



# Pension 101 The Ontario Teachers' Pension Plan (OTPP)

## When Can You Collect Your Unreduced Pension?

You qualify for an unreduced retirement pension when you reach your 85 factor (age + qualifying years = 85), or at age 65. This means they don't apply any reduction factors when calculating your basic annual pension.

## Difference Between Qualifying Years (Service) & Credit

The length of your teaching career affects the amount of your pension and when you're eligible to receive it.

### Credit

This is the actual number of years, months, and days you've worked and contributed to the plan. This is used to calculate the amount of your pension. If you were on a reduced schedule (unpaid/personal leaves, or personal reduced FTE eg. 2/3), you would not get a full year of credit for that particular year.

### Qualifying Years - Used In Your 85 Factor

This is the number of school years in which you've taught for at least a portion of the year. Qualifying years determine when you're eligible for an unreduced retirement pension. Because of changes in the plan, there are different rules for measuring your qualifying years. More info on this below, under Fact 1.

## The 85 Factor & How Much You Can Collect From Your Pension Are Two Totally Different Calculations

### The 85 Factor

Your age plus qualifying years is your qualifying factor. It's used to determine when you're eligible for an unreduced pension, and to calculate an early retirement reduction (if you decided to retire earlier). This does not determine the amount of your pension.

#### Example

Omar is eligible for an unreduced pension because his age plus qualifying years of service equal 85:

$$57 \text{ Years Of Age} + 28 \text{ Years Of Qualifying Service} = 85 \text{ Qualifying Factor}$$

### How Is My Actual Pension Amount Calculated – This Is Different Than The 85 Factor

Average Best 5 Years of Salary: The OTPP identifies the five years during your career when your earnings were highest and averages them.

Years of Credit: This represents the amount of time you have actively contributed to the plan (eg., 25 or 30 years). You can also earn partial credits for part-time teaching or purchase "buybacks" for leaves of absence. See more info about years of credit below, under Fact 2.

#### Example 1

$$\begin{aligned} \text{Pension Amount} &= 2\% \times \text{Total Years Of Credit} \times \text{Average Of Best Five Years Salary} \\ &= 2\% \times 30 \text{ Years Of Credit} \times \$100,000 \text{ (Random Number Chosen)} \\ &= \$60,000 \text{ Pension} \end{aligned}$$

The 30 years above assumes the employee worked a full 30 years. If someone was employed for 30 years, but for example worked 2/3 the whole time, they would not have 30 years of credit. They would have just over 20 years of credit (30 years x 0.67). That would change the pension amount. Example 2 will demonstrate this below.

#### Example 2

$$\begin{aligned} \text{Pension Amount} &= 2\% \times \text{Total Years Of Credit} \times \text{Average Of Best Five Years Salary} \\ &= 2\% \times 20 \text{ Years Of Credit} \times \$100,000 \text{ (Random Number Chosen)} \\ &= \$40,000 \text{ Pension} \end{aligned}$$

**HDSB No  
Longer  
Automatically  
Places Retired  
Teachers On  
The Supply  
List**

### Fact 1: Only 10+ Days Earns A Year Toward Your 85 Factor

To gain one qualifying year in the pension plan, you need to work more than 10 days in the school year. Qualifying years, combined with your age, determine when you're eligible to receive an unreduced pension. This has changed a few times, depending on the years you worked. Once you reach your 85 factor (age + qualifying years = 85), you can retire with an unreduced pension. Because of changes in the pension plan, there are different rules for measuring your qualifying years. There are certain exceptions, always consult with the Ontario Teachers' Pension Plan before making any decisions.

| For the school years                   | Days of work needed for one qualifying year |
|----------------------------------------|---------------------------------------------|
| After December 31, 1996                | More than 10 days                           |
| September 1, 1990 to December 31, 1996 | More than 20 days                           |
| Before September 1, 1990               | Any credit                                  |

### Fact 2: Credit Is Given For Actual Time Worked

Credit is the actual time you contribute to the pension plan. When you work less than full time, you receive credit for only the time you work and contribute to the plan. For example, if you work only 11 days during the school year, you'll receive only 11 days of credit for that year. If you work a reduced schedule for example 2/3, you will receive 0.67 days of credit for every day you work.

Credit is important because it, together with your average salary, is used to calculate the amount of your pension. This is different than the 85 Factor.

### Medical Leaves

If you were on a paid medical leave at any point, that does not negatively impact your years of credit. It is only when someone is on any type of unpaid leave, does it negatively impact their years of credit. Any questions about "buybacks" should be directed to the OTPP.

### Connect With The OTPP - [www.otpp.com](http://www.otpp.com)

**Do not make any retirement decisions without contacting the OTPP. Make sure you are fully informed.** They can provide guidance based on your individual circumstances. They can go into detail about "buybacks" and many other considerations you should be aware of. This document is intended to briefly outline a few key points. The OTPP can provide a wealth of information about your pension and planning for retirement.

**STOP  
LTDI  
PAYMENT**

You may be unnecessarily paying for LTDI. If you're 65, or have 30 years of Credit, or have submitted your letter of retirement, you may be wasting \$. Contact [rav@osstfd20.com](mailto:rav@osstfd20.com).



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