TEACHERS' PENSION PLAN ONTARIO

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS SUMMER 2009

Let's be clear on re-employment

As a new school year begins, here's what you need to know if you're considering a return to work.

Recap of limits

Prior to 1989, the re-employment limit was 20 days per school year.

In 1989, a two-tiered limit of days (95/20) was introduced. From Sept. 1, 2001, to Aug. 31, 2006, a window allowed up to 95 days of re-employment in a school year, regardless of the number of school years of re-employment you had previously.

Heading into the 2009/10 school year, you can work 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.

The first three years

If you were re-employed at some point since 2001, determining the first three years may be a bit tricky. Here's how it works.

✓ Include:

- Any school years you worked as a pensioner before Sept. 1, 2001.
- Any school years you worked after Aug. 31, 2006.

✗ Exclude:

- Any school years you worked as a pensioner from Sept. 1, 2001, to Aug. 31, 2006.

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Let's be clear on re-employment

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Examples

Here's how the limits affect four pensioners who returned to work after Aug. 31, 2006.

Pensioners	School years worked before Sept. 1, 2001, even if for only part of a day	School years worked during the window – Sept. 1, 2001, to Aug. 31, 2006	95-day school years that remained after Aug. 31, 2006
Marilyn	0	1	3
Bryan	1	2	2
Murray	2	3	1
Kathleen	3	0	0

What kind of work counts?

You don't have to be standing at a blackboard, chalk in hand, for re-employment to count toward your limits.

Working in education includes, but is not limited to, positions such as teachers, tutors, vice-principals, principals, counsellors and supervisory officer positions. Specific tasks could include marking papers, or helping to set up for the next school year.

Here's a summary of what you should count when tracking your re-employment:

- ✓ Work in any capacity for a school board, designated private school or designated organization in Ontario.
- ✓ Work for an Ontario school board through a third-party agent or self-employed arrangement.
- ✓ All supply and occasional work days, including those under a long-term contract.
- ✓ All volunteer work, even if you don't accept payment.
- ✓ Paid non-working days, such as professional development days and sick days.
- ✓ Statutory holidays if you are re-employed as a 12-month employee.

Do you work in August?

If you are re-employed in August, be sure you know which school year those days count toward. It's especially important if you have already exceeded your re-employment limit for the school year.

Here's an example:

- Neela exceeded her re-employment limit in February 2009, and continued to work — her pension was suspended in March 2009.
- She finished working in June 2009 — her pension was reinstated in July 2009.
- Neela worked three days in late August 2009 to help set up for the 2009/10 school year.

The position for which Neela was hired did not have August days included in the teaching calendar established for the 2009/10 school year. Therefore, work in August counts toward re-employment in the 2008/09 school year.

In Neela's circumstance, she would need to have suspended her August pension. If she had already received it, she will need to repay it to us. If Neela wishes to restart her pension in September 2009, she cannot work in that month. You cannot have re-employment service in the same month we reinstate your pension.

If the three days of work in preparation for the upcoming school year had been required of all teachers (i.e., the teaching calendar had August work days), Neela could count the August days towards her limits in the 2009/10 school year.

Know the rules to protect yourself

We often get asked why we talk about re-employment so much. The simple answer — it's important for everyone to know and understand the rules. Otherwise, it can be costly.

The Ontario Teachers' Federation and the Ontario government are the plan's co-sponsors. They are jointly responsible for setting plan benefits and contribution levels. Any changes to re-employment rules and regulations must be negotiated by the co-sponsors.

It's our fiduciary responsibility to ensure all members receive the benefits to which they are entitled. When we discover errors, or are informed of excess re-employment, we are required to take corrective action as determined by rules of the plan.

We've encountered several cases where pensioners have made incorrect assumptions. They thought the work they were doing wouldn't count toward their re-employment limits. They assumed their pensions wouldn't be affected.

Understanding re-employment rules today could protect you in the future.

Failure to follow the rules can be costly. Whether it is one month, or several, excess re-employment can result in thousands of dollars of ineligible pension payments that must be repaid, with interest, before a pension can resume.

When it comes to re-employment, be sure you review all the guidelines. If in doubt, ask. A phone call today could save you money in the future. ■

WANT MORE INFORMATION?

More details on re-employment are available on ***i*Access Web**, the secure members-only website. If you're not registered, call us and we'll sign you up instantly. You can also visit our corporate website at **www.otpp.com**.

Funding shortfall will grow unless markets improve

The Teachers' pension plan began 2009 with a projected $2.5 billion funding shortfall. The shortfall stems from investment losses, low real (after inflation) interest rates and rising pension obligations.

It's important to remember that your pension and the value of pensions already earned by working members are protected by legislation.

The shortfall will grow as $19.5 billion in losses held back in the smoothing adjustment are recognized over the next four years, unless the investment climate turns sharply positive (which has not been the case so far in 2009).

Addressing a shortfall

The Ontario Teachers' Federation and the Ontario government, which jointly sponsor the Teachers' pension plan, have several options for dealing with funding shortfalls.

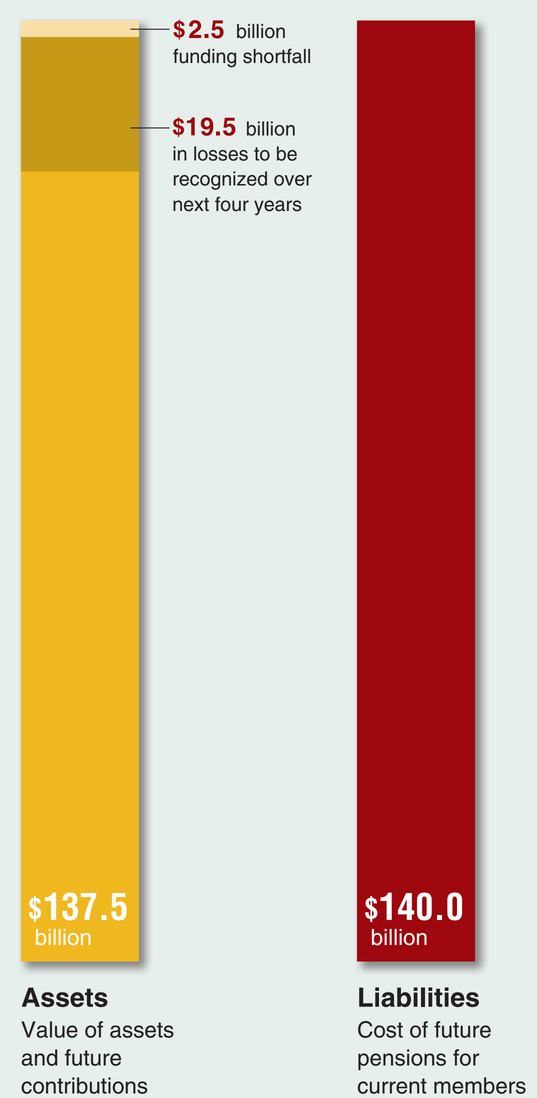
They can:

- increase contribution rates;
- invoke conditional inflation protection for pension credit earned after 2009;
- reduce other benefits to be earned in future years; or
- use a combination of these options.

Funding challenges

A key reason for continued funding challenges is plan maturity. There are currently 1.6 working members to each retiree in the plan and the ratio is projected to fall. As a result, a declining proportion of the membership carries increased responsibility for meeting the plan's funding requirements.

2009 FUNDING SHORTFALL



Adjusting to the current economic situation

There's no doubt that 2008 took a big toll on the fund's investments.

In the recent *Report to Members*, we outlined how the pension fund assets fell to $87.4 billion at the end of 2008 (from $108.5 billion in 2007) when global markets for stocks, real estate and other assets dropped.

We take every dollar lost seriously, but we can't prevent market crashes from occurring. What we can do — and have done — is position the portfolio so that when financial markets do eventually recover, the fund will benefit.

"We are long-term investors and we have the luxury of time on our side," Neil Petroff, Executive Vice-President of Investments and Chief Investment Officer, told members at the annual meeting in Toronto on April 3.

The Teachers' fund remains a solidly built, well-diversified portfolio of valuable assets, he noted.

Playing defence

Our long-term investment strategy has not changed, but we are taking a defensive stance in light of current market uncertainties.

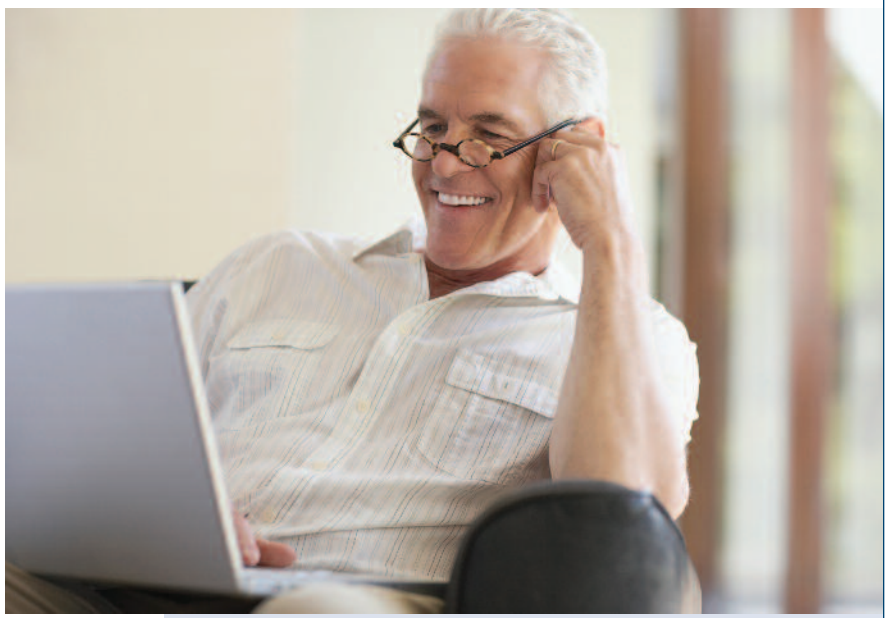
"We are in a defensive posture but as I like to say, it's a Bobby Orr kind of defence," Neil said at the annual meeting, referring to the legendary defenceman's ability to see openings and rush up the ice to score goals. "Your investment team will continue to score opportunistically on our members' behalf."

We believe a diversified portfolio of high-quality assets is appropriate for earning the returns to pay pension benefits over the long term.

Despite the recession and swings in financial markets, we're continuously looking for new investments to help pay teachers' future pensions. ■

Stay in touch with *i*Access Web

This year, an astounding 90 per cent of our new pensioners retired through *i*Access Web, our secure members-only website. With this year's prime retirement season in the books, the 55 to 60 age bracket now represents our largest percentage of registered members (75 per cent).



Top 5 things you can do online

While some tools may no longer be relevant (i.e., pension calculator), *i*Access Web still has a lot to offer. You can:

1. Update demographic information (i.e., phone number, email address).
2. Select communication preferences.
3. View pension details and changes to payments.
4. Monitor tax situation: retrieve duplicate T4As or change the 'extra' tax deducted from your pension.
5. Watch presentations.

You can also read important information on various plan guidelines, including re-employment limits, survivor benefit options if you marry after retirement, and more. ■

"*i*Access Web is a win-win situation," says Rosemarie McClean, Senior Vice-President, Member Services. "Our members love the convenience of having access at their fingertips. We're also able to cut down the expense of producing and mailing out pension materials, not to mention the added benefit of reducing our environmental footprint."

DID YOU KNOW?

- 66% of active members aged 55 or over are registered
- 47% of pensioners are registered
- Members visited *i*Access Web over 179,000 times last year
- *i*Access Web users reside in 89 different countries around the world
- Our oldest registered user is 102
- Member use of *i*Access Web increased 7% last year

You ASKED Us

Q. What are equities?

A. Equities are one of the three cornerstones of our investment program. They are instruments that signify an ownership position, or equity in the form of common or preferred stock or private shares in a corporation. Teachers' equities include Canadian, U.S. and foreign stocks, as well as individual company shares and various levels of ownership in private companies (i.e., Maple Leaf Sports and Entertainment).

We closely monitor expected market conditions and establish an asset-mix policy that we believe is most appropriate for the plan. Board members review and approve the asset-mix policy annually.

Management has the flexibility to adjust the equities' weighting by up to five per cent in either direction to take advantage of investment opportunities as they arise. The other two components of our asset mix are fixed income and inflation-sensitive investments.

Q. My late wife paid for the 10-year pension guarantee. Why is my survivor pension less than what she was receiving?

A. Survivor pensions are always calculated based on the CPP-reduced pension, even when members opt to pay for the 10-year guarantee. We applied the CPP reduction to your wife's pension before calculating the amount of the remaining payments owed to you (entitled to a total of 120 payments under the guarantee). Once the 120 payments have been completed, you will begin collecting the survivor pension chosen before your wife died.

In most cases, survivors are entitled to an immediate survivor pension from CPP. For details about CPP survivor pensions and how to apply, please visit www.hrdc-drhc.gc.ca.

Q. What happens to my health benefits now that I'm retired?

A. Some employers provide health benefits to their retired employees from their general revenue. The Teachers' pension plan is not the former employer of teachers and cannot provide health benefits in the same way.

If you don't receive health benefits from your former employer, three independent plans provide supplementary medical coverage for members of the Ontario Teachers' Pension Plan.

One is offered by Retired Teachers of Ontario (RTO/ERO) through Johnson Inc. and two are offered by the Ontario Teachers' Insurance Plan (OTIP). Premiums for these plans can be deducted from your pension payment.

Please contact your insurance representative directly for details or to arrange coverage.

Johnson Inc.
Toronto 416-920-7248
Toll-free 1-877-406-9007

OTIP
Waterloo 519-888-9683
Toll-free 1-800-267-6847

News briefs

Leech is a Champ

Jim Leech

Jim Leech, President and CEO, was honoured recently as a Champion of Public Education by The Learning Partnership (TLP).

Recipients of the award are honoured for their dedication to public education. Actively involved in education initiatives throughout his career, Jim currently serves on the board of Right to Play Canada. This humanitarian organization uses sport and play programs to improve the lives of children in disadvantaged areas of the world. He also volunteers for Youth Without Shelter, and is involved with the Queen's Business School as an advisor and a mentor to MBA students.

TLP is a not-for-profit organization dedicated to bringing together education, government, labour, policy makers, employers and the community to develop partnerships that strengthen public education in Canada.

Zvan one of Canada's best

Barbara Zvan

Barbara Zvan, Senior Vice-President, Asset Mix & Risk, has recently been honoured as one of Canada's Top 40 Under 40™ for 2008. The annual award recognizes the achievements of 40 Canadians in the private, public and not-for-profit sectors under the age of 40.

She was selected from over 1,100 nominees by an independent advisory board. Comprised of 25 business leaders from across Canada, the board selects honourees based on five criteria: vision and leadership; innovation and achievement; impact; community involvement and contribution; and strategy for growth.

Teachers' Law department wins prestigious award

Teachers' legal eagles recently received the Global Counsel Award for Best Team.

"We are honoured that we were selected for this international distinction," said Roger Barton, Vice-President, General Counsel and Secretary. "Our talented legal team makes an important contribution to Teachers' leadership position in the pension management industry."

Selected from more than 200 nominations, Roger's team was honoured in the General Commercial category. Criteria included effective communication, legal understanding, commercial awareness, depth and strength of team and management skills. The awards are organized by the International Law Office and the Association of Corporate Counsel. ■

Pension News

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