Teachers' Pension Plan Board
Ontario

PREMIERE EDITION • Your Pension Remains Secure • Starting Your CPP

pensionwise

A *new* Newsletter from the Ontario Teachers' Pension Plan • **January 2002 • Issue 1**

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When can I retire? How much will I get?

Can you afford to retire and what will you be doing with your time?

INSIDE THIS ISSUE

When can I retire? How much will I get?

These are perhaps the two questions we hear most often. You'll find the answers in your personalized statement of benefits, sent to you each autumn.

F In general, you can retire as early as age 50, but most teachers wait until they're eligible for an unreduced pension.

ESTIMATED UNREDUCED PENSION

As a percentage of your best-five years' salary

Years of credit	Pension as % of gross salary	Net pension as % of take-home pay*
25	50%	60%
26	52	62
27	54	64
28	56	66
29	58	68
30	60	70
31	62	72
32	64	74
33	66	76
34	68	78
35	70%	80%

*Based on 2002 income taxes, with basic personal exemption. Does not include other taxable income and medical insurance premiums.

UNREDUCED PENSION

When your age and qualifying years of service equal at least 85, or you are 65 or older.

REDUCED PENSION

Typically, when you are at least 50 and have two or more qualifying years of service. An early retirement reduction is applied.

ESTIMATING YOUR UNREDUCED PENSION

You'll need to decide when to begin collecting your pension, but we can provide you with an estimate of how much you'll receive from your teachers' pension.

If your personal statement of benefits isn't nearby, you can also estimate your pension using rudimentary arithmetic. First, take your average best-five years' salary. If you don't know this, estimate or use your current annual salary. Then determine the number of years of credit you will have accumulated when you're eligible for an unreduced pension.

The typical career teacher retiring with an unreduced pension will have an average best-five years' salary of $65,000 and 30 years of credit.

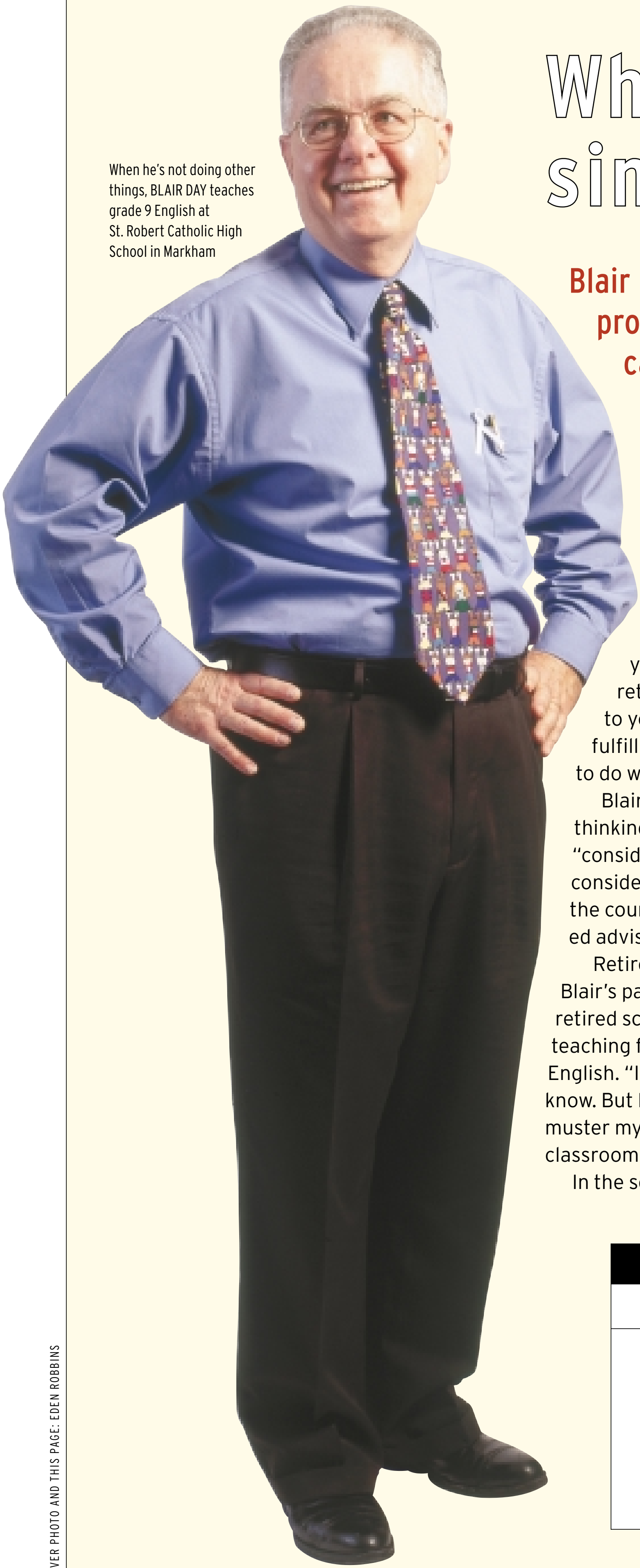
You can estimate your pension as a percentage of your average best-five years' salary by simply doubling your accumulated credit. For example, if you're eligible to retire with an unreduced pension on 30 years of credit, your pension will be 60% of your average best-five years' salary (30 years of credit x 2). Let's assume your average best-five years' salary is $65,000; your pension will be 60% of this amount (65,000 x 0.6), or $39,000 per year.

Not enough money to support your lifestyle? Well, keep in mind that you'll have fewer deductions when you retire. While working, deductions from your gross salary include income tax, employment insurance, pensions (CPP and Teachers'), federation dues and long-term disability. After you retire your only deductions may be for income tax and optional health and dental care.

This means that if you compare your after-tax pension to your take-home pay, your pension would be about 70% of your take-home pay. Use the accompanying chart to estimate your take-home pension.

When you're considering retirement and would like an estimate of your pension, simply give us a call. One of our pension benefit specialists will be glad to help you. They'll send you an estimate and a retirement application kit that includes all the forms and information you'll need to apply for your pension. ■

What Blair's doing since he retired?



When he's not doing other things, BLAIR DAY teaches grade 9 English at St. Robert Catholic High School in Markham

COVER PHOTO AND THIS PAGE: EDEN ROBBINS

Blair Day retired last June after 34 years in the profession. With his wife embarking on a new career and two sons still attending school – the eldest is in second-year university – the former secondary school principal carefully considered his options.

"There are really two considerations," says Blair. "Financial. Can you afford to retire? Will retirement require a change to your lifestyle? And self-fulfillment. What are you going to do with your time?"

Blair's advice to colleagues thinking about retirement is, "consider the decision seriously, consider your family and seek the counsel of friends and trusted advisors."

Retirement didn't diminish Blair's passion for teaching. The retired school administrator is teaching first semester grade 9 English. "I'm a teacher. That's what I know. But let me tell you, I had to muster my courage to return to the classroom after 22 years."

In the second half of the school year, Blair will not be teaching and plans to pursue those activities he hasn't had time to explore. He wants to refine his cross-country skiing technique this winter and improve on his piano-playing skills. He's thinking about a Master's degree from Regis College. Blair talks about becoming even more involved in his parish church, or volunteering to work for a local political candidate, or taking long lunches with his older brother, now part of the chaplaincy team at Pearson International Airport. The options are many.

Blair, an avid gardener, is also looking forward to nurturing the plants in his garden and watching them take root, blossom and grow. "Like gardening, teaching is about creating the right conditions. These ideals never leave you," says Blair. ■

TEACHING AFTER RETIREMENT RULES

Limits after September 1, 2001	Limits after August 31, 2006
Maximum 95 days of re-employment in any school year to August 31, 2006	Maximum 95 days in each of the first three years you return to teaching. These do not have to be consecutive years. After that, you can teach to a maximum of 20 days per school year.

Benefit growth reduces RRSP room starting in 2002

The CPP reduction factor has been lowered to 0.45% from 0.6% starting this year. So what does this mean for you? It means that when you turn 65 you'll collect more pension — for career teachers retiring this year, they'll collect an average of $2,000 more. This is good news.

The enhanced benefit also means you'll have less available RRSP room beginning in the 2002 tax year.

AVOID OVERCONTRIBUTING TO YOUR RRSP

The permanent reduction for most teachers beginning in the 2002 tax year is $500.

You'll receive a statement from us in April indicating the precise amount that your RRSP room will shrink. The statement is for your records and is a Canada Customs and Revenue Agency (CCRA) requirement. You don't need to do anything with the Past Service Pension Adjustment statement. The CCRA will automatically adjust your available RRSP room.

The following year, in the 2003 tax year, you'll experience a one-time maximum reduction to your RRSP room of $5,095. This maximum applies to teachers with full-time service from 1990 to 2000 who consistently earned more than the CPP earnings limit. This will likely eliminate all of your available RRSP room in 2003 and any residual amount is carried to subsequent years until it is used.

YOUR RRSP ROOM MAY SHRINK TO ZERO

EXAMPLE: Jane has taught full time since 1990 and during that time made maximum contributions to her RRSP. Her average salary is $60,000 and her available RRSP room is about $2,600 per year. This is how the lower CPP reduction will affect Jane's available RRSP room.

Tax year	Jane's RRSP room	Why
2001	$2,600	Based on an annual salary of $60,000, teaching full time and making maximum annual contributions to RRSP since 1990.
2002	$2,100	As a result of the new benefit, RRSP room shrinks permanently by about $500.
2003	0	One-time reduction to RRSP room of $5,100 is result of adjustment to CPP reduction factor going back to 1990. Jane must generate $5,100 of RRSP room before she can contribute again. $5,100 minus $2,100 in RRSP room, means $3,000 is carried forward to next year.
2004	0	$3,000 minus $2,100 in RRSP room, means $900 is carried forward to next year.
2005	$1,200	$900 minus $2,100 in RRSP room, leaves $1,200 in RRSP room.
2006	$2,100	

WHY IS MY RRSP ROOM SHRINKING?

Because your pension is improving, your available RRSP room is reduced.

Each year since 1990, teachers have received a pension adjustment or PA. The PA takes into account the benefit entitlement formula of the Teachers' pension plan. The PAs that were issued to you for service since 1990 would have taken the previous CPP reduction factor into account; however, your benefit entitlement for those years is now based on the lower CPP reduction factor. The difference in the CPP reduction factor over an 11-year period will shrink the available RRSP room by a maximum of $5,095 only for the 2003 tax year. The lower CPP reduction factor will shrink your available RRSP room by $500 a year beginning with the 2002 tax year.

The adjustment to the RRSP room is how Canada Customs and Revenue Agency ensures every Canadian is entitled to the same limits for retirement savings.

The lower CPP reduction factor was one of the $6.2 billion in benefit enhancements, which included the permanent 85-factor pensions, announced last spring. ■

ILLUSTRATION: KATHRYN ADAMS

Even in uncertain times, your pension remains secure

Plan prepared for market slowdown

"We expect to continue to outperform the markets and beat our benchmarks as we have in the past," says Claude Lamoureux, President and CEO of the Teachers' pension plan.

The plan's average annual rate of return since 1990 was 13.1% to the end of 2000. However, capital markets have changed drastically in the past year, a situation that worsened following the terrorist attacks in the United States. For the first time in many years, the returns have been negative in all the equity markets, and investors have become more uncertain about what to expect.

"We expect to continue to outperform the markets and beat our benchmarks as we have in the past," says Claude Lamoureux, President and CEO of the Teachers' pension plan. "However, we anticipate 2001 may be our first year of negative returns since the board was created in 1990."

Markets are negative and uncertain. But even under these adverse conditions, we continue to search for value and to prudently manage investment risk.

"We have a balanced portfolio of stocks, bonds, real estate and private equity. Last year, in anticipation of market decline, we reduced our exposure to the stock markets. And we are actively managing as much of the asset base as we can to squeeze out additional value without taking undue risks," says Lamoureux.

PERFORMANCE QUANTIFIED

We compare the fund's performance to a total fund benchmark, which combines the benchmark returns of each asset class using our asset-mix policy weights. Our performance is measured by the fund's returns relative to the total fund benchmark. So, in a year when our returns are high but less than the fund's total benchmark returns, we will have underperformed. Similarly, in a year when our returns are negative but better than the benchmark, we will have outperformed.

THE FUND REMAINS STRONG

Negative investment returns will not affect the pension you're entitled to receive. That's the beauty of a defined benefit pension plan. Your entitlement is based on your years of service and your average best-five years' salary. Your pension, including inflation adjustments and other enhancements such as the lower CPP reduction, will be paid to you as promised. Guaranteed. ■

The investment returns for 2001 will be available from the Web site by March 29, 2002.

When to start your CPP pension

Although retired teachers tend to opt for a reduced CPP pension, there is no definitive answer.

Taking a reduced CPP pension may, and often does, make the most sense for retired teachers. But waiting until age 65 may also be the best strategy in certain circumstances.

To determine what will work best in your situation, you'll need to consider such factors as your CPP earnings history and the effect of lengthening the contributory earnings period by waiting until age 65. You'll also need to think about your other sources of retirement income, the increase of the average industrial wage versus the Consumer Price Index and the time value of money.

Sound complicated? It is. When the time comes to determine the best choice for your financial situation, you may want to enlist the help of a knowledgeable financial advisor you can trust and who has the expertise to provide advice.

In the meantime, there are two factors you may want to ponder:

- your financial needs; and
- possible tax implications

You can choose to begin collecting a reduced CPP pension at age 60, or an unreduced pension at age 65.

TAKING CPP EARLY

If you would like additional income early in your retirement, you may want to take a reduced CPP pension. Your CPP pension is reduced by 6% per year (or 0.5% per month) that you're short of age 65.

There are conditions for taking CPP early, so be sure to contact CPP directly for information. For instance, you're ineligible to apply for a reduced CPP pension if you earn more than the monthly maximum in the month prior to and the month your CPP pension begins. For example, if you request your pension to begin in August, you need to earn less than $788 (the monthly equivalent of annual maximum in 2002) in both July and August.

Once you receive your reduced CPP pension, you can earn more than the CPP maximum and not affect your CPP pension payment.

TAX CONSIDERATIONS

If you're in good health and you plan to work early in your retirement, you may want to wait. But whether you take CPP early or wait until age 65, there may be tax implications you need to consider. Your CPP pension, plus your teachers' pension, your Old Age Security (OAS) and any other income from retirement savings or other investments, may place you in a higher tax bracket and result in some or all of your OAS being taxed back. OAS is taxed back beginning at an income of $56,968 in 2002.

CONTACT CPP

For more information about your CPP pension — it's best to go directly to the source. Contact your local office of Human Resources Development Canada, or visit their Web site at www.hrdc-drhc.gc.ca ■

YOUR PENSIONS AT 65

YOUR TEACHERS' PENSION
Reduced at 65 by an amount less than your unreduced CPP pension (on a typical pension of $39,000, the CPP reduction at 65 is about $5,100).

CPP
Eligible for reduced pension beginning at 60, or unreduced beginning at 65.
Taking CPP early will not affect your teachers' pension.
2002 annual maximum: **$9,465**

OAS
Begins at age 65.
Current annual amount: **$5,312**

ILLUSTRATION: KATHRYN ADAMS

TELEPHONE SURVEY

From the members' point of view

The best way to find out what teachers are thinking is to ask. That's exactly what we do on a regular basis – by phone and focus groups.

Every two weeks we randomly select about 200 teachers and retired teachers to survey by telephone. These surveys help us to assess the speed and quality of our services. You may get a call if we've recently completed a service for you, such as buying credit for an absence or starting your pension.

We also contact members every three months to ask whether our publications are keeping you well informed about your pension. We recently completed a survey of a sample of teachers to assess the effectiveness of the personal statement of benefits. Almost nine in ten teachers surveyed rated the statement informative and of high quality — a very good result and our highest numbers yet.

The telephone surveys are part of our regular evaluation program. We also conduct other surveys and focus groups to ask more specific questions. For instance, as part of developing our new publication *Pensionwise*, we created a prototype of the newsletter and asked teachers during our annual focus group sessions in August to tell us what they thought. The response on both the name and the overall look was overwhelmingly positive.

MORE FROM FOCUS GROUPS

- Teachers have expressed overall satisfaction with the pension plan's investment results and philosophy.
- Teachers were willing and eager to participate in the research process because they want to contribute and to be heard.
- Teachers share many misconceptions about the role, mandate and responsibilities of the Teachers' pension plan and its relationship to the Ontario Teachers' Federation and the Ontario government. Teachers assume the pension plan is responsible for functions that are in fact beyond its mandate. (The Teachers' pension plan invests the fund's assets and administers the plan. Benefit changes are the sole responsibility of the partners — namely the Ontario Teachers' Federation and the Ontario government.)
- Teachers consider the telephone the best way to contact the pension plan. It is immediate, resulting in prompt, personal contact with a knowledgeable individual. Teachers find this both cost and time effective. ■

Enter to WIN a DVD from Borderfree

Visit **www.borderfree.com/otpp** for your chance to win a JVC (XV-S40BK) DVD player provided by eCost.com. The DVD player is worth $250 and the program is exclusive to teachers.

Borderfree is an international e-commerce company and one of many investments by the Merchant Banking Group of the Teachers' pension plan. The incentive program is to encourage teachers to visit the Borderfree site. You have until February 8, 2002 to enter.

Borderfree Inc. is a Toronto-based technology company that provides software that allows consumers to buy online directly from U.S. retailers. Borderfree has delivered e-commerce goods across the U.S. border for almost two years and plans to expand to other countries this year.

Introducing *Pensionwise*

You told us our newsletter *Exchange* was not as effective as it could be at attracting a wide enough audience of teachers, especially younger teachers. So we rethought our newsletter, gave it a new name, made it brighter and focused the pension information more on people. We ensured that printing costs would remain the same, about 19 cents a copy.

We produced a prototype of *Pensionwise* that we tested and refined during our regular focus group sessions with teachers and retired teachers last summer. It's also available online at www.otpp.com.

Let us know what you think by mail, e-mail or phone. Your suggestions and ideas are always welcome. Please contact John Cappelletti at (416) 730-5351, or toll-free at 1-877-812-7989, or e-mail at john_cappelletti@otpp.com.

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

We appreciate your comments about anything you read in *Pensionwise*. Please contact John Cappelletti at (416) 730-5351 or 1-877-812-7989, or e-mail: john_cappelletti@otpp.com

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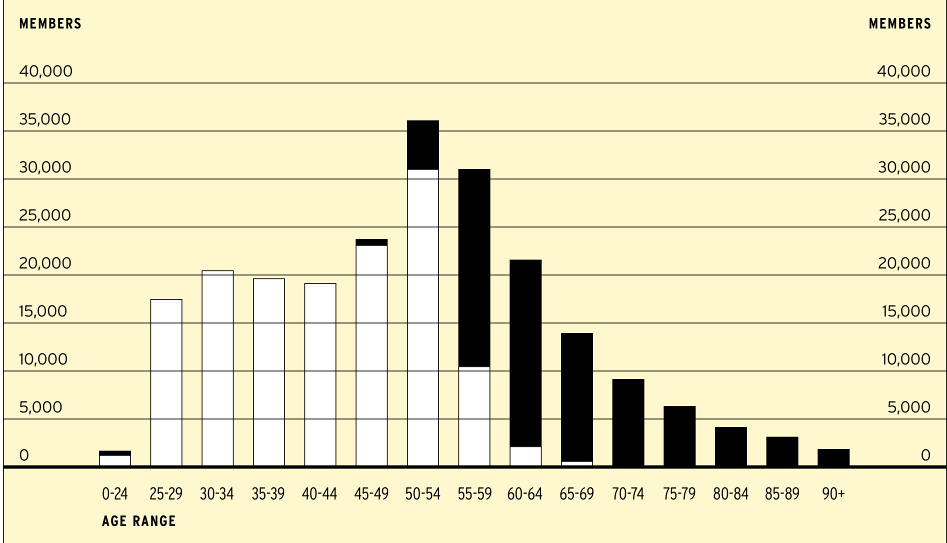
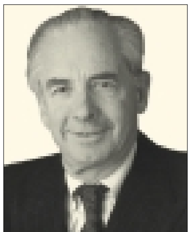
STATS! STATS! STATS!

Teachers and Pensioners



Korthals re-appointed chair


ROBERT KORTHALS

Robert Korthals, Chair of the Board of Directors, has been re-appointed to his second two-year term.

Mr. Korthals is the former president of the TD Bank and was first appointed to the Board in 1996. He was appointed Chairman in 2000.

The Teachers' pension plan has a responsibility to administer the plan in the best interest of present and future members and their survivors. This duty is vested in a nine-member Board of Directors. Four directors are appointed by the OTF, while the Ontario government appoints four. The ninth member, the chair, is jointly appointed.

The day-to-day management is delegated to Claude Lamoureux, President and CEO, and his staff.

Also re-appointed to the Board of Directors for a second two-year term are John Lane, former senior vice-president of investments for Sun Life Assurance Company of Canada, and Ralph E. Lean Q.C., senior partner with the law firm Cassels Brock & Blackwell in Toronto. ■

Annual meeting webcast live, April 5

The annual meeting is held to present the performance of the plan to representatives of the Ontario government and the Ontario Teachers' Federation. It will be simultaneously webcast live at www.otpp.com.

The meeting is on Friday, April 5, 2002 at 5 p.m. EDT. If you have questions, contact us or e-mail communications@otpp.com ■

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