

# PENSION ESCALATION CALCULATION

Retired teachers who are in receipt of a pension administered by the Ontario Teachers' Pension Plan receive increases that match the Consumer Price Index (CPI). The increases are effective with the payment of the January pensions.

The Teachers' Pension Plan inflation calculation is detailed in Section 80 of the Teachers Pension Act. It reads:

“basic ratio”, for a year, means the ratio expressed to three decimal places that the average for the Consumer Price Index over the last twelve months of twenty-four month period ending the 30<sup>th</sup> day of September in the immediately preceding year bears to the average for the Consumer Price Index over the first twelve months of that period.”

In simple language, the Inflation Factor for the Teachers' Pension Plan is calculated using the total of half of the inflation change for each of the twelve months ending on September 30<sup>th</sup>, and comparing this with a similar calculation for the preceding year that ended on September 30<sup>th</sup>. The TPP formula works to a pensioner's advantage in time of declining inflation. The TPP calculation is the same as that used for the Canada Pension Plan.

In contrast, the OMERS plan uses a simple September 30<sup>th</sup> comparison to the previous September 30<sup>th</sup> figure.

**NOTE:** The pension escalation calculation for the year following retirement is based on the number of months a pension is received in the year of retirement.

For example, if you retire on March 31<sup>st</sup>, your escalation starting in January of the following year will be 9/12<sup>ths</sup> (i.e. 9 months) of the CPI percentage increase.

For further information, contact:  
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## APPENDIX

### 2011 Inflation Increase

| OTPP Inflation Adjustment Rate Worksheet. For the adjustment effective January 1, 2011 |       |              |       |  |      |
|--|-------|--------------|-------|--|------|
| Month Ending   | CPI   | Month Ending | CPI   |  |      |
| Oct-08   | 114.5 | Oct-09       | 114.6 |  | 0.1% |
| Nov-08   | 114.1 | Nov-09       | 115.2 |  | 1.0% |
| Dec-08   | 113.3 | Dec-09       | 114.8 |  | 1.3% |
| Jan-09   | 113.0 | Jan-10       | 115.1 |  | 1.9% |
| Feb-09   | 113.8 | Feb-10       | 115.6 |  | 1.6% |
| Mar-09   | 114.0 | Mar-10       | 115.6 |  | 1.4% |
| Apr-09   | 113.9 | Apr-10       | 116.0 |  | 1.8% |
| May-09   | 114.7 | May-10       | 116.3 |  | 1.4% |
| Jun-09   | 115.1 | Jun-10       | 116.2 |  | 1.0% |
| Jul-09   | 114.7 | Jul-10       | 116.8 |  | 1.8% |
| Aug-09   | 114.7 | Aug-10       | 116.7 |  | 1.7% |
| Sep-09   | 114.7 | Sep-10       | 116.9 |  | 1.9% |

Average (1) = 114.2

Average (2) = 115.8

**Inflation Adjustment Ratio:**

$$\text{Ratio} = \frac{115.8}{114.2} = 1.014011 = 1.014$$

$$\text{Inflation Adjustment \% increase} = 1.4\%$$

These CPI values are for Canada, all items,  
not seasonally adjusted  
and use 2002 as the base year.