

OTPP conditional indexation

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Conditional Inflation Protection

- Under Public Sector Accounting Standards PS3250.032 regular benefit increases for inflation protection may be provided even when such protection is not promised in a contractual agreement or in legislation. Under PSAB, for such plans, careful analysis and professional judgment are needed to determine the substance of the government's obligation. If a regular pattern of benefit increases can be established over a reasonable period, it may be appropriate to incorporate the cost of such inflation protection in the cost of retirement benefits earned to the financial statement date and reported as an accrued benefit obligation.
- Under the Memorandum of Understanding between the Province and Ontario Teachers' Federation, it is the goal of the sponsors to provide indexation adjustments at 100% of CPI on all service accrues when possible subject to the funded status of the plan. According to the Memorandum, there is an expectation that catch-up indexation will be provided when funding allows in situations where less than 100% has been indexed.
- As this is the first time The Ontario Teachers' Pension Plan has invoked conditional indexation. There is insufficient information available at this time to assess whether catch-up indexation will be granted in the future. However, based on the Memorandum of Understanding, the intention is that when possible that members will be granted indexation that was not fully granted previously. Therefore in substance it is the sponsors' intent is to provide indexing for service at 100%. As such, and for the purposes of the Province's financial reports which are prepared under PSAB, the Ontario Teachers' Pension Plan expense has been calculated based on an assumption of 100% indexation.
- The accounting is consistent to other defined benefit plans with conditional inflation protection that has been accounted in the Province's books.