A NEWSLETTER FOR PENSIONERS

PENSION NEWS

Ontario Teachers' Pension Plan Board

Conseil du régime de retraite des enseignantes et des enseignants

Issue 26
Spring 2002

COVER STORY

How much greater is your pension?

A series of seemingly modest pension improvements, mostly from lowering the CPP reduction factor, has resulted in a pension windfall.

You can expect your pension to grow each year with the rate of inflation. In addition to this, the plan's surplus was used to improve benefits. This means you are collecting about $1,000 to $4,000 a year more than you were originally promised.

The extra amount you receive depends on when you retired and the number of years you contributed to the Canada Pension Plan.

The lower CPP reduction factor means you keep more of your teachers' pension after age 65.

The CPP reduction factor was first lowered in 1997. This was followed by another, more significant reduction in June 1998. The most recent lowering of the CPP reduction factor, and the largest yet, took effect in January. As well, last year there was also a recalculation of pensions for teachers who retired before May 31, 1982.

Continued on page 4

Estimate YOUR GAIN using the chart on page 4

Inside this issue...

Q&A

You asked us:

Q: TEACHING TO THE LIMIT

"I am a retired teacher. I will reach my 95-day limit on June 10. I've learned from another retiree that I can continue to teach until the end of the month without affecting my pension. Is this true? Please confirm." G.M.

A: That is correct. In your instance, you can teach to the end of June, which gives you an additional 14 days, and not affect your pension. However, remember to notify us when you reach your 96th day so we have a record of the number of days you're employed.

Q: DESIGNATING SURVIVOR BENEFITS

"A lawyer preparing my will has asked me whether I have designated a beneficiary for my pension. Since mine is a single pension with no survivor designated to continue receiving benefits, I don't know the answer. Could you please let me know?" G.D.

A: Designating a beneficiary applies only if a teacher dies before retirement. When you die after retirement, your spouse or, in the absence of a spouse, dependent children, are entitled to a survivor pension. If there is no eligible survivor, the residual value of your pension, or the balance on a 10-year pension guarantee, is paid to your estate. The residual value of your pension is the total of your contributions plus interest minus what you've received in pension payments.

Q: CPP AND YOUR TEACHERS' PENSION

"If I take CPP at age 60, will there be a reduction to my teachers' pension?" N.C.

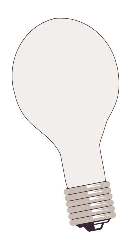
A: No. Typically, your teachers' pension is reduced the month after you turn 65, even if you take your CPP early.

There are some conditions for taking CPP early, so be sure to contact CPP directly for information. For instance, you're ineligible to apply for a reduced CPP pension if you earn through employment more than the monthly maximum in the month prior to and the month your CPP pension begins.

For example, if you request your reduced CPP pension to begin in August, you need to earn less than $789 (the monthly equivalent of annual maximum in 2002) in both July and August.

Once you receive your reduced CPP pension, you can earn more than the CPP maximum and not affect your CPP pension payment.

For more information about your CPP pension, we recommend you go directly to the source. Contact your local office of Human Resources Development Canada, or visit their Web site at www.hrdc-drhc.gc.ca.



IF YOU BEGIN COLLECTING

a CPP disability pension, you are required to let us know immediately so we can apply the CPP reduction to your teachers' pension.

Crusade for better corporate governance continues

Since the collapse of Enron, there has been renewed interest from investors, legislators, regulators and the news media about the way companies are directed, controlled and evaluated.

Corporate governance practices should affect every area of the management of a corporation. The Teachers' pension plan has long been speaking out against inadequate financial reporting, stock option plans that dilute shareholder value and boards whose directors are not doing their jobs.

Speaking out is what Claude Lamoureux did again during his speech to the Canadian Club in March. He describes the Enron collapse as "perhaps the most disgraceful example of board negligence."

He also criticized Nortel Networks Corp. and JDS Uniphase Corp., two companies that incurred the greatest financial losses in Canadian history.

"What did the directors of these corporations know that we didn't? As it turned out, not much. Perhaps they were mesmerized by the management magic of their CEOs.

"…Every shareholder should question the performance and ethical commitment of corporate leaders, as well as the best governance efforts of regulators, institutional investors, accountants and corporate lawyers."

You can read the entire speech entitled, "Corporate Governance: Time to Get Serious" on our Web site, www.otpp.com.

Are you a shareholder?

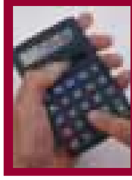
If you own shares in a public company, you may want to visit our Web site. Under "Proxy Voting Records," you'll find an explanation of our approach to corporate governance and details on our voting policies and practices. We also document our voting on shareholder proposals. Knowing our general approach and the background on specific proposals may help you decide how to vote your own proxies.

Did we lose money in the Enron debacle?

We sold our stake in Enron at the beginning of 2001, before the scandal broke, because we felt the shares were fully valued. We earned a net profit of about $400 million.

Claude Lamoureux: *"If shareholders do not exert their right to force change, the capital market system we take for granted will be in jeopardy." You can read the entire speech at www.otpp.com.*

COVER STORY



How much greater is your pension?

From page 1

Example 1

Jane retired in 1992 after a 30-year career with a pension of $27,615. Today her pension is $35,120. Most of the increase to her pension is the result of the inflation adjustment ($4,919), but $2,586 of the annual total is the result of the lower CPP reduction factor.

Example 2

Elizabeth retired in 1972, also after a 30-year career, with a pension of $6,646. Today her pension is $33,015. Most of the increase to her pension is the result of the inflation adjustment ($23,260), but $2,673 of the annual total is the result of the recalculation of her pension based on the approximate best-5 years' average salary. An additional $436 comes from the lower CPP reduction factor. In Elizabeth's case, the lowering of the CPP reduction factor has less of an affect because she contributed to CPP for only 6.6 years.

How does the lower CPP reduction factor improve your pension?

The CPP reduction factor is used to calculate the amount deducted from your pension when you turn 65 or collect a CPP disability pension. A lower CPP reduction factor means you keep more of your teachers' pension when you turn 65.

Pension of older retirees also increased to best-five

Teachers who retired before May 31, 1982, would have had their pensions calculated based on their best-seven or last-10 years' average salary. A benefit improvement that took effect last year recalculated these pensions based on the member's approximate best-five years' salary. The change is from June 1, 2001 onward and is not retroactive to the start of the pension.

See the RECAP OF PENSION IMPROVEMENTS on page 5

ESTIMATE YOUR GAIN

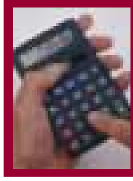
(The examples are based on 30 years of credit and June 30th retirements. Amounts for original and current pensions are minus the CPP reduction.)

	1972	1977	1982	1987	1992	1997
Average best salary	$ 11,500	$ 17,000	$ 29,500	$ 40,000	$ 55,500	$ 64,000
Original pension	6,646	9,445	15,984	20,215	27,615	31,185
Inflation adjustment*	23,260	19,659	14,237	9,505	4,919	2,853
Lower CPP reduction	436	1,131	1,369	2,295	2,586	2,751
Last 10/best 7 to best 5**	2,673	2,616	0	0	0	0
Current pension	33,015	32,851	31,590	32,015	35,120	36,789
TOTAL GAIN	**$3,109**	**$3,747**	**$1,369**	**$2,295**	**$2,586**	**$2,751**

* Pensions have been indexed to inflation since 1976, but there were ad-hoc increases provided for inflation prior to this date.

** We currently use your average best-five years' salary to calculate pensions. Prior to May 31, 1982, pensions were calculated based on the best-seven or last-10 years' average. Last June these pensions were recalculated based on the best-five.

COVER STORY



Recap of pension improvements

From page 4

A series of enhancements have added up to a significant gain

DATE	***IMPROVEMENT***	***AVERAGE GAIN***
January 1, 1997	CPP reduction factor is lowered to 0.68% from 0.7%. This means pensioners keep more of their pension when they turn 65, or collect a CPP disability pension.	$212 per year
June 1, 1998	CPP reduction factor is lowered again to 0.6% from 0.68%.	$865 per year
June 1, 2001	Teachers who retired before May 31, 1982 have their pensions recalculated based on the approximate best-5 years' salary from best 7 or last 10.	Increases vary from relatively small to $1,700 per year
January 1, 2002	CPP reduction factor is lowered to 0.45% from 0.6%.	$1,700 per year

For more information about the use of the surplus, you can request a copy of *Report on Funding*, or visit our Web site, www.otpp.com

Life-long learner courts new career

Bob Weiler taught business, accounting and computer studies in Kitchener to secondary school students until he retired at age 55 with an unreduced pension. He entered law school two years later and was called to the bar in January. Mr. Weiler is now 62.

As trite as it may sound, Mr. Weiler has always believed in the ideals of lifelong learning. He earned his Bachelor of Arts degree and a Masters of Business Administration part-time during his 30-year teaching career.

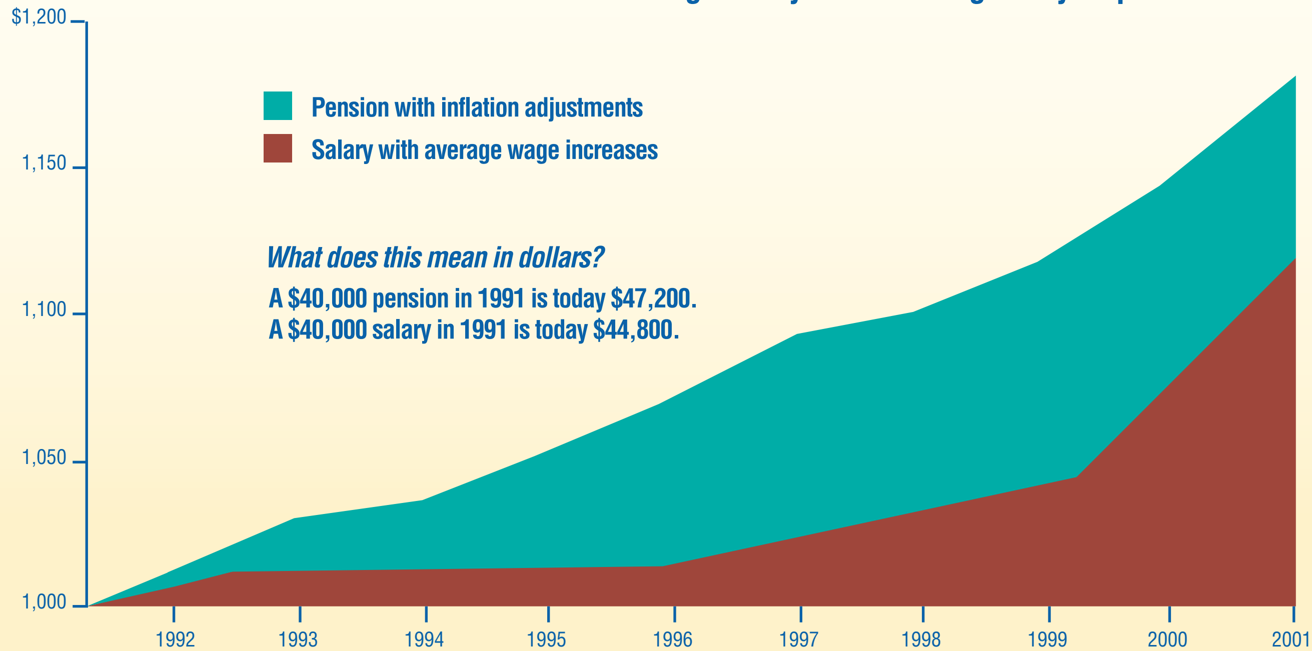
With his first career behind him, Mr. Weiler is now building a private practice in Kitchener specializing in estate, estate administration, tax and criminal law.

Asked if the skills he developed as a teacher are applicable to the practice of law, Mr. Weiler replies, "teaching helps you understand people. This is useful in the practice of law because you need to size people up."

STATS' all folks

Comparison of salary and pension increases since 1991 for each $1,000

During the past 10 years, pensions grew by 18 percent while the average salary for teachers grew by 12 percent



PENSION NEWS

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