

In 1976, the Province of Ontario introduced inflation protection for all pensions from the Public Service Pension Plan (PSPP). This benefit was partially funded by PSPP members, who were required to pay an additional 1% in contributions, and was provided to anyone entitled to an immediate or future pension from the PSPP.

Inflation protection is one of the most important benefits provided to pensioners, as it helps keep pensions in line with current inflation rates and helps maintain their 'purchasing power'. Any pension from the PSPP is entitled to inflation protection, whether it is payable in the future, at retirement, or to a spouse or child. It is provided for the lifetime of the pensioner and anyone who receives a survivor pension.

How does my pension increase?

Each year, the Ontario Pension Board increases your PSPP pension by a percentage that we refer to as the *escalation factor*. This factor is based on the Consumers' Price Index (CPI), a standard measure of the Canadian cost of living that the Federal government sets each month. How we determine the escalation factor and how much you can receive in a year is specified by the **Public Service Pension Act**. Under the Act, your pension can be increased by a maximum of 8% in any one year. Any excess is carried forward to a year when the increase is less than 8%.

The dollar amount of the increase is your cost-of-living adjustment (COLA). How COLA is added to your pension depends on whether it is payable in the future, or payable now.

When will I receive inflation protection?

Members who terminate PSPP membership and elect to receive a deferred (future) pension accumulate COLA from the January following termination* to the time their pension starts. On retirement, the pension is adjusted to include these increases and the member is advised of the updated amount. Pensioners continue to receive COLA on a yearly basis.

*If you terminate in December, COLA will not be added for a full year.

Pensioners are notified every January of the escalation factor, their COLA, and the breakdown of their monthly pension (including any deductions). The increase applies to the pension payments for January to December of that year. For new pensioners, if the pension starts part way through the year, the COLA is pro-rated.

Inflation protection is provided for the pensioner's lifetime.

How is it determined?

As pensioners and as plan administrator, your rights and our obligations are set out in the **Public Service Pension Act**. The escalation factor reported to you each January is based on the average of the CPI for the two 12-month periods ending in the preceding September.

Not all pension plans offer inflation protection, and those that do may have a different formula or criteria for determining cost-of-living increases. For example, a plan may use the average CPI from December to January, or divide the October CPI in one year by the October CPI of the previous year. As the CPI can change each month, this may affect the escalation factor.

Whether you are entitled to a deferred pension or you receive a retirement or a survivor pension, inflation protection will help maintain the value of your pension - now, and in the years to come.

The information in these notes is based on the **current terms** of the Public Service Pension Plan (PSPP). If there is any discrepancy between these notes and the PSPP, now or at a future date, the terms of the PSPP will prevail.

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