

ISSUE #3—OTPP PLAN BENEFITS

OSSTF/FEESO Member Education Series regarding
The Ontario Teachers' Pension Plan (OTPP)

In the Annual Action Plan, approved by AMPA 2009, the Provincial Executive proposed OSSTF/FEESO develop materials designed to educate members regarding the Ontario Teachers' Pension Plan. This is Issue #3 of a series of papers to be developed. These papers can be found in "Pensions" on the OSSTF/FEESO website—www.osstf.on.ca

Your pension could become your most valuable asset. It is important that you are aware of the benefit entitlements that you have.

You are automatically a member of the Ontario Teachers' Pension Plan (OTPP) if you are a teacher who is certified or has a current Letter of Permission and you are working:

- in any capacity for a publically-funded school Board in Ontario; or,
- for an OTPP designated employer; or
- as a teacher
 - in an authorized exchange program; or,
 - for an Ontario government ministry; or,
 - for the Toronto and Region Conservation Authority; or,
 - in an Ontario school through a third-party agent or self-employed arrangement

Once employed, you begin contributing to the pension plan and begin accruing pension credit.

Contribution rates for your Teachers' pension in 2010 are 10.4 per cent of salary up to YMPE (Yearly Maximum Pensionable Earnings under the Canadian Pension Plan (CPP), \$47,200 in 2010) and 12 per cent of salary above YMPE. Our contributions are matched by the Ontario government or our designated employer.

The Ontario Teachers' Pension Plan (OTPP) is a **defined benefit pension plan** which means that once you start paying into the plan, you are guaranteed to get the benefits that you are entitled to under the plan, regardless of what is happening with interest rates or the stock markets.

You are eligible to receive a OTTP **retirement pension** as early as age 50. It will be a reduced pension if you have not attained the 85-factor or age 65. Your retirement pension is defined by the formula: $2\% \times \# \text{ of years of credit} \times \text{average of your "best 5" years of salary}$. At age 65, your OTTP pension is reduced to reflect the plan's integration with the CPP. The pension you receive is indexed to inflation, as measured by the changes in the Consumer Price Index (CPI). Inflation increases are capped at 8 per cent a year, with any excess carried forward to be paid in a year with lower inflation. Your pension will be segmented into two parts based on your years of service, the pre-2010 service part (guaranteed 100 per cent of CPI) and the post-2009 service part (subject to Conditional Inflation Protection). Conditional Inflation Protection (CIP) is guaranteed between 50 per cent and 100 per cent of the CPI, conditional on the financial health of the pension plan, and is determined by the Partners at the time of a filed valuation. Each year of retirement, your annual pension increases will be calculated on each part and you will receive a statement outlining the information.

OTTP has special **transfer agreements** with other major pension plans that allow you to transfer your pension credit into and out of the plan. If you cannot transfer your pension assets under these agreements, you may qualify to buy back credit in the OTTP for the time you belonged to another pension plan registered in Canada. Time limits and other eligibility requirements apply. Members should contact OTTP to ensure that they don't miss any deadlines or opportunities.

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If you permanently leave teaching in Ontario before you are eligible to start collecting your pension, you will need to decide what to do with the assets you have accumulated in your pension plan. Your choices depend largely on whether you have more or less than two qualifying years in the plan. Generally, you can leave your funds in the OTPP to collect as a pension when you reach retirement age or transfer your pension assets to another registered pension plan or certain retirement savings arrangements. If you are under age 50, you may transfer the commuted value of your pension to a locked-in retirement savings arrangement, subject to certain conditions. You will receive a refund of your contributions if you have fewer than two qualifying years.

If you become disabled while teaching, your first recourse for an alternative income source is your accumulated sick leave outlined in your collective agreement; your second recourse is your Long-Term Disability (LTD) insurance. Your pension continues to accumulate while you receive sick pay or LTD insurance benefits through your employer. While you are in receipt of LTD benefits, your pension credit continues to accumulate as if you were still at work, your contributions are waived and your pensionable salary is adjusted automatically for inflation each school year, at no cost to you. There are also two types of disability pensions that may be available to you. You may qualify for a full disability pension if you are incapable of earning a living in any occupation. If you are incapable of employment in education, you may qualify for a partial disability pension. If you begin collecting disability benefits from the CPP, the CPP reduction that normally applies at age 65 takes effect immediately. In addition to other eligibility requirements, you need at least 10 qualifying years for a disability pension. If you have a life expectancy of fewer than two years, you can apply to withdraw the commuted value (lump sum needed today to replace your future pension) of your pension without having to sever your employment relationship. You should contact the OSSTF/FEESO Provincial Office to discuss your options before considering a disability pension.

If your marriage ends, there are special laws that govern the treatment of your pension benefits. Contact OTPP or visit its website for more information.

If you take an employer-approved leave of absence to have a baby, travel or study, you may be eligible to buy back credit for the time you're away. This allows your pension to grow during your absence. You may qualify to buy back credit for a break in service if you were not granted a leave of absence and you left your job to care for a child under the age of seven, for compassionate reasons (such as caring for an ill family member), because of ill health or to serve in an elected office (municipal, federal or provincial). You can contact OTPP to get information about whether you are eligible to buy back credit, and applicable time limits, costs and payment options.

If you die before retirement, your survivor will receive the value of the pension you have earned. Survivor benefits are paid automatically to an eligible spouse or, if there's no spouse, dependent children. If no one is eligible, benefits are paid to your designated beneficiary(ies) or estate.

If you die after receiving your first retirement pension payment, your eligible spouse is entitled to a survivor pension of between 50 per cent and 75 per cent of your base pension (pension minus the CPP Offset) depending on which percentage survivor option was chosen and/or confirmed at retirement. To change your percentage survivor option, you must meet certain time restrictions and/or health assessments. A decision early in your career for a higher survivor pension percentage provides you with greater flexibility and the option to reduce that amount prior to retirement. A 10-year pension guarantee is also an option available at retirement. Under the guarantee, if you die within 10 years after beginning your pension, your spouse will receive your base pension for the balance of the 10 years, or a lump sum equivalent amount will be paid to your estate.

If you return to employment in education once you are receiving your OTPP pension, there are limits on that re-employment that may affect your pension. These will be outlined in a future issue of this series.

More information on these topics can be found on the OSSTF/FEESO, OTF and OTPP websites.