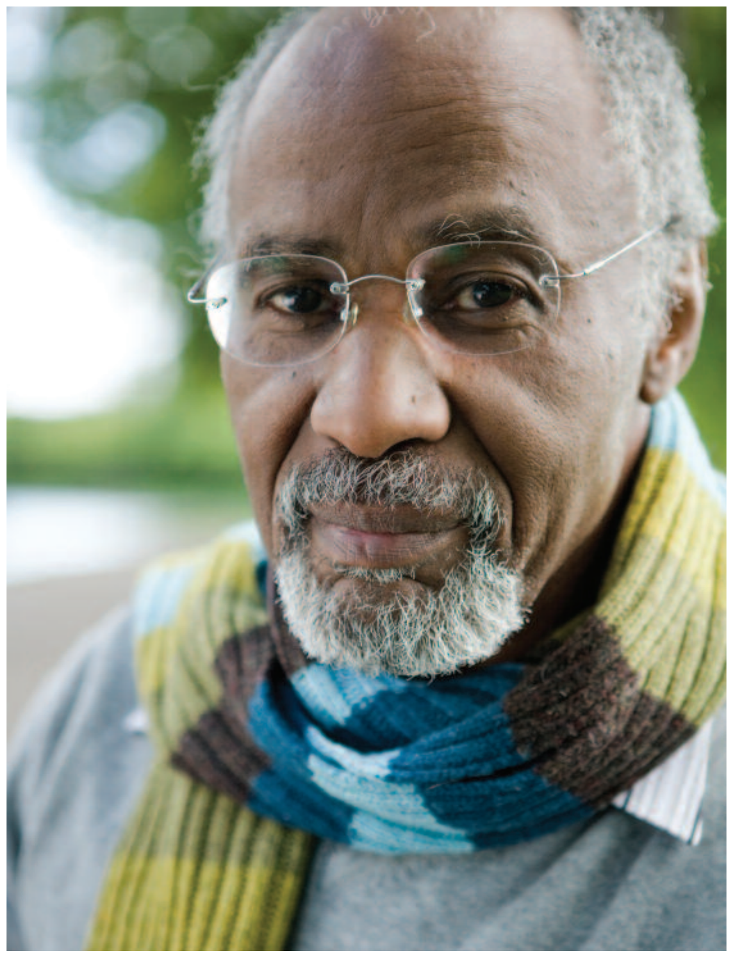
TEACHERS' PENSION PLAN ONTARIO

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS FALL 2010

Your 2011 inflation adjustment is 1.4 per cent

For Teachers' Manager of Actuarial Services Glen Tunney, autumn is the most exciting time of the year: it's when the annual inflation adjustment is unveiled. Glen knows this announcement—circled on his calendar in thick red ink—is an important one for all pensioners, and he's already anticipated some of the questions (and answers) he thinks will arise when the information is released.



1. What is next year's inflation adjustment?

The 2011 inflation adjustment is 1.4 per cent. Beginning in January, your monthly pension will increase by this amount to help you maintain your purchasing power in retirement. If you retired in 2010, your increase will be prorated.

2. How did you come up with this adjustment?

We applied the method that is prescribed by the terms of the pension plan. The adjustment is based on the Consumer Price Index (CPI), which is determined by Statistics Canada. The CPI is a weighted basket of 600 goods and services purchased by a typical Canadian family each month. It includes such items as food, shelter, clothing, furniture, transportation, gas, home energy and recreation.

"I think we are seeing the CPI stabilize after last year's results," Glen states. "One of the primary reasons for this year's rate is the price of natural gas, which seems to have rebounded after being down 33 per cent in September 2009."

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Your 2011 inflation adjustment is 1.4 per cent

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3. By how much will my pension increase?

The answer depends on how many months you received your pension in 2010. For example, if you retired in June, you will collect half of the increase, or 0.7 per cent, in 2011. If you retired before 2010, you will receive the full 1.4 per cent increase.

In 2011, the 1.4 per cent increase translates into an extra $518 a year in pre-tax income, or $43 a month, for a typical member collecting a $37,000 annual pension.

You can see how the increase affects your pension on *i*Access Web, the secure member website, at www.otpp.com. The amount will be posted online by Jan. 24, 2011. In the meantime, you can consult the chart below to see how the full 1.4 per cent adjustment will affect different pension levels.

Pension	Expected Increase
$15,000	$210
$20,000	$280
$25,000	$350
$30,000	$420
$35,000	$490
$40,000	$560
$45,000	$630
$50,000	$700
$55,000	$770
$60,000	$840

4. How has the inflation adjustment changed over the years?

Since inflation protection was introduced in 1976, the annual increase has averaged 4.3 per cent. “We are seeing more trending over time,” says Glen. “For example, we’ve seen lower inflation adjustments over the past 19 years (average of 1.8 per cent from 1993 to 2011) than we saw over the previous 17 (average 7.2 per cent from 1976 to 1992).”

5. Are there limits to the inflation adjustment?

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. Similarly, if inflation is negative, pensions remain at their current levels and the percentage below zero is carried forward to a year in which inflation is positive.

6. Why do I read about different inflation rates in the news?

Many pensioners wonder why the increase seldom matches the rate of inflation reported in the media. That’s because the media compares the CPI for the current month to the same month a year earlier. The plan compares 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. “Smoothing reduces possible spikes in inflation that may occur due to unforeseen incidents, such as Hurricane Katrina in 2005,” Glen explains.

7. Why do other pension plans have different inflation adjustments?

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. “No two plans are alike, although some have identical inflation provisions,” says Glen. “All plans, including Teachers’, must use the calculation method and time periods prescribed under the terms of the pension plan.”

HERE'S HOW YOUR ANNUAL PENSION INCREASE IS CALCULATED:

STEP 1: Determine the inflation factor

115.8	average monthly CPI for 12 months ending in Sept. 2010
÷ 114.2	average monthly CPI for 12 months ending in Sept. 2009
1.014	inflation factor

STEP 2: Convert the factor to a percentage

$$(1.014 - 1) \times 100 = 1.4\%$$

This method is also used by other major pension plans, including the two plans for Ontario government employees (Ontario Public Service Pension Plan and Ontario Public Service Employees' Union Pension Plan). However, different methods and time periods may apply for other plans, such as OMERS and CPP. For this reason, the annual inflation adjustment can vary among pension plans.

CONDITIONAL INFLATION PROTECTION

What is conditional inflation protection?

Inflation protection for pension credit earned after 2009 is conditional on the financial health of the pension plan. After you retire, inflation increases for the credit you've earned after 2009 will range from 50 per cent to 100 per cent of the change in the Consumer Price Index (CPI). Since conditional inflation protection has not been invoked, 2010 credit receives 100 per cent protection for this adjustment.

100 per cent inflation protection — **Dec. 31, 2009** | **Jan. 1, 2010** — **50 to 100 per cent** inflation protection, conditional on the financial health of the plan

Did you retire in 2010?

If you retired in 2010, you will notice that in *i*Access Web, the secure member website, your pension is divided to show two parts: the credit you earned before 2010, and the credit you earned after 2009. You will see a dollar value for each part. The bulk of your pension—the credit you earned before 2010—will be 100 per cent inflation protected, whereas a small portion—the credit you earned after 2009—will be subject to 50 to 100 per cent protection. Because conditional inflation protection has not been invoked, this post-2009 credit receives 100 per cent protection this year. ■

Sustainability Working Group releases final report

Last year, we told you about the Sustainability Working Group that was formed to study ways to keep the Teachers' plan secure and affordable well into the future. It included representatives of the Ontario Teachers' Federation (OTF) and the Ontario government, which jointly sponsor the pension plan, and pension plan management.

The Teachers' pension plan continues to face funding challenges because plan liabilities (the projected cost of future pensions) are growing faster than plan assets. This has resulted in recurring funding shortfalls, including a preliminary shortfall of $17.1 billion reported at the beginning of 2010.

The Sustainability Working Group examined ways to deal with these recurring funding shortfalls, including making refinements to the processes associated with the plan's valuation. These refinements, published in the Group's final report released in September, include the following:

1. An independent review of the rate of return assumption (also known as the discount rate) that is used to estimate the cost of teachers' pensions. This review will be triggered if a valuation shows the pension plan has a projected funding shortfall based on an assumed real (after inflation) rate of return of less than 3.575 per cent.
2. Formal annual consultations between the plan sponsors (OTF and government) and pension plan management; and
3. A review of options, including possible changes to contribution and benefit levels, if a future valuation shows a projected funding shortfall in the pension plan.

The value of pension benefits already earned by retired members cannot be reduced under current law.

Next steps

If the funding shortfall persists, measures must be taken to eliminate it before the next funding valuation is filed with the provincial pension regulator. The next regulatory filing is due in 2012, but the OTF and government could choose to file voluntarily before then.

To eliminate a funding shortfall, the OTF and government can:

- increase contribution rates;
- invoke conditional inflation protection for pension credit earned after 2009;
- reduce pension benefits members will earn in future years; or
- adopt a combination of these options.

More information

Visit **www.FundingYourPension.com** to:

- Read the Sustainability Working Group's detailed final report
- Watch presentations on key funding matters
- Access other funding updates

Funding information is also available on our website at **www.otpp.com.**

Checking in on re-employment

The Ontario Teachers' Federation (OTF) and Ontario government agreed to several amendments concerning re-employment in education earlier this year. The first of the three amendments, an expanded definition of re-employed pensioner, became effective Sept. 1, 2010.

Let's take a quick look at what has changed and what's on the horizon.

Expanded definition

If you provide any services for compensation after retirement for an employer who participates in the pension plan, you will be considered a re-employed pensioner and subject to re-employment rules.

This new definition will apply whether you are employed, self-employed or hired through a third party. It's also important to note that you can't forfeit your pay to circumvent the rules. If the position or duty entitles you to compensation and you decide to decline it, your service will still be counted towards the re-employment limits.

Still to come

Beginning Sept. 1, 2012, you will be able to work in education without affecting your Teachers' pension for up to 50 days in each school year you work following retirement.

Under current 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. After that, you can work 20 days each school year.

The final plan change is an administrative one. Beginning in the 2012/13 school year, your employer will be required to report re-employment service.

Clarifying the rules

If you are self-employed or work for a third party and you provide services to a participating employer, you need to be aware of the changes in the re-employment rules. Here are some simple screening questions to help you determine if the re-employment rules count for your situation:

1. Are your services provided directly to a participating employer?
2. Are the services you provide normally performed by an employee at the participating employer?
3. Does a participating employer assign and control your duties?

If you answered "Yes" to any of the questions above, then your work after retirement is likely subject to re-employment rules. As always, we encourage you to contact us directly if there is ever any doubt about your personal situation. ■

Your pension travels with you

Wherever you may be in the world this winter, your Teachers' pension can travel with you. More than 550 retired teachers are paid in foreign currencies, at least for a portion of the year. Funds can be wired in the local currencies of many countries including England, Italy, Mexico, India, Hong Kong and Barbados.

Mi pensión mensual fue depositada en pesos el Martes pasado.

如你能付我港币这样可以节省我的时间和精力

Es ist praktisch meine Rente in Euro zu erhalten.

"If you are moving or if you spend a significant part of the year in a different country, it can often be faster, safer and more convenient to have your pension paid in a local currency," said Michael McAllister, Director, Client Services.

If you snowbird in the U.S., you may even be able to set up a combination of payment arrangements. For example, you may be able to receive your pension in U.S. dollars in your U.S. bank account while you are away, and then receive your pension in Canadian funds in your Canadian account when you return home.

To have your pension deposit wired to you in a foreign currency, just complete a *Foreign Wire Application* form. To arrange for your payment to be deposited in a U.S. bank account, use a *U.S. Direct Deposit Sign Up* form. Both forms are available in the Member Reference Library at www.otpp.com.

You can also call us for a copy at 416-226-2700 or 1-800-668-0105, Monday to Friday from 8 a.m. to 5:30 p.m.

If you become a permanent non-resident of Canada, send us a signed letter to let us know. The tax we withhold from your pension is based on your principal place of residence. Some countries have treaties with Canada that may entitle you to reduced or exempted tax deductions, so it's best to let us know as soon as you move. For more information, call or visit your local office of the Canada Revenue Agency, listed in the Government of Canada section of your telephone directory or visit its website at www.cra-arc.gc.ca.

UPDATE YOUR PROFILE TO WIN

Don't forget that if you change your personal information on *i*Access Web before Dec. 31, 2010, your name will be entered to win one of five $100 Cadillac Fairview shop! gift cards. ■

Winners will be selected by random draw and contacted by telephone. One entry per person.

You ASKED Us

Q. I can't remember who I designated as my beneficiary for my pension. How do I find out?

A. Now that you are retired, you no longer have a beneficiary. Designating a beneficiary only applies *before* retirement. When you die after retirement, your eligible spouse or, in the absence of a spouse, dependent children, are entitled to a survivor pension. If there is no eligible survivor, any unused contributions plus interest, or the balance on a 10-year pension guarantee, is paid to your estate.

Q. My husband and I are retired teachers, and we both receive copies of *Pension News*. Is there any way for us to receive one copy of your newsletter for our household?

A. Certainly, you can request to have one copy sent to one address. Just call one of our Pension Benefits Specialists at 416-226-2700 or toll-free at 1-800-668-0105, Monday to Friday, 8 a.m. to 5:30 p.m. You can also arrange to receive this newsletter electronically. Call us or sign into *i*Access Web to change your communication preferences.

Q. When will I receive my T4A?

A. Most T4A slips are mailed in late January, in time to file your income tax return. If you haven't received your slip by the end of February, please let us know.

Q. Can I transfer my own RRSP funds into the Teachers' plan to increase the size of my pension?

A. No, you can only transfer RRSP funds into the plan *before* you retire to buy back credit for an eligible period of absence from work, such as an employer-approved leave.

Q. I'm thinking of splitting my pension income with my spouse for tax purposes. Can you deduct less tax from my pension before I do this?

A. No. By law, the government will not allow the pension plan to deduct less tax during the year from pensioners who intend to split their income for tax purposes. You should also be aware that any income you may receive from the Retirement Compensation Arrangement (RCA) should not be included in your application for income splitting; you will receive a separate T4A RCA for this amount. For more information on tax splitting, consult the Canada Revenue Agency website at www.cra-arc.gc.ca. We also recommend you talk to a tax accountant.

Q. My husband recently passed away and I don't know his SIN. Are you able to give this information to me?

A. Only the executor of the estate can receive this information from us. If the executor contacts one of our Pension Benefits Specialists, they can provide the SIN.

Q. I got married after my pension started. Will my new spouse get survivor benefits when I die?

A. You can provide coverage for your new spouse in exchange for an actuarial reduction in your pension, but only if you don't have a former spouse or dependent child who is eligible for benefits. You must apply for the survivor benefit within 90 days of: your marriage; the date your partner qualifies as a common-law spouse; or the date your child ceases to be eligible.

If you miss the application deadline, you may still be eligible provided we agree that you are in good health for your age. You will need to submit medical evidence to support your claim.

Q. Why don't you offer medical benefits?

A. By law the money in the pension fund cannot be used for such purposes. If you don't receive health benefits from your former employer, three independent plans provide supplementary medical coverage for Teachers' members. 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. ■

News Briefs

2011 pension pay dates

Month	Deposit
December	Fri., Dec. 31*
January	Mon., Jan. 31
February	Mon., Feb. 28
March	Thu., March 31
April	Fri., April 29
May	Tue., May 31
June	Thu., June 30
July	Fri., Jul 29
August	Wed., Aug. 31
September	Fri., Sept. 30
October	Mon., Oct. 31
November	Wed., Nov. 30
December	Fri., Dec. 30*

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.

** banks may close early*

New SVP, Teachers' Private Capital announced

Teachers' is pleased to announce Jane Rowe as the new Senior Vice-President, Teacher's Private Capital (TPC). Jane has a strong background in credit and equity investing. Her career with the Scotiabank Group of companies spanned more than 20 years, including her most recent position as Executive Vice-President, Special Accounts Management.

Jane Rowe

"I'm confident that Jane's strong and proven collaboration and leadership skills, as well as hands-on operational management experience, will be a strong asset for TPC and our entire organization," said Neil Petroff, Executive Vice-President, Investments.

Teachers' agrees to sell 25 per cent ownership of CTVglobemedia

Teachers' has agreed to sell its 25 per cent ownership of privately held CTVglobemedia to BCE Inc. (Bell). "Bell's purchase provides a timely and efficient exit from our investment in CTVglobemedia," said Neil Petroff, Executive Vice-President, Investments. "We continue to view telecom, media and technology as important and exciting sectors that we are well positioned to invest in going forward," said Mr. Petroff.

Teachers' sells 10 per cent of Maple Leaf Foods

In August, Teachers' reduced its stake in Maple Leaf Foods Inc. (MFI) to approximately 25 per cent. "While we have been a long-term and supportive investor of MFI, this sale opportunity was in the best interests of the fund and our members, on whose behalf we invest," said Neil Petroff, Executive Vice-President, Investments. ■

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