Excess Investment Return Transfer

5.4.1 Annually, pursuant to section 75(3)(d) of the plan rules, if there is income that the Board could choose to transfer, the Board shall consider the following items before making the decision to transfer money from the basic account to the IAA:

- whether the basic account has a surplus or an unfunded liability
- whether the plan can pay full indexing on a sustainable basis;
- how much the total assets could fall before the plan loses the ability to pay full indexing;
- whether the latest year's investment returns are below the actuary's assumed rate of return; and
- whether the smoothed value of the assets exceed their market value.



## **6 POST-RETIREMENT GROUP BENEFIT PLANS**

Effective January 1, 2012, there will no longer be any subsidies of EHC and Dental premiums paid out of the employer contributions to the IAA. If there is sufficient surplus in the Basic account at a future valuation, the Board may chose to reduce the Basic Contribution Rate by up to 1% and redirect this to the IAA contribution for the purpose of funding post retirement group benefits.

If this occurs the Board will establish its priorities with regards to post retirement group benefits at the time and for now does not set any policy in this regard.

## **7 POLICY REVIEW**

A review of this Policy will be conducted at least every three years following the receipt of the actuarial valuation report.

## **8 COMMUNICATION**

The funding policy will be posted on the Teachers' Pension Plan website.

## **9 POLICY APPROVAL DATE**

This policy was approved at the trustees' meeting on December 6, 2012 and was revised at the meeting on the following dates:

Revision Dates: December 11, 2015

March 11, 2019

June 28, 2021

June 5, 2023

## GLOSSARY

**Closed group basis** – Calculations of actuarial position or contribution rates performed on a closed group basis include only those Plan members in the Plan on the date on which the calculations are done. The entry age normal contribution rate determined in the triennial actuarial valuation report is prepared on a closed group basis.

**COLA** – Cost of living adjustments. These are increases to the Basic benefits effective January 1 each year at a rate set by the Board as described in section 5.

**Open group basis** - Calculations of actuarial position or contribution rates performed on an open group basis assume that the active membership of the plan will be constant over time and allows for sufficient new entrants to the Plan after the date on which the calculations are done for this to be achieved. The amortization calculations in the triennial actuarial valuation report are prepared on an open group basis.

**Going concern valuation report** – An actuarial report prepared on the assumption that the Plan will continue into the future.

**Entry age normal funding method** – This method determines the level, long-term contribution rate required to fully finance the benefits of the typical new entrant to the Plan over a person’s future working lifetime. The rate thus determined is called the entry age normal rate.

**Excess assets** – As at the valuation date, the sum of i) the value of the Basic Account as of that date and ii) the actuarial present value as of that date of all future contributions which will be made in accordance with the contribution rate schedules established by the Plan actuary in accordance with the JTA-B going concern funding requirements and identified as such in the then most recent actuarial valuation of the Plan filed with the Superintendent of Pensions, minus iii) the actuarial present value as of that date of all benefit and expense payments to be made from the Basic Account in respect of accrued and future service by the Plan Members, all as determined by the Plan actuary.

**Plan termination or solvency valuation report** – An actuarial report prepared on the assumption that the Plan is being terminated on a specific date.

**“Surplus assets”** means, in respect of the benefits payable from the Basic Account as of a certain date, the amount equal to i) the value of the Basic Account as of that date, and ii) the actuarial present value as of that date of all future entry age normal cost contributions which will be made in respect of future service by the Plan Members, as identified as such in the then most recent actuarial valuation of Plan filed with the Superintendent of Pensions, minus iii) the actuarial present value as of that date of all benefit and expense payments to be made from the Basic Account in respect of accrued and future service by the Plan Members, all as determined by the Plan actuary. If the result of the calculation in the preceding sentence is a negative number, the result is deemed to be nil.

**Valuation Date** – The actuarial valuation is a snapshot of the financial health of the plan as at a specific date. The valuation date is that date.