FUNDING UPDATE

Surplus funds will help increase inflation protection for post-2009 pension credit



Inflation protection for pension credit earned after 2009 is increasing to 90% from 70% of the annual increase in the cost of living. Teachers who retired after 2009 will see this increase reflected in their pensions in January 2017.

The Ontario Teachers' Federation (OTF) and the Ontario government, which jointly sponsor the Ontario Teachers' Pension Plan, are using some of the \$13.2 billion funding surplus reported in March to restore inflation increases. Some surplus funds will also be reserved to help facilitate stability in contribution and benefit levels should a future

HIGHLIGHTS

- A preliminary \$13.2 billion funding surplus will be used to partially restore cost-of-living increases for the portion of pensions earned after 2009.
- Members who retired after 2009 are affected by the change.
- Members who retired before 2010 are unaffected because they receive full inflation protection.
- Members who are still working are not currently affected because inflation increases are determined after retirement.

funding valuation show a decline in assets or increase in pension costs.

This is the third consecutive year OTF and the government have allocated surplus funds to partially restore inflation protection levels. Inflation for post-2009 credit was previously reduced to deal with recent funding shortfalls.

Consult the chart below to see how the changes could affect you.



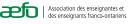
| MEMBER GROUP | EFFECT ON YOU |
|-----------------------------|---|
| lf you retired before 2010 | No effect. You continue to receive an annual pension increase equal to 100% of the annual increase in the Consumer Price Index (CPI). |
| If you retired in 2010-2015 | • See page 2 for information on how you will be affected. |
| lf you retire(d) in 2016 | In January 2017, you will receive a pension increase equal to 90% of the annual CPI increase for the portion of your pension earned after 2009, plus 100% for the portion of your pension earned before 2010. Your first pension increase will be prorated from your last day of credit in 2016. |
| If you are still working | No current effect because inflation increases are determined after you retire. |



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FUNDING UPDATE

How the inflation increases affect members who retired in 2010-2015



1. RESTORATION OF INFLATION INCREASE

Your pension will be restored to the level it would be at if 100% inflation protection had been provided on January 1, 2016.

For example, if Maria's gross annual pension is \$49,960, but would have been \$50,000 with full inflation increases, she will receive a \$40

2. INFLATION PROTECTION INCREASED FOR POST-2009 CREDIT

On top of the restoration noted above, you will receive an annual pension increase, as usual. In 2017, the increase will equal 90% of the annual increase in the cost of living for the portion of your pension earned after 2009, up from the current level of 70%. The portion of your pension earned before 2010 continues to fully keep pace with changes in the cost of living. The cost of living is based on changes in Statistics Canada's Consumer Price Index (CPI).

The new 90% inflation level will remain in effect at least until the next funding valuation is filed with the regulators. A funding valuation must be filed at least every three years.

Inflation Protection Levels

| PENSION CREDIT | ALLOWABLE LEVELS* | CURRENT LEVELS* | LEVELS IN 2017* |
|-------------------------|----------------------|--------------------|--------------------|
| Earned before 2010 | 100% | 100% | 100% |
| Earned during 2010-2013 | 50% to 100% | 70% | 90% |
| Earned after 2013 | 0% to 100% | 70% | 90% |

*Percentage of annual cost-of-living increase, based on changes in the Consumer Price Index (CPI)



IMPACT ON YOUR PENSION

To see how the inflation increases will affect your annual pension in 2017, sign in to your Ontario Teachers' online account. The information will be available online in late October, shortly after the annual inflation rate is determined. Visit this page to register for or sign in to your Ontario Teachers' account: www.otpp.com/members boost in her pension, beginning in January 2017. There is no retroactive payment associated with the increase.

INFLATION PROTECTION USED AS LEVER

OTF and the government use inflation protection for pension credit earned after 2009 as a lever to help manage fluctuations in the plan's funding status, facilitating stability in contribution rates and other pension benefits.

When the pension plan has a funding shortfall, smaller costof-living increases can help to bring the plan back into balance. When there is a funding surplus, inflation payments may be partially or fully restored.

While inflation increases are only paid to retirees, the pension plan is funded based on the level of inflation protection in effect at the time for post-2009 pension credit. For example, the pension plan was funded to provide 70% of the increase in the cost of living for pensions earned after 2009. It is now being funded to provide 90%.

MORE INFORMATION

- Visit the pension plan's website at www.otpp.com/funding
- Talk to your affiliate pension representative