

# HOW INFLATION AFFECTS YOUR PENSION

Your Ontario Teachers' pension includes annual cost-of-living adjustments to support your buying power throughout retirement. These adjustments are determined each year after you retire and are reflected in your pension every January.

Cost-of-living adjustments apply to retirement pensions, deferred pensions, disability pensions and survivor pensions.

Here are the three key factors on which your annual inflation adjustment will depend:

## 1. The changes in the cost of living in a given year, as measured by CPI

The OTPP uses the Consumer Price Index (CPI) because it's prescribed by the terms of the plan and is the most widely-used indicator of price changes in Canada. The CPI represents a weighted basket of goods and services typically purchased by Canadian households each month.

## 2. The plan's funding status

The OTPP uses inflation protection as a lever to keep the plan sustainable. When the plan has a funding shortfall, smaller cost-of-living adjustments help to bring the plan back into balance. When there's a funding surplus, inflation levels may be partially or fully restored.

## 3. When you earned your pension credit

There are three levels of inflation protection and they're based on when you earned pension credit: before 2010, during 2010 to 2013, and after 2013.

<b>When you earned your pension credit</b>	<b>Inflation protection level</b>	<b>What it means after you retire</b>

Before 2010	100%	This portion of your pension will keep pace with annual increases in the CPI.
During 2010-2013	50% to 100%	This portion of your pension will receive at least 50% and up to 100% of the annual increase in the CPI, depending on the plan's funded status.
After 2013	0% to 100%	This portion of your pension will receive from zero to 100% of the annual increase in the CPI, depending on the plan's funded status.

The bottom line

- Your annual cost-of-living increase is determined each year after you retire.
- You don't bank or accumulate a particular level of inflation protection while you work.
- You'll receive 100% inflation protection for pension credit you earned before 2010.
- You'll receive a variable amount of inflation protection for pension credit you earned after 2009, depending on the plan's ability to pay for it.

# TYPES OF PENSIONS

As a member of the Ontario Teachers' Pension Plan, you are entitled to a **defined benefit pension**. This means your pension is determined by a specific formula, not by the return on investments.

There are three different types of pensions:

- Unreduced retirement pensions
- Reduced retirement pensions
- Disability pensions

## UNREUCED PENSION

You qualify for an unreduced retirement pension when you reach your 85 factor (age + qualifying years + = 85), or at age 65. This means that no reduction factors are applied when calculating your basic annual pension.

## REDUCED PENSION

If you're not eligible for an unreduced pension by the time you want to retire, you can take a reduced retirement pension when you're at least 50 years old.

### Immediate Reduced Pension

An immediate reduced pension is when you stop working in education and begin collecting your pension the following month. Immediate pensions are reduced by:

- 2.5% for each point you're away from the 85 factor; or
- 5% for each year you're under age 65, whichever is less.

### Deferred Pension

If you don't begin your pension the month after you stop working, your basic annual pension will be reduced. The amount of the reduction depends on when your last employment occurs, and the age you are when it does.

- **Before January 1, 2018, regardless of age** – the reduction is 5% for each point you're under your 85 factor or age 65, whichever is less.
- **On or after January 1, 2018, and age 50 or older** – the reduction is 2.5% for each point you're under your 85 factor or age 65, whichever is less.

## DISABILITY PENSION

If you become disabled while employed in education, you may be eligible for a disability pension. To qualify, you must:

- have at least 10 qualifying years of service in the Ontario Teachers' Pension Plan;
- terminate employment in education and stop receiving any LTIP or WSIB loss of earnings benefits;
- provide full and complete documentation of medical evidence that meets the requirements of the plan for a full or partial disability pension, as of the date you terminated employment; and
- be under age 65.

You must submit a pension application within two years of your termination of employment in education. The OTPP will only accept your application after the two-year deadline if a late diagnosis or your disability prevented you from applying on time.

### Two Types of Disability Pensions

- **Full disability pension** – To be eligible for a full disability pension, the OTPP must determine that you're incapable of earning a living in any occupation. A full disability pension is based on  $2\% \times \text{credit (years)} \times \text{average "best-five years of salary"}$  less reductions for such things as survivor benefits.
- **Partial disability pension** – To be eligible for a partial disability pension, the OTPP must determine that you're incapable of employment in the education field. Your partial disability pension is calculated like a full disability pension and then reduced by 2.5% for each point you're under your 85 factor or age 65, whichever is less.  
Example: If you are 46 and have 22 qualifying years of service, your pension would be reduced by 42.5% because you are 17 points under the 85 factor ( $17 \times 2.5\% = 42.5\%$ ).

## Return to Work

Your disability pension will be paid for as long as you remain disabled. If you return to work and receive pension payments you were not entitled to, you must return them, with interest.

## Qualifying Years

A measure of the length of your teaching career. Qualifying years are used to determine when you are eligible for a pension.

How qualifying years are counted:

<b>For school years</b>	<b>Days of work needed for one qualifying year</b>
as of Jan. 1, 1997	More than 10 days
Sept. 1, 1990 to Dec. 31, 1996	More than 20 days
before Sept. 1990	Any credit

Exceptions: When purchasing credit for an absence, qualifying service is only counted if you purchase the full amount eligible otherwise qualifying service is counted in actual time. Also, if the first or last year of your teaching career is a partial year, you'll receive credit for the portion of the year worked.