Dear Members,

If you're considering retirement this year, please review the important information below regarding the Teachers' Pension Plan.

Why March 31st Matters:
March 31st is a key date for our pension plan because it's the snapshot date used by the plan's actuary to determine the **Funded Benefits Ratio (FBR)** — a measure of the plan's financial health. The FBR is calculated by dividing the plan's assets (contributions and investments) by its liabilities (the benefits the plan has committed to paying).

For example, as of April 1st, 2024, the FBR was **115.3%** ($1.09B in assets / $950M in liabilities). An FBR above 100% means the plan has a surplus.

Why the FBR Is Important:
The FBR determines whether **indexing** (cost-of-living increases) can be applied to pensions:

- **Active Teachers**: If the FBR is above 100%, indexing can be awarded based on the **Average Wage Measure (AWM)** metric. This indexation award is typically applied to salaries each September or at retirement on a prorated basis.
- **Retirees**: To receive indexing, the FBR must be above **110%**. Retiree indexing is based on the **Consumer Price All-Canada Index (CPI)**.

Historically, AWM runs about 0.5% higher than CPI. This year, however, AWM is projected around **4.75%**, while CPI is about **2.3%**. Also, historically, the plan has beaten actuarial projections by awarding full indexing for the past 11 years (FBR above 110%) when expectations are that active teachers would receive indexing every 9 of 10 years and retirees would receive indexing 8 of every 10 years on average.

Current Status and Market Impact:
As of December 31st, 2024, the plan was trending above 110%. However, market declines since then, especially through March, may lower the FBR below 110% which would impact retirees' indexing awards. While the final funded status number won't be known until July, we want to keep you informed so you can plan accordingly.

Example Scenario – Why Timing May Matter:
Let's say a teacher plans to retire in June 2025 with:

- **Average salary**: $90,000
- **Years of service**: 32
- **Annual pension**: $90,000 x 32 x 2% = **$57,600**

If the FBR is below 110%, this pension would **remain flat through 2026** (no CPI indexing).

Now, consider if that teacher works **one more year**:

- They receive 10/12ths of the 4.75% AWM = **3.96% average salary increase**
- New average salary: **$93,564** (90,000 x 1.0396)
- Years of service: **33** (one additional year worked)
- New pension: $93,477 x 33 x 2% = **$61,752**

In this case, working one more year could increase the annual pension by over $4,000.

If the FBR ends up above **110%**, both active teachers and retirees could receive indexing, and the financial difference of staying versus retiring would be less significant. However, if the FBR is between **100% and 110%** — a very real possibility — there would very likely be an added financial incentive to delay retirement by one year in this year, specifically. It must be noted, too, that our pension plan is designed in a way that additional employee and Employer contributions kick in when the plan is funded below 110%, so active teachers will be contributing an additional 1% to their pensions each paycheque if the plan dips below 110% and the Employer will contribute an additional 2% until the plan's FBR reaches 115%.

Final Thoughts:
We won't know the final FBR until July, but we wanted to provide this information now to help you make an informed decision about retirement timing. Please note that it is possible to receive missed indexing in later years when the plan is in a financial position to cover the costs of missed indexing.

Please don't hesitate to reach out with any questions.

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