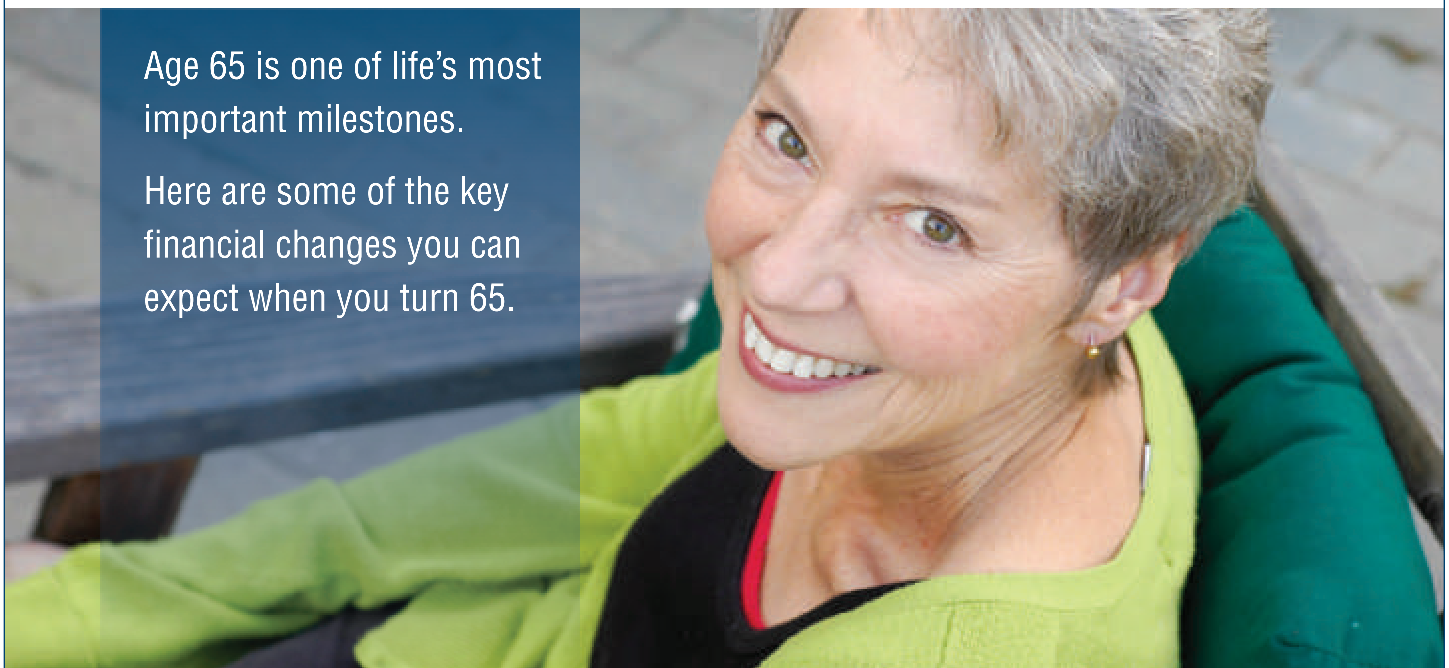
TEACHERS' PENSION PLAN
ONTARIO

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS SPRING 2010

Plans work together for your retirement



"How does CPP work with my Teachers' pension?" "Should I take CPP early?"

These are two of the most common questions we receive when talking to retired members about the Canada Pension Plan (CPP). Understanding how the two plans work together can help you make a decision as to when to begin your CPP pension.

As with most pension plans in the country, the Ontario Teachers' Pension Plan is designed to work with the Canada Pension Plan. Each year, the CPP establishes a maximum amount of earnings on which to base your contributions (for example, in 2010 the maximum is $47,200). While you were working, you contributed less to the Teachers' pension plan on earnings below the CPP maximum, and you contributed more on that portion of your earnings above the CPP maximum.

Continued on page 2

Inside this issue…

Plans work together for your retirement

Continued from page 1

As a result, when you turn 65 (or when you begin receiving a CPP disability pension), your Teachers' pension is reduced to partially recognize the benefits payable from CPP. The reduction, which is based on a formula, will decrease an average $44,000 annual pension by approximately $5,400 a year. Generally, the reduction equals about two-thirds of the unreduced CPP pension you would qualify to receive at 65.

Decisions, decisions — 60, 65 or somewhere in between

You can choose to take a reduced CPP pension as early as age 60. The reduction for taking it early is six per cent for each year (or 0.5 per cent per month) that you are under age 65. If you wait until after age 65 to collect an unreduced CPP pension, you'll get an increase of six per cent (or 0.5 per cent per month) for each year you delay. Regardless of when you decide to take your CPP pension, your Teachers' pension will be reduced at age 65.

So when should you begin taking your CPP pension? While we have to leave this very personal decision in your hands, we can offer some advice and point you in the right direction for additional information.

If your expenses will be high during your early retirement years, consider collecting CPP early. By starting a reduced CPP pension early, you may receive it for a longer period of time. However, by waiting until you are age 65, you will receive more each month.

To obtain more details about the factors that might help you make a decision, contact your local Service Canada office or visit their website at www.servicecanada.gc.ca. They can provide you with estimates of your reduced and unreduced CPP pension.

You should apply for your CPP pension six months before you want it to begin.

Changes proposed to CPP

Last spring, the federal, provincial and territorial governments proposed a series of changes to CPP. While these changes *will not* have any effect on how CPP is integrated with teachers' pensions, they may impact your decision as to when to begin receiving your CPP pension.

For complete details on these proposed changes, go to the Department of Finance Canada's website: www.fin.gc.ca.

More information

Canada Revenue Agency
1-800-959-8281 | www.cra-arc.gc.ca
Ontario Teachers' Pension Plan
416-226-2700 or 1-800-668-0105 | www.otpp.com
Ontario Drug Benefit Program
1-866-532-3161 | www.health.gov.on.ca
Service Canada (CPP, OAS, GIS)
1-800-277-9914 | www.servicecanada.gc.ca

Other things to consider

When you turn 65, you may also be entitled to other government benefits, such as Old Age Security (OAS). The amount of the OAS pension depends on how long you have lived in Canada; however, most retired teachers qualify for the maximum OAS pension. Few career teachers qualify for the Guaranteed Income Supplement, available to low-income seniors who collect full or partial OAS but who have little or no other income. Like the CPP, you must apply for these benefits.

One thing you don't have to apply for is the Ontario Drug Benefit (ODB) program. The government automatically covers more than 3,200 listed products if purchased from an Ontario pharmacy that is online with the government's health program. Simply show your Health Card to your pharmacist and tell him or her you now qualify for benefits because you are 65. Note that deductibles may apply.

Your health insurance coverage may also change when you turn 65. Many post-retirement medical or dental insurance plans end at 65. Some carriers may charge higher premiums or increased fees for various plan features. Make sure you understand any changes that apply to you. ■

TURNING 65

- The month you turn 65, we will send you a letter to remind you that your pension will be reduced the month following your 65th birthday.
- If you take your CPP before age 65, your Teachers' pension will still be reduced at 65. Generally, the reduction equals about two-thirds of the unreduced CPP pension you would qualify to receive at 65. The reduction is based on a formula, not the actual amount of your CPP pension.
- If you take your CPP at age 65, the Teachers' pension you receive before age 65 should be about the same as or higher than your combined Teachers' and unreduced CPP pensions after age 65.
- Your Teachers' pension will be reduced before age 65 only in two circumstances:

  1. If you begin to collect a CPP disability pension, in which case you need to notify us immediately.
  2. If you die before retirement, your survivor pension will be reduced.

Your CPP pension could also be reduced because of pension income splitting, additional income you may have earned and any other benefits you may be collecting from CPP.

Leading the charge: How Toronto, and Teachers', can be leaders in the pension world

Toronto. Clean. Diverse. Safe. And, a world hub of retirement financing solutions? That image may not spring to mind right now, but if a few forward-thinking financial leaders have their say, it will soon.

The Ontario Teachers' Pension Plan has endorsed a report from the Toronto Financial Services Working Group which outlines a strategy to make Toronto one of two leading financial clusters in North America and one of the top 10 global financial hubs by 2015.

"By supporting the report, we have a chance to put Toronto, and Teachers', at the centre of excellence for the pension and financial industries," said Jim Leech, President and CEO.

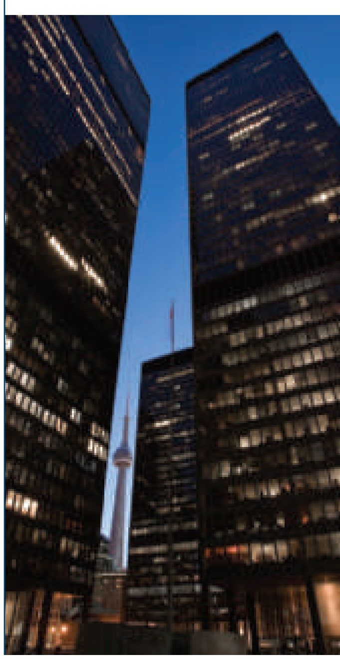
Focus on finance

The report acknowledges that the future prosperity of Ontario will be driven by the financial services industry. It presents a strategy to increase Toronto's competitiveness as an international financial centre to create more jobs and to strengthen Toronto's position as a financial services capital.

As a member of the Financial Services Leadership Council, Jim will work with CEOs from across the province's financial services industry to develop and implement the plan. Initiatives include establishing a global institute for risk management, investing in institutions such as the Rotman International Centre for Pension Management at the University of Toronto, and marketing and promoting Toronto as a financial services destination.

Finding the best and brightest

So, why does this matter to Teachers'? One of the risks the organization faces is the need to retain talented staff. Finding and keeping the best and brightest minds



WHY TORONTO?

So many pieces of the puzzle are already here:

- It's home to three of the country's and the world's largest pension funds — Teachers', CPPIB and OMERS.
- The International Centre for Pension Management (ICPM) at Rotman is already recognized as one of the leading-edge institutions in pension management.
- Canada's three largest life insurance companies are based in or have major operations in this city.
- It's a leader in the field of actuarial science, with academic programs at the University of Toronto and York University.

in pension management is critical to achieving ongoing success and to fostering innovation in investment and service capabilities. If Toronto is a hub of retirement financing solutions, people are more likely to migrate here to work with other experts in the field. Quite simply, talent attracts talent.

"The fact that pension plans were included in this initiative is significant," said Jim. "It highlights the fact that everyone from governments to the man on the street has recognized that retirement systems face major challenges that must be addressed, in Canada and around the world."

The overarching goal is financial retirement stability for all. As a core of expertise develops in Toronto, Teachers' can play an important role in the discussions around retirement income strategies, policies and solutions. Therefore, an obvious benefit to members emerges as the organization becomes increasingly well-positioned to continue being an industry leader and to strengthen its service offering.

A copy of the full Toronto Financial Services Working Group report called *Partnership and Action: Mobilizing Toronto's Financial Sector for Global Advantage* is available in the Newsroom section at www.otpp.com. ■

Test Your Pension IQ

WHO DOES WHAT?

Who is responsible for your pension plan? Place an X next to the organization(s) responsible for the following tasks:

ONTARIO TEACHERS' PENSION PLAN		ONTARIO GOVERNMENT & ONTARIO TEACHERS' FEDERATION
	Pays monthly pensions to members	
	Sets the plan's contribution rates	
	Determines the plan's benefits	
	Invests the plan's assets	
	Collects monthly contributions	

Answers on page 8

*i*Access Web your way

Maybe reading *Pension News* online is one way you feel you can make a small contribution to saving the environment. Maybe you like to read a paper version while you're sitting on your deck at the cottage. Whatever your preference may be, *i*Access Web, the secure members-only website, gives you the flexibility to choose your preferred method of communication, at your convenience.

The My Preferences page on *i*Access Web is where you can set your communication preferences, such as choosing communications in English or French, and whether or not you'd like to receive your personal benefit information electronically or by mail. In addition, you can select if you would like to receive publications such as *Pension News* or the annual financial *Report to Members* by mail or e-mail, if at all.

You can also choose to receive exclusive offers through our e-mail subscription service, which sends members quick e-mail updates and promotions. In the past, members have taken advantage of discounted Raptors tickets, Leafs ticket packages as well as deals on consumer goods such as mattresses and electronics.

The My Profile page allows you to change your e-mail and mailing address, perfect for those retirees who are returning from a winter spent in a warmer locale or those who enjoy visiting relatives overseas for extended periods of time. ■

If you retired online and set your communication preferences to receive mail, you will receive notification of a change in your pension deposit by mail. If you set your personal correspondence preferences to receive online information via your *i*Access Web account, you will receive an e-mail directing you to your updated *i*Access Web Pension Payments page. Not only will you save paper but you'll also get this information much more quickly than you would by mail.

Attend annual meeting on April 9

Interested in more details on the plan's 2009 investment and service performance? You can attend the pension plan's annual meeting from 5 to 7 p.m., April 9, at The Carlu, 444 Yonge St., in downtown Toronto. The presentations will be followed by a question and answer period and an opportunity to ask a Pension Benefits Specialist about your pension.

To RSVP your attendance or to submit a question for the meeting, e-mail communications@otpp.com by April 6. The most frequently asked questions will be addressed at the meeting and answered on our website.

You can also watch the proceedings live, or later at your convenience, at www.otpp.com. ■

You ASKED Us

Q. Will my pension be affected by the new Harmonized Sales Tax (HST)?

A. No. The upcoming HST will not have any impact on your pension. The new 13 per cent HST, effective July 1, 2010, will combine the eight per cent Ontario Provincial Sales Tax (PST) with the five per cent federal Goods and Services Tax (GST). Some goods and services that were not subject to PST in the past will now be subject to HST, but your pension will remain the same. For more information, please visit the Canada Revenue Agency website at www.cra-arc.gc.ca.

Q. A survey company called me and said they were calling on behalf of Teachers'. Could you tell me more about how you use this information?

A. We hire an independent research firm to conduct regular telephone surveys on our behalf. Doing so allows us to regularly assess the quality of our services. Participation is voluntary and it takes about five minutes to provide your feedback in the survey. We do not ask personal questions and only use the results to track our performance and identify areas for improvement. We greatly appreciate your participation.

Q. I've already started receiving my pension. Can I increase my spouse's survivor pension to 75 per cent?

A. No. The arrangement to increase your spouse's survivor pension to 75 per cent or decrease it to 50 per cent (the default is 60 per cent) must be made within specific timelines before you receive your first pension payment.

Q. I retired two years ago, and my wife and I just separated last fall. Is she still eligible to receive a survivor pension?

A. Yes, if you and your spouse were living together as of the date of your first pension payment. Even if you separate and subsequently divorce after retirement, your spouse remains eligible to receive a survivor pension. Different rules may apply if you retired before 1990. Determining survivor benefits can be complicated; we recommend that you call us for more information.

Q. If I take CPP at age 60, will there be a reduction to my Teachers' pension?

A. No. Your pension will be reduced the month after you turn 65, even if you take your CPP early. A reduction before 65 only applies to survivor pensions or when a member begins collecting a CPP disability pension.

Q. What measures do you have in place to keep personal information secure?

A. Your information security is a top priority at Teachers'. We only collect and use personal information required to administer the plan. We have implemented layers of security technology to protect your personal information including the use of encryption, whereby plain text and numbers are converted to a scrambled code when transmitted over the Internet, then translated to a readable format at your computer. We use the same high level of security as banks and other financial institutions. ■

Change in cost-of-living provision will not apply to members who retired before 2010

In the last issue of *Pension News*, we told you about a working group that is addressing the pension plan's recurring funding challenges. One tool that currently exists to address the funding situation is conditional inflation protection. This provision was introduced by the Ontario Teachers' Federation (OTF) and the Ontario government in the fall of 2008.

If you retired before 2010, you will continue to receive 100 per cent inflation protection — the change in the cost-of-living provision does not apply to you.

Inflation protection for pension credit earned after 2009 is conditional on the financial health of the pension plan. Inflation increases for this portion of pension credit range from 50 per cent to 100 per cent of the change in the Consumer Price Index (CPI).

For those members retiring *after* 2009, annual inflation adjustments are based on two components:

1. The portion of pension credit earned up to the end of 2009 is 100 per cent protected against increases in the cost of living, as measured by the CPI.
2. The portion of pension credit earned *after* 2009 will be 100 per cent protected against increases in the cost of living as long as the plan has sufficient assets. If the plan has insufficient assets, annual cost-of-living increases for pension credit earned after 2009 will range from 50 per cent to 100 per cent of the change in CPI.

The OTF and government do not intend to invoke conditional inflation protection before the next funding valuation is filed with the provincial pension regulator (sometime before Oct. 1, 2012). For more extensive information about conditional inflation protection, please visit the Plan Funding section of our website at www.otpp.com. ■

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Ontario Teachers' Pension Plan
5650 Yonge Street
Toronto, Ontario M2M 4H5

Client Services

Phone: 416-226-2700 or 1-800-668-0105
Fax: 416-730-7807 or 1-800-949-8208
Email: inquiry@otpp.com
Website: www.otpp.com

We appreciate your comments about anything you read in *Pension News*. Please e-mail member_communications@otpp.com.

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Test Your Pension IQ – Answers

WHO DOES WHAT?

Pays monthly pensions to members — OTPP
Sets the plan's contribution rates — Ontario government & Ontario Teachers' Federation
Determines the plan's benefits — Ontario government & Ontario Teachers' Federation
Invests the plan's assets — OTPP
Collects monthly contributions — OTPP

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PM# 40062973

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