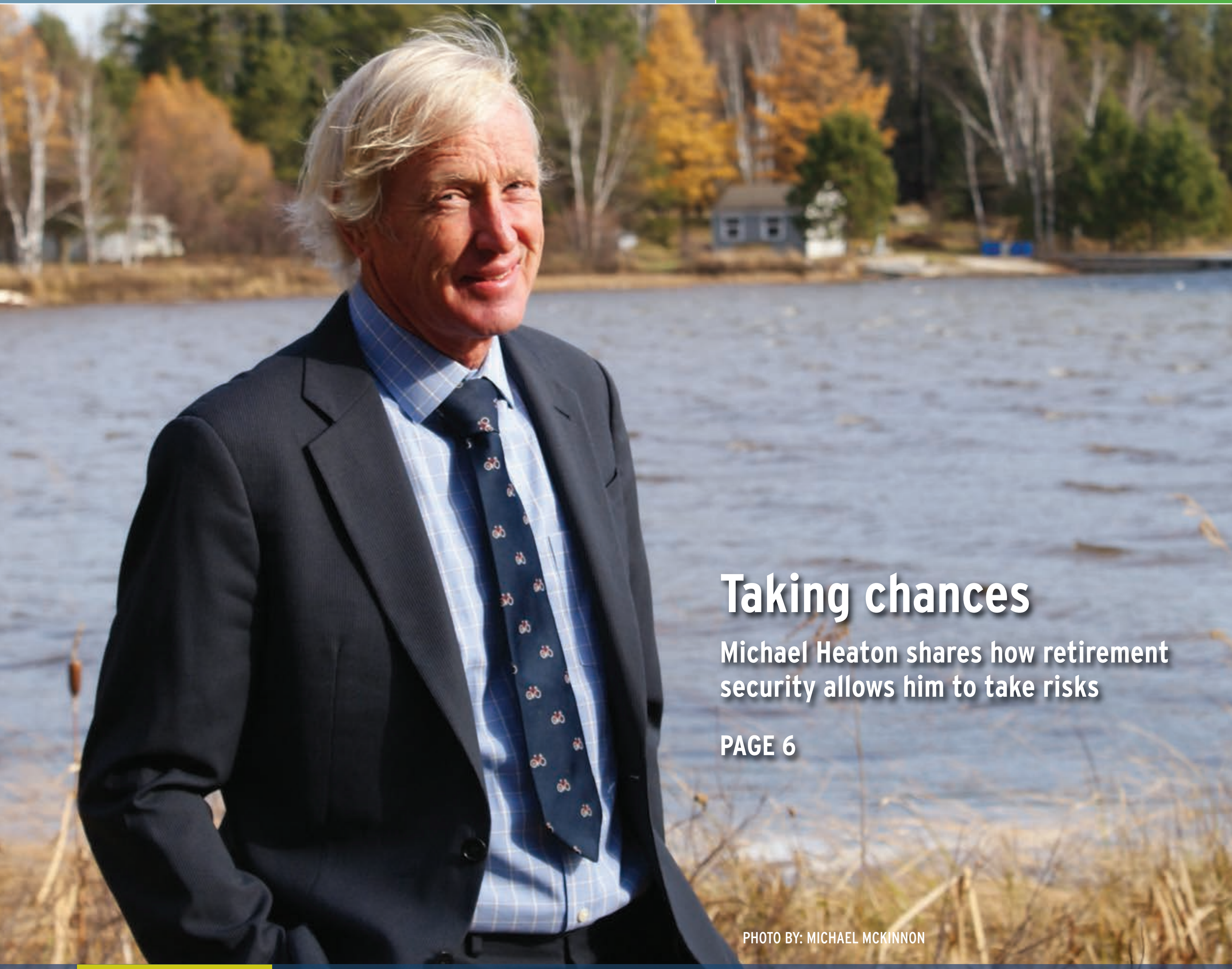
TEACHERS'™ PENSION PLAN ONTARIO

PENSION NEWS

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS

WINTER 2013



Taking chances

Michael Heaton shares how retirement security allows him to take risks

PAGE 6

PHOTO BY: MICHAEL MCKINNON

INSIDE THIS ISSUE

THEN AND NOW: YOUR SECURE SERVICE

In October, the number of members registered for *i*Access Web, our secure member website, surpassed 200,000. Since launching the site we've continued to expand and improve the service offered through it.

Here are a few examples of the enhancements you can expect to see in 2014 when you log in to *i*Access.

Updating your banking information

Then: If you had to update your banking information, you had to notify us in writing, either by fax or mail.

Now: You will be able to log in to *i*Access, visit your Pension Payments page or your Profile page, and update your Canadian banking information online.

Once you update your information, we'll send you an email confirmation. This email serves two purposes: to reassure you that the change you've requested has been made, and to add an additional layer of security by confirming that it was in fact you that requested the change.

Tip: You can only update or change information related to a Canadian bank account. Have a cheque handy when you log in so that you'll have all of the necessary information, including account, institution and transit numbers.

Pension Payments section redesign

Then: The Pension Payments section of *i*Access was one page, loaded with information.

Now: We're making the Pension Payments tab easier to navigate, the information simpler to digest, and in cases of members receiving a survivor pension, we're adding more detail.

We've broken it up into three separate sections, so you don't have to scroll and dig for the information you're looking for.

The first section, Pension Statement, will contain your payment schedule, a breakdown of your most recent deposit, and your banking information.

Clicking the Pension Calculations link on the right will take you to the second section. Here you'll find the calculation for your base pension, as well as any survivor pensions you're receiving.

The third section, Payment History, will offer a bar graph representation of your pension, as well as any survivor pensions. This visual representation allows you to see how your pension has been affected by inflation and CPP adjustments over the course of your retirement. Click the blue plus sign next to the date to see details on any adjustments made during that particular month.

Adjusting the amount of tax taken at source:

Then: If you have other sources of retirement income, you may want to increase the amount of tax taken from your pension at source over and above the base amount. You can increase the amount of tax taken at source by logging in to *i*Access and making the adjustment.

Now: We're simplifying the language around this *i*Access feature, making it easier for you to understand. You'll also see a confirmation message with the date on which the change will come into effect. Depending on when in the pension payment cycle you request the change, it may take effect in the following month.

Want More?

We're also developing mobile apps for our members. Download Worklog to track your re-employment days. Remember, Worklog does not report re-employment service to the pension plan or your employer. Visit www.otpp.com/Worklog for details.

THE 2014 INFLATION ADJUSTMENT

0.9% **The annual cost-of-living adjustment for 2014 is 0.9%. The increase takes effect in January 2014.**

How did we calculate the increase?

The method used to calculate the adjustment is prescribed in the Teachers' pension plan. It is the same method used by most other major Ontario pension plans, as well as the Canada Pension Plan (CPP).

We compare the annual change in the Consumer Price Index (CPI) over a 12-month period to the same 12-month period of the prior year. This approach helps us to smooth out any temporary spikes or decreases in the CPI.

Food, shelter, household and transportation costs represent about 75% of the CPI by weight. When we compared the changes in CPI in these categories over the 12-month period ending on Sept. 30, 2013 with the same period of the year prior, we found price increases have been about 1% lower than they were in the prior year.

How will the 2014 adjustment affect you?

On a $40,000 pension, the full 0.9% adjustment translates to roughly a $360 increase.

To see the exact impact the 2014 inflation adjustment will have on your annual Teachers' pension, sign in to *i*Access Web, our secure member website, visit the Inflation page, and launch the "My inflation increase" presentation.

How will the changes to conditional inflation protection (CIP) affect you?

Earlier this year the plan sponsors, the Ontario Teachers' Federation and the Ontario government, announced changes to conditional inflation protection (CIP) to help address the 2012 funding shortfall. In this new third tier, inflation protection on credit earned after 2013 will range from 0 to 100% of the full inflation adjustment, depending on the plan's funding status.

Since you retired before 2014, you will not be affected.

The impact of this third tier won't be seen until the 2015 adjustment, when we have members retiring with a portion of their credit earned in 2014.

If you retired after 2009, your adjustment is based on two components:

- your pension based on pre-2010 credit receives the full 0.9% increase; and
- your pension based on post-2009 credit receives 50% of the full inflation adjustment (0.45%).

If you retired in 2013, your increase will be prorated. You'll receive the adjustment for the time you were on pension in 2013.

Want More?

Visit ***www.otpp.com/inflation2014*** *to watch a Teachers' expert explain the 2014 adjustment.*

DRIVING THE ECONOMY

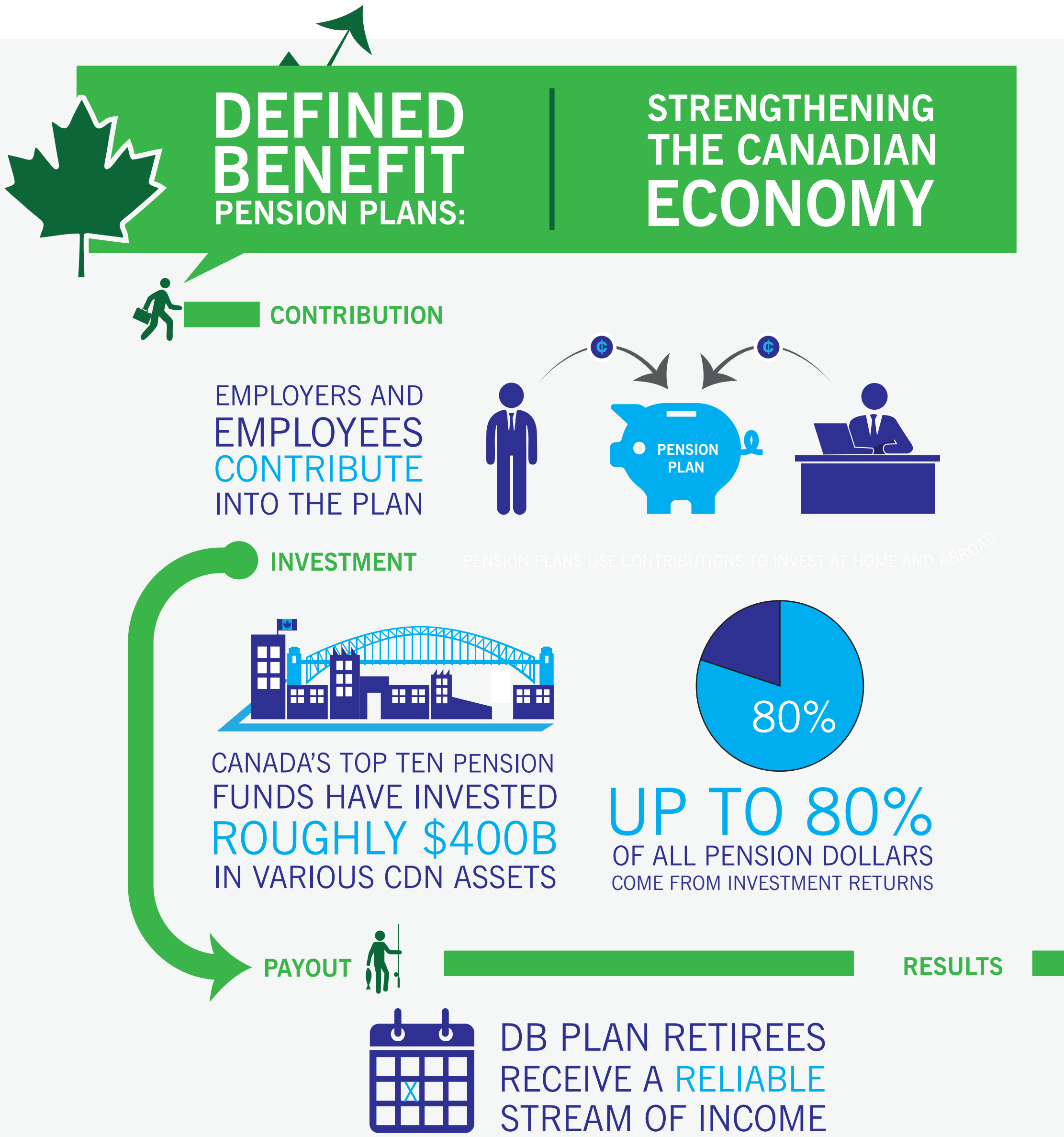
A recent study by Boston Consulting Group (BCG) provides some thought-provoking information about Canadian retirees with defined benefit (DB) pensions. The most compelling fact from the survey is that DB retirees receive the Guaranteed Income Supplement 10–15% of the time, compared with 45–50% for other retirees. That represents $2–$3 billion a year in savings to the federal government.

The study was sponsored by four Ontario pension funds, including Teachers'.

A recent Angus Reid poll shows a troubling situation regarding saving for retirement in Canada. The poll shows that those with household income of $50,000 or less save 7% of their income for retirement, rising to 9% for those in the $50,000–$99,000 group. In contrast, DB retirees contribute 10–14% of their income to their pension plans. So part of the reason that payouts from DB plans are generous is that DB members simply save more for retirement.

Two other responses from the Angus Reid survey are alarming: only 26% of Canadians believe that they're saving enough for retirement; and 15% of Canadians are saving nothing for retirement.

Yet much of the recent conversation about retirement savings has revolved around the perceived need to convert DB pensions to defined contribution (DC) plans. Jim Leech and Jacquie McNish, in their book *The Third Rail: Confronting our pension failures,* argue that while DB pensions need to evolve to deal with demographic challenges, getting rid of DB pensions would be a large mistake.



Disclaimer: Information in this document is sourced from a Study conducted by The Boston Consulting Group (BCG) and commissioned by Healthcare of Ontario Pension Plan (HOOPP), Ontario Municipal Employees Retirement System (OMERS), OPSEU Pension Trust (OPTrust) and Ontario Teachers' Pension Plan (OTPP). The materials excerpted by commissioners from the Study referenced are provided for discussion

Flip to read a Teachers' member discuss the importance retirement security has played in his decision to make a major investment.

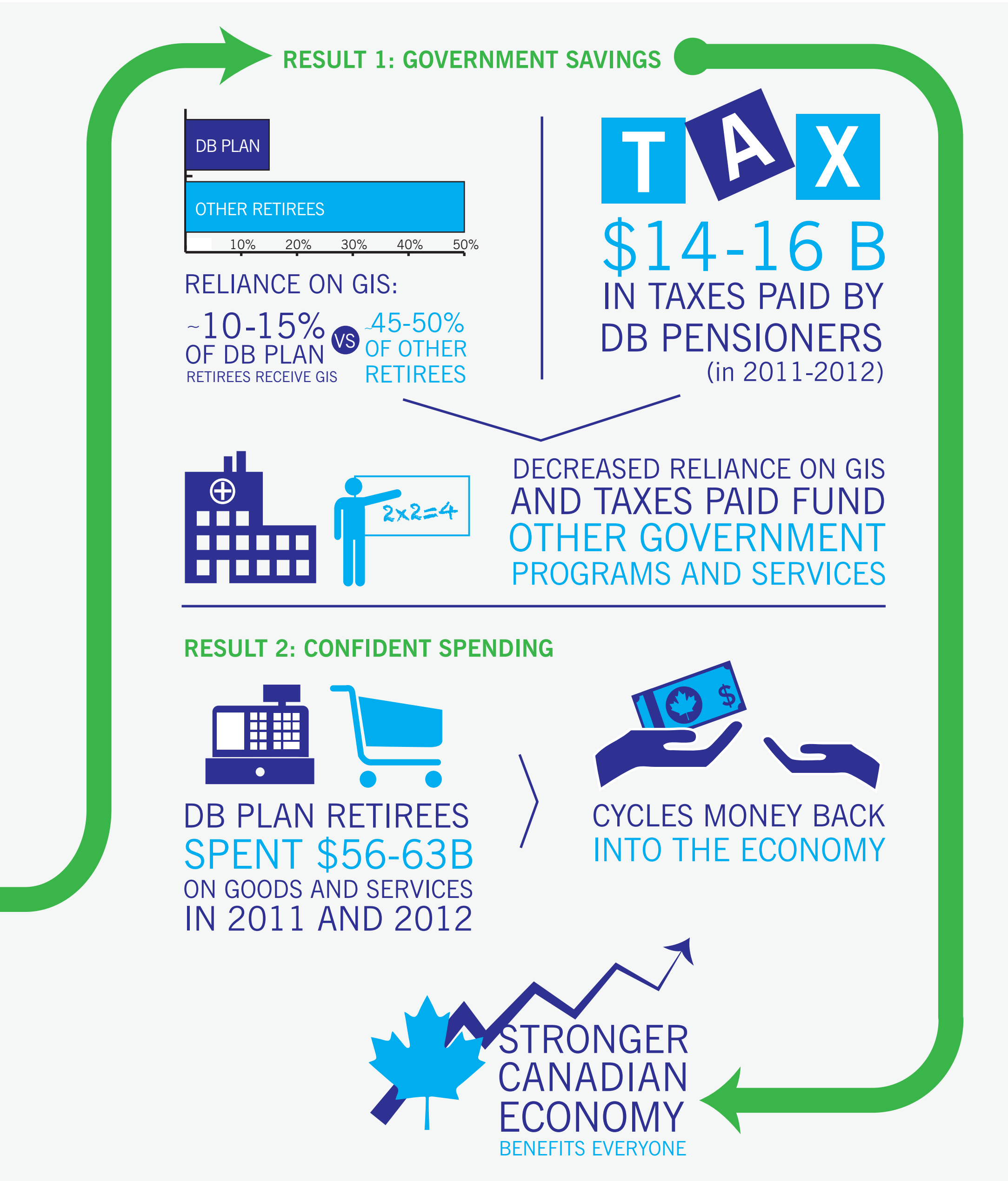
The BCG study, plus a study from earlier in 2013, show the many benefits of DB pensions, including:

- a very low cost of investing;
- investment expertise that allows them to generate up to 80% of a fund's assets through investment returns;
- shared longevity risk; and
- the ability to invest in areas that the average person simply can't access, such as real estate, private equity, hedge funds and infrastructure.

Longevity risk is a big deal. If you're a retired teacher in Ontario, you aren't concerned about how long your retirement lasts because you know that you will receive your pension at a given level for as long as you live. People with DC plans know how much money they have when retirement begins. Since they don't know how long they will live, they don't know how much money they can afford to spend each year in retirement.

The BCG study indicates that DB retirees are able to spend at a higher rate because they have a pre-determined steady and stable income throughout their retirement. This makes sense — if your income is reliable and secure, you are able to spend freely.

So instead of pitting the public sector against the private sector and DB vs DC, perhaps the conversation should be: "Let's fix what is broken and ensure that all Canadians have access to reliable and secure retirement income."



Key findings of the BCG study

Defined benefit retirees spend

$56–$63 billion

on goods and services each year.

DB retirees pay

$14–$16 billion

in income, property and sales taxes each year.

DB retirees take the Guaranteed Income Supplement (GIS) 10–15% of the time, compared with 45–50% for other retirees, reducing the GIS payout by

$2–$3 billion

each year.

The smaller the community, the greater the benefits from DB pensions. In small Ontario towns, DB pension benefits represent nearly

12%

of total earnings.

75–80%

of DB pension benefits are paid from investment returns. For Teachers', that figure is 77% over the past 10 years.

purposes only and may not be relied on as a stand-alone document. Additional analysis has been done to the data and analysis contained within the Study by third parties other than BCG. BCG has not independently verified this additional analysis and assumes no responsibility or liability for it.

TAKING CHANCES

Michael Heaton, a 64-year-old retired member, says the security of a steady retirement income from Teachers' allows him to take risks and make major investments in his retirement.

Michael has always been drawn to the north. Born and raised in Southern Ontario, he earned a teaching degree from Queen's with a minor in film studies. After graduation he was offered a job in the Northwestern Ontario town of Atikokan, about 200 kilometres west of Thunder Bay. He leapt at the opportunity.

During the early years of his career he worked in film production at the Quetico Conference Centre and taught physical education. A full-time position drew him back to Southern Ontario, teaching geography at Port Hope's Trinity College.

Years later, Michael moved back to Toronto to care for his aging parents, teaching in the public board's alternative schools.

"I hit my 85-factor when I was living and teaching in Toronto and I thought there are other things I want to try, and I'm not getting any younger."

Michael logged onto *i*Access Web, our secure member website, and used the pension calculator to determine what his retirement income would be. In 2011, he applied for his pension and officially retired from teaching.

He turned his focus back to one of his passions, outdoor recreation. Working with the City of Toronto, he helped to establish five outdoor BMX parks across the Greater Toronto Area. But it was while visiting friends back in Northern Ontario that he was struck with the idea of his biggest project yet.

"Someone told me the conference centre in Atikokan, the same place that I worked at back in the 1970s in film production, was for sale," he says. "The centre had run into financial difficulties, was purchased by an American investor, and then the financial crisis hit in 2008. Since then, it's just sat empty."

The facility is perched on 100 acres of woodland, with 1 kilometre of shoreline on Eva Lake. Michael's imagination swirled. He conjured up a unique vision of a school, with a BMX park, not unlike the ones he developed in the urban landscape of Toronto, nestled into the woodlands. In May 2013, he purchased the facility and is now in the process of establishing the school.

"I saved all of my life and I have a steady, reliable pension from my decades of teaching that allows me to take risks," he says.

"My lawyer suggested that I find a beach in Cuba, but I just thought if I didn't give this a go, in five to 10 years I would always wonder 'what if?'"

His advice to fellow retirees? "Now is the time to start ticking items off of your bucket list. We have a degree of security with our Teachers' pension that affords us the unique opportunity to take some chances and try something different," Michael says.

"In five or 10 years, it may be too late. Think of what you've always wanted to do and give it a shot."

ONLINE BRIEFS

Visit www.otpp.com/PensionNewsOnline to keep up-to-date with plan news and read exclusive content, all without having to log in.

2014 inflation adjustment FAQs

We answer the two most common questions about the 2014 inflation adjustment:

- Why is Teachers' inflation adjustment different than the inflation rates reported in the media?; and
- Why is the 2014 Teachers' base inflation adjustment rate lower than 2013's base adjustment rate of 1.9%?

www.otpp.com/PensionNewsOnline/Inflation2014

Worklog now available for Androids

Worklog, our re-employment app, is now fully compatible with Android devices. Use the app to avoid going over the re-employment limit by tracking the days you work. As you approach the 50-day limit, you'll see a warning. If you exceed the limit and continue to work in the following month, you'll be prompted to call us.

www.otpp.com/PensionNewsOnline/WorklogAndroid

Heading south

If you're planning on escaping winter and leaving the province, or the country, for an extended period of time, make sure that you take these steps to ensure that your pension receives the appropriate tax treatment and that you continue to receive important news about your pension plan.

www.otpp.com/PensionNewsOnline/Southbound

The buzz

The conversation continues at **www.facebook.com/myOTPP** and **www.twitter.com/OTPPinfo**.

We celebrated our newly retired members with our First Day of Retirement Facebook photo album. You'll find the collection by clicking the "Photos" tab at the top of the page, then select "Albums". Scroll through the 25 photos to see the smiles on your colleagues face as they share what retirement means to them.

And just as we're celebrating these recent retirees, we're also welcoming new members to the pension plan. You'll also notice a new tab called "Your Life" on our Facebook page.

Know a new teacher? Make sure they visit this online space to explore the role the pension plan will play throughout their career. Take a tour yourself.

The release of *The Third Rail: Confronting our pension plan failures,* a book co-written by Teachers' President and CEO Jim Leech and *The Globe and Mail*'s Jacquie McNish, set our Twitter stream abuzz. Follow @OTPPinfo to see some of the media interviews and reaction to the book's argument that changes must be made now to evolve Canada's pension system and maintain its stability.

NEWS BRIEFS

Asia office officially opens

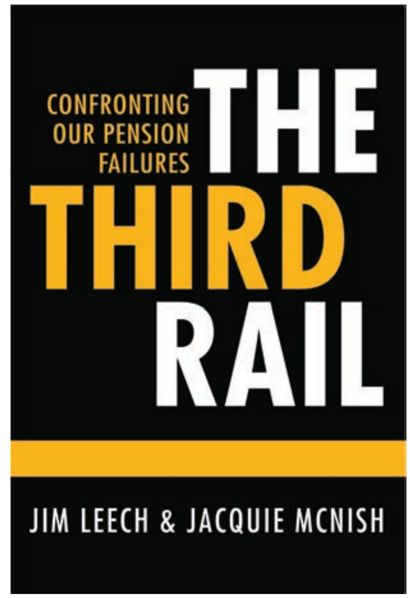
Teachers' celebrated the opening of our subsidiary, Ontario Teachers' Pension Plan (Asia) Limited, based in Hong Kong.

The office is staffed by local and Canadian investment professionals from the plan's private capital and public equities departments.

"The official opening of the Hong Kong office is an exciting and important milestone for Teachers', reflecting the importance of the Asia-Pacific region to our future growth," said Teachers' CEO Jim Leech. "We are here because we believe there are strong benefits to being closer to current and future partners."

Third Rail

In their new book, *The Third Rail: Confronting our pension failures*, Teachers' CEO Jim Leech and *The Globe and Mail* Senior Writer Jacquie McNish analyze problems in the Canadian pension system and propose some enterprising ways to address them. The authors argue that changes must be made now – by employers, government and unions – to evolve the system and keep it sustainable. For more information about the book or where to purchase it, visit **www.thethirdrailbook.com.**



Pension News is published for members of the Ontario Teachers' Pension Plan.

We appreciate your comments about anything you read in *Pension News*. Please email: member_communications@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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Reminder:

Your pension is deposited on the last business day of each month. Here are the deposit dates for 2014:

Your T4A is mailed during the last week of January.

January 31	July 31
February 28	August 29
March 31	September 30
April 30	October 31
May 30	November 28
June 30	December 31

Return undeliverable Canadian addresses to: **PM# 40062973**

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