

June 8, 2011

Pension Partners Address Funding Shortfall

The Ontario Teachers' Federation (OTF) and the Ontario government have agreed to a three-part plan to address the projected \$17.2 billion funding shortfall in the Ontario Teachers' Pension Plan.

The plan, which is subject to final approval by OTF and the government, includes:

- a 1.1% contribution rate increase, phased in over the next three years
- slightly smaller annual cost-of-living increases for teachers who retired after 2009
- recognizing the current contribution rate as the permanent base rate

Contribution rates to increase

The increase will be phased in over three years, with members contributing 0.4% more in 2012 and 0.35% more in each of 2013 and 2014. All rate increases go into effect January 1, 2012. These contribution increases will be matched by the Ontario government and other employers that participate in the pension plan.

Conditional inflation protection invoked at 60%

This action only affects pensioners who retired *after* 2009. It has no immediate impact on working teachers because annual inflation adjustments (also called cost-of-living adjustments) are calculated only after a

member retires, based on the plan's financial health at that time. For the next three years, pensioners who retired after 2009 will receive 60% of the annual cost-of-living increase on the portion of their pension credit earned after 2009.

Current contribution rate to be recognized as base rate

The current contribution rate is now recognized as the permanent base contribution rate. Changing the base rate has no impact on what members contribute to the Teachers' Plan. The base rate is used to project the value of future contributions in a funding valuation. The base contribution rate, to which the rate increases are being applied, is now:

- 10.4% of a member's annual salary up to the Canada Pension Plan (CPP) contributions and benefits limit, plus
- 12.0% of any salary above the CPP limit.

To help members better understand these changes a number of resources have been posted on OECTA's website www.oecta.on.ca in the 'Member's Centre' in the 'Contracts and Rights' section under Pension.

For more information, visit www.fundingyourpension.com and www.otpp.com or contact Joe Pece at OECTA Provincial Office: j.pece@oecta.on.ca