



TEACHERS'
PENSION PLAN
ONTARIO

PENSION NEWS

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS

SUMMER 2014



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Teachers' puts its members first

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2013 HIGHLIGHTS: LEADERSHIP, EXPANSION AND INNOVATION

More than 600 plan members attended our 2014 annual meeting, held in Toronto on April 10, and many watched our webcast. Plan leaders announced our rate of return and set out the highlights from Teachers' 2013 Report to Members.



New leadership

In the summer, plan members learned that an internal candidate, Ron Mock, was selected to become the third President & CEO in Teachers' history. He took over from Jim Leech, who retired and will soon become the next Chancellor of Queen's University in Kingston, Ontario.

New Hong Kong office

We opened an Asian office in Hong Kong to complement our existing London and New York offices. Having Teachers' people on the ground in the world's largest economic zones means we can be prudent, direct investors and better business partners.



Service strategy entrenched

We implemented our new Clarity strategy. Aimed at ensuring Simplicity, Personalization and Insight, Clarity will be our focus when it comes to informing and assisting you and our more than 300,000 members.

As part of this strategy, we launched Worklog, a free mobile app for re-employed pensioners to keep track of their work days. Under current rules, the onus is on you to ensure you keep track of your 50-day re-employment limit per school year. The app is available on iPhones and Android devices.

And of course, we delivered the **first preliminary funding surplus in a decade** (see story on page 3) and **strong investment results** (see story on page 5).

YOU ASKED... WE ANSWERED

Q. Does the plan screen for ethical investments?

A. When we make an investment, we consider a variety of financial and non-financial factors, including environmental, social and governance. We seek to balance what we call the 3Rs – risk, return and reputation – to achieve the best risk/return balance for our members.

We don't make an investment decision based on any single factor; we take the whole picture into account. All of our decisions are made with the goal of paying pensions today and long into the future.

To learn more about responsible investing at Teachers', visit www.otpp.com/investments and click on the Responsible Investing section.

Q. Can we invest extra money into the pension plan?

A. The legislation that governs the pension plan limits us to managing the money that comes to us through member contributions. We are not able to accept additional, personal contributions from members, or from people who are not members.

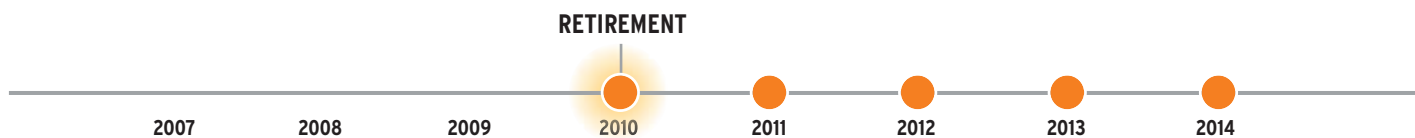
Want More?



Learn more about our 2013 highlights in our latest Report to Members available at www.otpp.com/AnnualReport

SURPLUS WILL PARTIALLY RESTORE INFLATION PROTECTION FOR RECENT RETIREES

The Ontario Teachers' Federation (OTF) and the Ontario government are using the \$5.1 billion funding surplus announced in April to partly restore inflation protection for teachers who retired after 2009.



Only members who retired after 2009 are directly affected by this change.

If you retired before 2010, you are not affected. You will continue to receive an annual pension increase equal to 100% of the annual increase in the Consumer Price Index (CPI), to a maximum pension increase of eight per cent. The CPI is the standard measure of inflation in Canada.

If you retired after 2009, two changes will increase your gross annual pension, starting in January 2015:

1. Your pension will be restored to

where it would have been if full inflation protection had been provided each year since you retired. This will result in an annual pension increase of up to \$50, depending on individual circumstances. However, there will be no retroactive payment.

For example, if Lucie's gross annual pension is \$49,950, but it would have been \$50,000 with full inflation increases, she will receive a \$50 boost in her pension, beginning in January 2015. Her gross annual pension will be restored to \$50,000.

2. You will also receive a slightly higher annual pension increase.

In 2015, the increase will equal 60% of the annual increase in the CPI for the portion of pension earned after 2009, up from the current level of 50%.

You will continue to receive 100% inflation protection on the portion of pension earned before 2010.

For example, Lucie's \$50,000 pension would increase by \$488 in 2015 if inflation is 1% this year. Most of this increase would be based on the pension credit she earned before 2010.

Working teachers are not directly affected by these changes because their level of inflation protection is determined after they retire.

OTF and the government jointly sponsor the Teachers' pension plan. Together, they make decisions about contribution rates and benefit levels, including inflation protection.

Why inflation protection changes

OTF and the government use inflation protection as a tool to help manage the pension plan's funded status.

Think of it as a lever: when the plan has a funding shortfall (as it has in previous years), reducing cost-of-living increases for retired members can help to bring the plan back into balance. When there is a funding surplus (as there was on Jan. 1, 2014), the sponsors can use the money to partially or fully restore cost-of-living increases.

Inflation protection can only change on the portion of pension earned after 2009. Any pension credit earned before 2010 remains 100% protected against inflation.

How am I affected?

If you're a retired member and registered for iAccess Web, our secure member website, your personal 2015 inflation increase will be available online in October.

If you're not registered for iAccess Web, you will be notified by mail about your personal 2015 inflation increase in January.

Want More?

For additional funding information, visit
www.FundingYourPension.com

Have questions? You can reach Client Services by phone at 416-226-2700 or 1-800-668-0105, or by email at inquiry@otpp.com.

TEACHERS' PUTS ITS MEMBERS FIRST

At the 2014 annual meeting, *Pension News Online* sat down with Ron Mock to talk about his first annual meeting as President and CEO of Teachers'.

"We had an opportunity to address the members tonight, and we got a lot of great questions," Ron told *Pension News Online* after the event. "We had a strong 2013. Reporting a surplus for the first time in a decade is good news; however, it is not a time for us to be complacent."

The retirement landscape continues to change:

- life expectancy is increasing so people are collecting pensions for a longer period of time;
- the ratio of working teachers to retirees is declining; and
- interest rates are low and continue to fluctuate.

This picture raises questions for teachers and the long-term security of the plan.

"When we look at the plan's design for decades and generations to come, we're in a great spot. That's what the surplus this year was saying," continued Ron. "To deliver retirement security for decades, we have to take into account our investments today, interest rates today and how we will be managing the plan as we roll into the future. The plan is in a strong position and we will continue to

manage through the changes and volatility in markets and changing demographics. It's about sustainability, and we are committed to the long-term sustainability of the pension plan for all generations."

In addition to touching on some of the demographic challenges, Ron discussed many of the member services' initiatives that took place last year. He also highlighted the direction we were heading with our investments, including introducing some new ones such as Hudson's Bay Company. Ron also spent some time speaking to members about the pride he has for Teachers'.

"First, Teachers' is a member-focused organization. Members are at the centre of everything that we do. Second, the talent that works at the Teachers' Pension Plan is acknowledged to be some of the best in the world. Third, we have a global brand. I travel around the world and wherever I land, I can tell you, Teachers' is known. And fourth, it's a defined benefit plan. Defined benefit plans are the way to go. They're the way to go to ensure retirement security. This plan is a living example of that. And so I'm very proud to be working for the Teachers' Pension Plan."



The theme of this year's meeting was *Today for Tomorrow*, and when *Pension News Online* asked if we were ready for the future, Ron replied:

"Teachers' is absolutely ready for the future. We've got a great team in place, great opportunities in front of us. We're innovative. We have great agility, and that's just the culture of Teachers'."

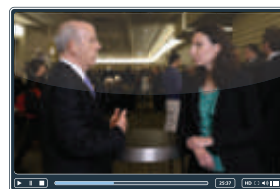
TEACHERS' FUND AT A GLANCE:

in net assets

in investment earnings

rate of return

*all trends are as of Dec. 31, 2013



Watch Ron's interview on *Pension News Online*
www.otpp.com/PensionNewsOnline

AROUND THE WORLD WITH TEACHERS'

WE'RE ALWAYS ASKING: Where do we need to be next to get the best investment opportunities and results over the next decade? Jump aboard for a quick trip on the Teachers' Pension Plan Express. Each stop has an investment connection to your pension fund.



1. THE FACTS: North America

- \$40+ billion in federal, provincial and corporate bonds
- Ownership in TMX Group, which runs the Toronto Stock Exchange
- Hudson's Bay Company, which bought Saks last year
- BluEarth Renewables, a Calgary developer of renewable energy projects
- Luxury goods maker Michael Kors



Investing in a Montreal renaissance

- Cadillac Fairview, our wholly-owned real estate company, plans to invest \$2 billion in a 15-year project that will transform Montreal's downtown core.
- Known as Quad Windsor, the modern collection of new office and residential towers will dress up the skyline on Saint-Antoine and Peel streets. The project also features retail shops, improved connections to nearby districts and a large urban park.

2. THE FACTS: South America

- Chilean water utilities ESSBIO and Esval
- Grupo BTG Pactual, a Brazilian investment bank and asset manager



Investing in Brazilian real estate

- Multiplan Empreendimentos Imobiliários S.A. is the largest shopping mall company in Brazil and also develops residential and commercial real estate.
- Multiplan was our largest public company holding at the end of 2013, with a value of \$1.2 billion.

3. THE FACTS: Asia-Pacific

- Sydney Desalination Plant
- New Zealand timberland
- Kyobo, the largest life insurance company in Korea
- Samsung Electronics



Investing in Chinese ecommerce

- We own a stake in JD.com, which operates China's second-largest ecommerce company. It's a bit like Amazon and FedEx – combined.
- JD.com sells electronics, books, small appliances, sporting goods and other items online, and has built warehouses and logistics infrastructure across China to deliver those products to customers within a day or two.

4. THE FACTS: Europe and Africa

- ISS World, a facility services company based in Denmark
- Upscale clothing designers Helly Hansen and HUGO BOSS
- Brussels airport in Belgium and Copenhagen airport in Denmark
- Bristol and Birmingham airports in Britain
- South African financial services company Alexander Forbes



Investing in rail travel

- We are a co-owner of HS1 Ltd, which operates and maintains the 109-km high-speed railway between London and the Channel Tunnel.
- HS1 Ltd owns the stations along the route, including the restored Victorian-era St Pancras International, one of London's great transportation hubs.



PROTECTING YOUR PERSONAL INFORMATION

WE LIVE IN A WORLD where every person and every organization can be connected, where data lives both offline and online, and where communication is instant.

"We have more than 300,000 members of the Ontario Teachers' Pension Plan," said Teachers' vice-president of Client Services, Tracy Abel. "Protecting the privacy of their information is among our highest priorities."

Teachers' has policies in place to ensure our members' information remains private. Our approach includes many technical safeguards, clear procedures and comprehensive employee training. Here are just a few ways we are protecting your information and helping you maximize your own privacy.



1. **You can make banking account updates** through iAccess Web. We will send you a confirmation via mail and email, respectively, to confirm the transaction and reduce any financial risk. We do not accept this type of personal information over email or by phone.



2. **We record all telephone conversations with members** for internal use only, to ensure the quality and accuracy of information provided, and for purposes of plan administration.



3. **When you call one of our Pension Benefits Specialists (PBS), we will always ask a few security questions** at the beginning of the conversation to ensure we are speaking to the right person. Should you wish to authorize a third party (such as a spouse) to speak with a PBS about your account, on your behalf, you must give us explicit consent.

We take great care to ensure your privacy. Recognizing the landscape that we live in is constantly changing, we will continue to evolve the ways in which we stay connected with you, while ensuring the privacy of your personal information.

Did you know?

This past April, you may have heard news reports about a software vulnerability that impacted many sites on the Internet, allowing for the possible theft of personal information online. Known as "Heartbleed", the bug affects software called OpenSSL. Teachers' applications are not vulnerable to "Heartbleed."

REMINDER: Teachers' will never send you unsolicited email requests for sensitive or personal information. Should you ever receive a suspicious email that looks to be from us, do not click on it. Instead, call us immediately at 416-226-2700 or 1-800-668-0105.

MEMBER CELEBRATES 100 YEARS... AND A SECURE PENSION

Born and raised in a small town just outside of Stratford, ON, 100-year-old retired teacher Dorothy Adair began teaching in the 1930s. In those days, salaries were as low as \$350 per year and women had to resign from teaching when they married. In fact, Dorothy waited about eight years until the policy was lifted to marry her teachers college sweetheart, Joseph. The two married in 1942 and later moved to Toronto where Dorothy taught at schools within the Toronto District School Board, including Givins and Deer Park Public School.

"I mainly taught grade one," said Dorothy. "I just seemed to blossom at it. I just loved teaching. My students used to call me Aunt Dorothy."

Dorothy and Joseph retired in 1972.

"We travelled all over the world when we retired. We didn't have any children so we were free to travel all the time. We went to Japan, Russia, New Zealand, Australia, Netherlands, South Africa, South America and Portugal."

"The Teachers' pension is wonderful," adds Dorothy. "I don't think we would have been able to travel like we did. We would have been thinking too much about how we were going to plan for our security. With our pension, we felt things were secure."

Today, Dorothy continues to receive her monthly pension payment as well as a survivor pension from her late husband, who passed away 23 years ago.

Dorothy is currently living in a condo in Toronto. For her 100th birthday, she travelled to Florida with her niece and a close friend, where the community threw her a birthday party.

Pension News Online asked Dorothy about her secret to living such a long and healthy life:

"I am not on any special diet. I eat everything and anything. You are what you eat!"

We are always looking to profile wonderful stories of our members. If there's someone you think we should profile, email us at news@otppmembers.com and tell us why.

Trends from our 2013 Annual Report*:

- On average, retirees are expected to collect pensions for 31 years
- The number of pensioners has tripled since 1990
- The oldest pensioner was 110 at the end of 2013
- The average age of pensioners is 70
- 126 pensioners are 100 years of age or older
- Our oldest member has collected a pension for more than 45 years!

*all trends are as of Dec. 31, 2013



FACEBOOK CONTEST



Enter for a chance to
WIN 1 of 3
\$100 gift certificates

We are on a mission to stay connected with you.

Join Teachers' Facebook community to stay informed on the latest plan news and receive tips on what you need to know about the plan, all in one community with generations of teachers.

ENTER OUR CONTEST

If you haven't already liked us on Facebook, join our community at www.facebook.com/myOTPP.

Next, find the 'Mission 5,000' post and 'like' it. You will automatically be entered into a draw to win one of three \$100 Cadillac Fairview gift cards, redeemable at any Cadillac Fairview mall.

Any members of the plan can enter, regardless of whether you already liked us on Facebook prior to the contest. However, only members of the Ontario Teachers' Pension Plan are eligible to win.

Contest closes Tuesday, June 24, 2014 at 5:00 p.m. ET

We will notify the winners directly the following week and announce the winners on our Facebook page.

NEWS BRIEFS



◀ Eileen Mercier to step down as Chair of the Board

Eileen Mercier will retire as Chair of the Board at the end of 2014. A management consultant and former senior executive, she joined the Teachers' Board in 2005 and was appointed Chair in 2007.

The two plan sponsors, the Ontario Teachers' Federation and the Ontario government, announced that Jean Turmel will replace Ms. Mercier as Chair on Jan. 1, 2015. Mr. Turmel, president of Perseus Capital Inc., has been a Teachers' Board member since 2007. He is currently Chair of the Board's Investment Committee.

Plan change: Spousal survivor benefits

In some cases, the amount of a spousal survivor benefit may fall below our threshold for payment as a monthly pension and survivors will receive a lump-sum payment. For example, instead of paying a spousal survivor benefit of \$50 per month, we would send the survivor a lump-sum payment of the total amount they are entitled to.

This plan change became effective Jan. 1, 2014 and applies only to post-retirement survivor benefits. It affects a small number of survivors.

For information on post-retirement survivor benefits, read our 'Reviewing Who Receives Survivor Benefits' resource under 'Your Retirement' on www.otpp.com/members.

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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