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OTF FEO

September 14, 2016
Volume 20 No. 1



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## Surplus funds will further restore inflation protection for retired teachers

The Ontario Teachers' Federation (OTF) and the Ontario Government, joint sponsors of the $171.4 billion Ontario Teachers' Pension Plan (Teachers'), will use a portion of the $13.2 billion surplus in the Plan (as of January 1, 2016) to partially restore inflation protection for teachers who retired after 2009.

"Conditional inflation protection has proven to be an effective tool for managing Plan deficits and now, for the third year in a row, the sponsors will use some of the surplus to partially restore indexing that pensioners lost in recent years," said OTF President Mike Foulds. "The remainder of the surplus will be kept in reserve to provide benefit and contribution rate stability against future funding challenges such as low interest rates and increasing longevity, both of which increase the Plan's liabilities."

Pensioners who retired after 2009 will receive a one-time increase in January 2017 to restore their pensions to the levels they would have been at, had full inflation protection been provided each year since they retired. They will also receive a slightly higher inflation increase next year for the portion of their pensions earned after 2009. Cost-of-living increases for this portion of pension credit will equal 90% of the annual increase in the Consumer Price Index (CPI), up from the current level of 70%. Pension credits earned before 2010 remain fully inflation-protected.

Pensioners who retired before 2010 are unaffected by these latest changes because pension credits earned before 2010 receive full inflation protection. Working members are also unaffected because annual inflation adjustments are determined after retirement.

Last March, Teachers' reported its third surplus in a decade. A preliminary funding valuation showed that the Plan was 107% funded at the beginning of 2016, based on current benefits and contribution rates.