

Inflation protection levels to be partially restored for recent retirees

Ontario teachers who retired after 2009 will have some of their inflation protection restored, beginning in 2015.

The Ontario Teachers’ Federation (OTF) and the Ontario government are using a preliminary \$5.1 billion funding surplus in the Ontario Teachers’ Pension Plan to partially restore cost-of-living increases affecting the portion of retirees’ pensions earned after 2009. Inflation protection levels were reduced for post-2009 pension credit to deal with recent funding shortfalls.

Members who are still working and those who retired before 2010 are unaffected by the decision on how the surplus funds will be spent. Consult the chart below to see how this decision affects you.

HIGHLIGHTS: How the surplus will be spent

- A preliminary \$5.1 billion surplus will be used to partially restore cost-of-living increases for members who retired after 2009.
- Members who retired before 2010 are unaffected because they receive full inflation protection.
- Members who are still working are unaffected because inflation increases are determined after retirement.

MEMBER GROUP	HOW THE SPENDING OF THE SURPLUS AFFECTS YOU
If you retired before 2010	<ul style="list-style-type: none"> • No effect. • You continue to receive an annual pension increase equal to 100% of the annual increase in the Consumer Price Index (CPI).
If you retired after 2009	<ul style="list-style-type: none"> • There are two changes that will increase your gross annual pension, beginning in 2015. See page 2 for details.
If you are retiring this year	<ul style="list-style-type: none"> • In January 2015, you will receive a pension increase equal to 60% of the annual CPI increase for the portion of your pension earned after 2009, plus 100% for the portion of your pension earned before 2010. • Your first pension increase will be prorated to reflect the time you were on pension in 2014.
If you are still working	<ul style="list-style-type: none"> • No effect. • Inflation increases are determined after you retire.

What the change means to teachers who retired after 2009

There are two changes that will increase your gross pension, beginning in January 2015.

1. Restoration of inflation increases

Your pension will be restored to the level it would have been at if full inflation protection had been provided each year since you retired. This will result in an annual pension increase of up to \$50, depending on your personal circumstances.

For example, if Maria’s gross annual pension is \$49,950, but would have been \$50,000 with full inflation increases, she will receive a \$50 boost in her pension, beginning in January 2015. That means her gross annual pension will be restored to \$50,000. There is no retroactive payment associated with the increase.

2. Increase in inflation level

On top of the restoration of forgone inflation increases, you will receive an annual pension increase, as usual. In 2015, the increase will equal 60% of the annual increase in the Consumer Price Index (CPI) for the portion of your pension earned after 2009, up from the current level of 50%. You will continue to receive 100% inflation protection for the portion of your pension earned before 2010.

The new 60% inflation level will remain in effect at least until the next funding valuation is filed with the regulators.

Continuing with the earlier example, Maria’s \$50,000 pension would increase by \$488 in 2015 if inflation is 1% this year. Most of this increase would be based on the pension credit she earned before 2010.

INFLATION PROTECTION USED AS LEVER

Inflation protection for pension credit earned after 2009 is used as a lever to help manage fluctuations in the plan’s funding status, facilitating stability in contribution rates and other pension benefits.

When the pension plan has a funding shortfall, smaller cost-of-living increases can help to bring the plan back into balance. When there is a funding surplus, inflation payments may be partially or fully restored.

ANNUAL COST-OF-LIVING INCREASE FOR TEACHERS WHO RETIRED AFTER 2009

Pension credit	Allowable levels	Current levels	New levels in 2015
Earned before 2010	100%	100%	100%
Earned during 2010-2013	50% to 100%	50%	60%
Earned after 2013	0% to 100%	50%	60%*

*Originally scheduled to be reduced to 45% in 2015, based on the 2012 funding valuation.

MORE INFORMATION

- Read the Top Plan Funding Q&As on FundingYourPension.com
- Visit the pension plan’s website at otpp.com
- Talk to your affiliate pension representative

