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Pension Update Commutated Values

Although most will never be affected by the change, members should take note of the new guidelines for commuted values that are about to take effect.

Commutated Values or CVs are only payable to members who change careers prior to their 50th birthdays and wish to move their teachers' pensions into a different retirement plan, or who die before reaching retirement. Your CV on the day you change careers or die is the amount that would have been needed to pay out your teacher's pension for your entire retirement period.

In response to increasing longevity and changes to long-term bond yields, the Canadian Institute of Actuaries has changed its rules regarding the calculation of CVs. The new guidelines will take effect on April 1, 2009. The change will lower the value of CVs by 10 to 15% and will depend upon interest rates at the time the changes take effect. Because of other rules governing pensions, newer members of the Plan will see the greatest reduction.

Members should note that the CV changes have no effect on their pensions if they teach until retirement. The formula for calculating a retirement pension is unchanged. It is still the average of your best five years of salary times your years of credit times 2%.

The change will only affect those members who quit teaching before age 50 and decide to withdraw their money from the plan. Members who quit teaching and leave their money in the Plan will receive a pension based on the current rules.

If you are considering leaving the profession, you should consult the Ontario Teachers' Pension Plan to determine your options and to find out how the change to CVs affects your situation.