



Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS

WINTER 2008/2009

Pensions increase 2.5 per cent in January

Your pension will increase 2.5 per cent next year to keep pace with changes in the cost of living. The annual adjustment will boost a typical \$36,000 annual pension by \$900 in 2009. The adjustment is based on 100 per cent of the increase in the Consumer Price Index (CPI), a weighted basket of goods and services typically purchased by Canadian households each month.

If you left teaching this year, the 2009 increase will be pro-rated to the number of months after you stopped working. For example, if you retired in June, you will collect half the increase, or 1.25 per cent more, in 2009.

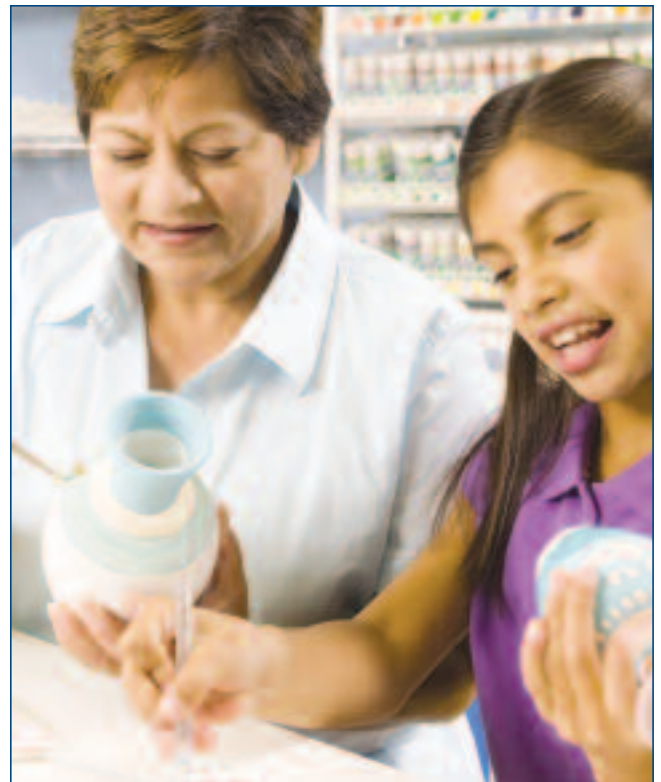
To see exactly how much your pension will increase, visit iAccess Web, the secure members-only section of our website at www.otpp.com, during the last week

of January. If you aren't yet registered for this free member service, or you have chosen to receive personal pension information by mail, watch for a printed statement in early February that details your new monthly pension.

The chart shows roughly how the increase will affect different pension amounts.

For more information on how the increase is calculated, see page 2. ■

Annual pension	Increase in 2009
\$15,000	\$ 375
\$20,000	\$ 500
\$25,000	\$ 625
\$30,000	\$ 750
\$35,000	\$ 875
\$40,000	\$ 1,000
\$45,000	\$ 1,125
\$50,000	\$ 1,250
\$55,000	\$ 1,375
\$60,000	\$ 1,500



Members can enjoy time with family members, knowing their pension is secure.

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Holiday hours

Member Services will be closed Dec. 25, 26 and Jan. 1

Annual increases protect purchasing power of pension

Your Teachers' pension is protected against inflation to help you maintain your purchasing power in retirement.

Every January, we increase your pension by 100 per cent of the rise in the cost of living, as measured by the Consumer Price Index (CPI). The all-index CPI we use to calculate your increase reflects the average price of a weighted basket of 600 goods and services purchased by a typical consumer. The basket includes such items as food, shelter, clothing, furniture, transportation, gas, home energy and recreation.

Annual increases at a glance

Year	Increase	Year	Increase
2009	2.5%	2004	3.3%
2008	1.8%	2003	1.6%
2007	2.3%	2002	3.0%
2006	2.2%	2001	2.5%
2005	1.7%	2000	1.5%

Since inflation protection was introduced in 1976, the annual increase has averaged 4.5 per cent, while increases in the last 10 years have been modest because of low inflation rates.

Your first inflation increase will be pro-rated to reflect the number of months after you stopped working. For example, if you retired in June, you will collect half the increase in 2009.

Increases are capped at eight per cent. If inflation is greater than eight per cent, the excess amount is carried forward to a year in which inflation is less than eight per cent.

Many pensioners wonder why the increase seldom matches the rate of inflation reported in the media. Sometimes it will be higher and sometimes it will be lower. That's because the media compares the CPI for the current month to the same month a year earlier. We compare the average monthly CPI for the 12-month period ending in September to the 12-month average a year earlier, effectively smoothing the increase from year to year.

All fully indexed pension plans generate roughly the same inflation protection over time. However, annual increases vary from plan to plan, depending on the method and time periods used to calculate the adjustment. ■

How we calculate your annual inflation increase

STEP 1: Calculate inflation factor

We compare the average monthly CPI for the 12 months ending in September to the 12-month average a year earlier. We then divide the two averages to get the inflation factor. Here's how the factor was determined for the increase that takes effect next January.

113.6 — Average monthly CPI for 12 months ending in Sept. 2008
 ÷ 110.8 — Average monthly CPI for 12 months ending in Sept. 2007
 = 1.025 — Inflation factor

STEP 2: Apply factor to your pension

To arrive at your new before-tax pension, we multiply your current pension by the inflation factor. Here's

how the factor will increase the annual pension of a member collecting an average \$36,000 pension.

Member's pension X inflation factor = New before-tax pension
 \$36,000 X 1.025 = \$36,900

STEP 3: Convert factor to percentage

To communicate the size of the increase, we convert the factor to a percentage. Here's how the factor is expressed as a percentage, using the inflation increase that takes effect next year.

(2008 inflation factor – 1) X 100 = Percentage increase in 2009
 (1.025 – 1) X 100 = 2.5 per cent ■

Re-employment rules to change Jan. 1, 2009

The Ontario Teachers' Federation (OTF) and the Ontario government have changed the plan's re-employment provisions. Effective Jan. 1:

1. The re-employment limits apply regardless of your age. Before the change, the limits did not apply after age 71.
2. You no longer contribute to the pension plan if you exceed the re-employment limit. Contact your employer if contributions are inadvertently deducted from your pay after Dec. 31, 2008. (Your pension will be suspended if you work after the month in which you exceed the limit.)
3. You can choose to have your pension recalculated to include the additional credit you accumulate while re-employed only if you:
 - return to work in education for the first time after Dec. 31, 2008;
 - notify us of your intention *before* you return to work; and
 - will work for the equivalent of a year or more.

If you choose to recalculate, your pension will be suspended and you will contribute to the plan during your re-employment.

Under the re-employment limits, you can work in education without affecting your Teachers' pension for up to:

- 95 days in each of the first three school years in which you return to work (these don't need to be consecutive years); and
- 20 days each school year after that.

Days worked during a window that allowed for extended re-employment in education – from Sept. 1, 2001, to Aug. 31, 2006 – do not count toward the first three years.

What to do if you return to work

If you return to work for an employer that participates in the Teachers' pension plan:

- Let your employer know you are collecting a pension when you accept a job.
- Track the number of days you work.
- If you work within the limits, no further action is required.
- If you work after the month in which you exceed the limit, notify us. We will suspend your pension for as long as you work, even if you work for only part of a day.

For more information on working after retirement, visit our website at www.otpp.com. If you are registered for iAccess Web, the secure members-only section of our website, you can also view an audio-visual presentation on re-employment. ■



Thousands of retired teachers return to work each year.

Diversification hallmark of fund management

Teachers' investment managers use an array of investments and techniques – applied across many sectors and around the world – in an effort to earn the returns required to pay pensions. “Diversification helps us manage risk,” said Bob Bertram, Executive Vice-President of Teachers' investment program.

“Rarely do all investments perform equally over the same period. A diversified portfolio of assets has a better chance of meeting the plan's long-term needs and helps protect the pension fund from market shocks,” he said.

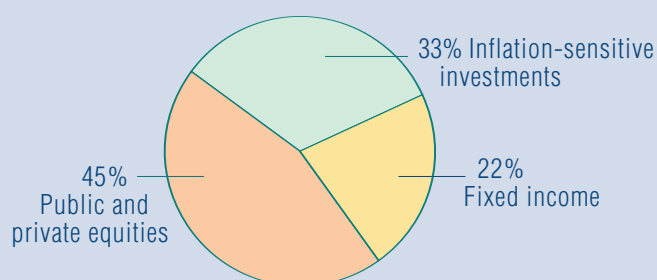
Approximately 45 per cent of the fund is invested in equities, 33 per cent in inflation-sensitive investments, and 22 per cent in fixed income investments.

“The fund will be adversely affected by the current market turmoil. Like most investors, we expect the pension fund's value to drop in 2008. Being diversified helps, but it won't save us from negative returns this year,” Bob said.

“We are staying the course with our investment strategy. This year's losers could well be next year's winners. We keep our eyes on the future because long-term performance counts most for pension plans.”

How is the pension fund invested?

Asset-mix policy at Dec. 31, 2007



Teachers' highly diversified portfolio includes a broad range of investments outside stock markets. Annual investment performance is reported each April.

Balancing risk and return

Selecting the right mix of assets for the pension plan is a balancing act. Basic investing principles say the more risk you take, the bigger the potential for gains, but also for losses.

Teachers' investment managers compare the risk and return profiles of different types of investments and strike a balance that allows the fund to grow over the long term within acceptable risk limits.

“Our job is as much about managing risk as it is about managing assets,” Bob said. “Asset-mix decisions are all about employing the ideal level of risk to earn the returns required to pay future pensions.”

Each asset class plays a different role in helping the pension fund generate returns.



Bob Bertram

Public equities

Scope Shares in public companies on Canadian, U.S. and foreign stock exchanges

Profile Potential to earn higher returns than fixed income, but markets are unpredictable

Objective Growth

Compared to bonds, public equities have better long-term earning potential and equip the pension fund for growth. In fact, the fund has earned billions from its equities investments since the investment program began in 1990.

However, as current markets demonstrate, volatility – or risk of loss in any one year – is three times higher for equities than it is for fixed income. Although the pension fund needs to grow to keep pace with rising pension costs, limiting equity investments to less than half of the fund is prudent given the plan's demographic profile.

Private equities

- Scope** Ownership stakes in private companies that do not trade on public markets
- Profile** Higher risk and return potential than shares in public companies
- Objective** Superior returns

Investing directly in private companies provides opportunities to earn premium returns to help pay pensions. In fact, this portfolio has delivered average historical returns in the range of 25 per cent a year. About \$9 billion of the fund is invested in private companies, including significant investments in such diverse companies as:

- Maple Leaf Sports and Entertainment;
- CTVglobemedia;
- AOT Bedding, maker of Serta mattresses;
- Easton-Bell Sports, makers of branded sporting goods;
- Alliance Laundry Systems, makers of the Speed Queen and other brand names;
- Kabel Deutschland, the largest cable network operator in Germany; and
- Grupo Corporativo ONO, Spain's largest cable operator.

Fixed income

- Scope** Government and corporate bonds, T-bills, commercial paper and other investments, as well as money-market securities, hedge funds and absolute return strategies
- Profile** Lower risk with modest return expectations
- Objective** Safety and liquidity

To balance the higher risks of investing in equities, we also hold fixed income investments that, typically, carry lower risk and earning potential.

Because these assets normally convert to cash easily, they enable the pension fund to pay monthly pensions and settle daily investment transactions.

Other investments in this asset class, specifically hedge funds and absolute return strategies, are used to lower the fund's risk of losing money in poor market conditions. The hedge funds and absolute return strategies that we use aim to earn positive returns regardless of which way markets move – up or down.

Inflation-sensitive investments

- Scope** Real estate, infrastructure and timberlands, commodities, and real-return bonds
- Profile** Lower risk, steady earners
- Objective** Good match for paying inflation-indexed pensions

Your pension is 100 per cent indexed to inflation. (Current pensioners are not affected by changes in the cost-of-living provision that take effect in 2010.)

Inflation-sensitive investments provide stable returns that are linked to inflation rates, helping the pension fund meet the growth in inflation. A simple example is a real-return bond that pays interest adjusted to inflation.

Commodities are part of this portfolio because they behave the same way. For example, last summer, soaring oil prices raised fears that high fuel costs would lead to higher inflation. As a rule of thumb, when commodities markets are hot, inflation also tends to rise – making commodities a good offset to the cost of paying inflation-indexed pensions.

Inflation-sensitive assets are also attractive because they operate outside publicly-traded markets and usually offer more predictable returns. These “steady earners” have good cash flows that can see the pension plan through periods of rough markets. Inflation-sensitive assets consist primarily of income-producing commercial real estate and regulated infrastructure businesses such as power plants, gas networks, water utilities, port facilities and airports. ■

Pension account numbers help protect your privacy

There's safety in numbers. To help protect your privacy, we are stepping up the use of your Teachers' Pension Account Number.

"Every member has a unique pension account number," said Rosemarie McClean, Senior Vice-President, Member Services. "It is assigned for life when you join the pension plan. The number helps us confirm your identity and protects your privacy when you access personal pension services by phone, mail or online."

The Teachers' Pension Account Number, formerly called an IRN, replaced the use of social insurance numbers (SINs) as the primary member identifier.

The number appears on the bottom of all personal documents you receive by mail and is the nine-digit user ID required to sign into iAccess Web, our secure members-only website.

Next year, when you sign into the secure website, you will notice the user ID field has been renamed

Account Number. The name is changing; the nine-digit number is not. Together with your password, your pension account number lets you retrieve pension information online and perform activities ranging from updating your telephone number to changing the tax withheld from your pension payments.

System still recognizes your phone number

If you call our Client Services department, you only need to quote your pension account number if you are calling from somewhere other than your home. That's because our integrated communications system recognizes your home phone number and displays your personal pension file on our staff's computer screen within seconds of your call.

"If you don't know or remember your number, don't worry," Rosemarie said. "It's just one of many ways we can identify you to provide service." ■



Our integrated communications system recognizes your home phone number when you call a Pension Benefit Specialist like Franki Tso.

Annual Service Facts

130,000

Member telephone inquiries

53,000

Member transactions

170,000

Log-ins to our secure website

14,000

Service requests by e-mail



Q *Will I receive only partial inflation protection in the future?*

A No, your pension will continue to be fully protected against inflation. The Ontario Teachers' Federation and the Ontario government recently announced a change in the way inflation increases will be calculated for future retirees' pensions. The cost-of-living change will apply only to pension credit earned after 2009. Pensions being paid to retired members, including full inflation protection, are protected by legislation.

Q *Is the pension plan losing money because of current market conditions?*

A We expect market conditions will adversely affect the plan's performance in 2008. However, you can rest assured your pension is secure.

Q *How do I notify you of my new address?*

A If you are registered for iAccess Web, our secure members-only website, you can change your address online. If not, notify us of your new address by phone, fax, mail or e-mail.

Q *Can I outlive my Teachers' pension?*

A No, your pension will be paid for as long as you live.

Q *Does the pension fund have enough money to pay my pension for life?*

A Yes, a financial assessment filed with the provincial pension regulator in October shows the pension fund has enough money to meet all of its pension obligations to current members. The change in the inflation provision for future retirees is designed to help keep plan assets and liabilities (the cost of future pensions) in balance.

Q *I intend to split my pension income for tax purposes with my spouse. Can you deduct less tax from my pension?*

A No, the government will not allow pension plans, such as the Teachers' plan, to deduct less tax during the year from pensioners who intend to split their income for tax purposes. Pension income splitting can happen only once a year when couples file their tax returns. For more information, consult the 2008 income tax guide available from the Canada Revenue Agency (CRA) in January, or speak to a tax adviser or accountant. ■

Pension fund agrees to buy industrial cleaning company

Teachers' Private Capital, your pension plan's private investment arm, has agreed to buy U.S.-based Aquilex Holdings, LLC, a major supplier of industrial cleaning and repair services. The transaction is scheduled to close in December.

"Aquilex represents an attractive investment opportunity. It is a market leader, and has good

revenue and cash flow stability, strong margins and robust growth prospects," said Erol Uzumeri, Senior Vice-President, Teachers' Private Capital.

"We are confident Aquilex's operations will be insulated from the recent challenges affecting the financial markets," Mr. Uzumeri noted. "We feel this is a unique opportunity to leverage Teachers' balance sheet during a period of uncertainty." ■

Pension pay dates

Your pension is deposited in your bank account on the last business day of every month.

If you change accounts, keep your old account open until your pension has been deposited in your new account. ■

Month	Deposit
December	Wed., Dec. 31*
January	Fri., Jan. 30
February	Fri., Feb. 27
March	Tues., March 31
April	Thurs., April 30
May	Fri., May 29
June	Tues., June 30
July	Fri., July 31
August	Mon., Aug. 31
September	Wed., Sept. 30
October	Fri., Oct. 30
November	Mon., Nov. 30
December	Thurs., Dec. 31*
*banks may close early	

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We appreciate your comments about anything you read in *Pension News*. Please contact Debra Hanna at 416-730-5351 or 1-877-812-7989 or e-mail: debra_hanna@otpp.com

This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.

Ce bulletin est disponible également en français.
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Update profile for chance to win

The pension plan is offering members a chance to win a desktop computer.

If you update your personal profile online by Dec. 31, your name will be entered into a draw in early January for a Dell Pentium 4 Desktop PC with 17" flat-screen monitor.

You can update your phone number, mailing address and other personal information at *iAccess Web*, the secure members-only section of our website at www.otpp.com.

If you haven't yet registered for *iAccess Web*, consider signing up by:

- Calling 416-226-2700 or 1-800-668-0105; or
- Completing the registration form at www.otpp.com. ■



Members who update their personal pension information online by Dec. 31 will be entered into a draw for a desktop computer.

Return undeliverable Canadian addresses to:

PM# 40062973

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