

pensionwise™

A Newsletter Teachers' Pension Plan • Spring 2003 • Issue 4

JOY LEE teaches
at Clearmeadow P.S.
in Newmarket

Survivor Benefits Give Peace of Mind

What your pension provides
when you no longer can

PAGE 2

Pension Calculator

Our online high-
performance calculator
is ready for your
"what if" scenarios

PAGE 7

INSIDE THIS ISSUE

2

Survivor benefits

If you die before
retirement

5

Guarantee

The promise of
120 payments

5

Survivor eligibility

At a glance

6

Estate planning

Consider granting
power of attorney

8

Reminder

RRSP room
shrinking in 2003

Survivor benefits provide peace of mind

If you were to die tomorrow, how much would your family or designated beneficiary receive? The amount may surprise you.

Joy Lee, an elementary school teacher with a young family, was surprised. It wasn't until she was shopping for life insurance that she discovered the protection the Teachers' pension plan provides her family if she were to die while working. And these benefits come at no additional cost.

"I felt reassured," says Joy. "I knew about the survivor's pension after retirement, but didn't realize the amount of the benefit that would go to my family, especially to my children, if I were to die before I retire."

The amount and form of your survivor benefits depend on whether you're still working or retired when you die. Let's first look at what happens if you die before retirement.

DEATH BEFORE RETIREMENT

There are currently 2,500 spouses and 100 children of teachers who died before retirement collecting a survivor pension. Last year about 150 teachers died in Ontario.

If you die before retirement, your spouse is automatically entitled to a survivor pension, indexed to inflation for life, or a combination of survivor pension and lump-sum payment of the commuted value of your pension.

If you don't have a spouse, the survivor benefit is paid to your eligible children and your beneficiary or your estate. Children remain eligible if they are under 18 years of age, or under 25 and enrolled

in full-time continuous education, or disabled and financially dependent.

If you don't have eligible children, the survivor benefit is paid to a designated beneficiary, and in the absence of a designated beneficiary, the benefit is paid to your estate. A designated beneficiary

receives payment only in cases where death occurs before your pension begins.

Survivor benefits are paid for as long as someone is eligible. For instance, if a surviving spouse dies, the pension transfers to dependent children for as long as they remain eligible.

Couples: Pre-retirement survivor benefits are paid to your married or common-law spouse (including same sex) if you are living together when you die.

Singles: If no dependent child is eligible, refunds and payments are made to your estate, unless you designate a beneficiary.

WHAT ARE THE PRE-RETIREMENT SURVIVOR BENEFITS?

If you die before retirement, your eligible survivor will have a choice between taking the benefit entirely as an indexed pension, or as a combination of pension and lump-sum payment.

EXAMPLE 1 Eva is a teacher with an eligible survivor, 20 years of credit (4 were accumulated before 1987, and 16 after 1986) and an average best-five years' salary of \$65,000. If she were to die today, her spouse would have the following two options:

	OPTION 1	OPTION 2
Pre 1987 (4 yrs credit)	\$2,198 per year	\$2,198 per year
Post 1986 (16 yrs credit)	\$6,543 per year	\$129,500 lump-sum payment
50% refund rule*	\$33,750 lump-sum payment	\$33,750 lump-sum payment
Total	\$8,741 per year, plus \$33,750 lump sum	\$2,198 per year plus \$163,250 lump sum

EXAMPLE 2 Neil is a teacher with an eligible survivor, 32 years of credit (16 were accumulated before 1987, and 16 after 1986) and an average best-five years' salary of \$65,000. If he were to die today, his spouse would have the following two options:

	OPTION 1	OPTION 2
Pre 1987 (16 yrs credit)	\$8,959 per year	\$8,959 per year
Post 1986 (16 yrs credit)	\$21,052 per year	\$353,600 lump-sum payment
50% refund rule*	\$0	\$0
Total	\$30,011 per year	\$8,959 per year plus \$353,600 lump sum

* When we calculate survivor benefits, we check to see if your contributions plus interest from 1987 until your death exceed one half of your commuted value for the same period. If so, we'll refund to the estate the difference. In Example 1, the 50% refund rule applies, but not in Example 2.

To view the calculations for the above examples, visit our Web site. Go to the current issue of Pensionwise from the home page or to "Publications" in the pull-down menu.



"I felt reassured. I knew about the survivor's pension after retirement, but didn't realize the amount of the benefit that would go to my family, especially to my children, if I were to die before I retire."

DESIGNATED BENEFICIARY

A designated beneficiary is eligible only if you do not have an eligible spouse and death occurs before your pension begins. Beneficiaries receive a lump-sum payment equal to the commuted value of the pension you accumulated since 1987, minus the value of any child's pension that may be payable.

You can designate any person or persons or incorporated organization to be your designated beneficiary. For instance, you can designate a parent, a friend or a charitable foundation.

Because your spouse will automatically receive survivor benefits, there is no advantage to naming him or her as your beneficiary. In fact, if you designate your spouse and later separate or divorce, your former spouse will remain your beneficiary until you change the designation.

TIP: If you have children, it's a good idea to make them your designated beneficiaries. If they are no longer eligible for a pension, the survivor benefit would go directly to them without passing through your estate. This will save them time and money because probate fees would not apply.

To name one or more beneficiaries, complete the form, *Designating a Beneficiary*. The form is available on our Web site under "Publications" and "forms" in the pull-down menu, or by calling us.

Your *Personal Statement of Benefits*, sent to you each autumn, will list your designated beneficiary. Periodically check your designation to make sure it's up to date.

DEATH AFTER RETIREMENT

Your survivor will receive a pension based on a percentage of your annual pension (minus the CPP reduction). You and your spouse have several options: if you do nothing, the survivor pension is automatically 60%; your

spouse can waive the right to this option and receive a pension of 50%; or you can increase the survivor pension to as much as 75%. However, survivor pensions of greater than 50% require a reduction to your pension.

Default option

Your spouse receives 60% of your annual pension, after the CPP reduction. Your pension is reduced, usually by less than 2%, to provide this benefit. The reduction to your pension is for life, even if your spouse predeceases you. The amount of the reduction depends on your age and your spouse's age.

Decrease option

Your spouse receives 50% of your pension, minus the CPP reduction. There is no reduction to your pension.

You and your spouse must sign the *Spousal Waiver of Joint and Survivor Pension* form and return it to us within the 12-month period before your pension begins. The waiver can be revoked if you and your spouse write to us before starting your pension.

Increase option

You can select a survivor pension of up to 75% of your pension, minus the CPP reduction. Your pension is reduced and the reduction is for life, even if your spouse predeceases you.

You must apply to increase your survivor's pension by signing the *Direction for a Survivor Pension* form two or

UNLESS YOU NOTIFY US BEFORE
your pension begins, the 60% survivor pension is the default option.



BRENT MACLEOD, principal of John Wanless Jr. P.S. in Toronto, ponders the survivor pension options. The brochure, *Survivor Benefits*, is our comprehensive guide to survivor benefits. It's available on our Web site under "Publications," or by calling us.

more years before starting your pension. If less than two years, you may still be eligible with a medical examination.

The reduction to your pension depends on the percentage you choose, your age and your spouse's age.

The forms to decrease or increase the survivor pension are available from our Web site in the "Publications" pull-down menu and are included in the *Preparing for Retirement* kit.

WHICH OPTION IS BEST FOR YOU?

You may want to begin by assessing the extent to which your family will need to rely on the survivor pension. If your spouse will be collecting a separate pension or will be able to make use of large RRSP savings or other investments, you may want to take the default option or reduce the survivor benefit to 50%. However, if your spouse has no other source of retirement

For male teachers with female spouses who retired in 2001

	Years
Average age of male teachers at retirement	55
Average age of female spouses at retirement	52

Male teachers can expect to live on pension	29
Female spouses can expect to live	34

On average, female spouses of teachers who retired in 2001 can expect to live on a survivor pension for 5 years.

For female teachers with male spouses who retired in 2001

	Years
Average age of female teachers at retirement	55
Average age of male spouses at retirement	57

Female teachers can expect to live on pension	32
Male spouses can expect to live	27

On average, female teachers who retired in 2001 can expect to live longer than their male spouses.

income, you may wish to consider increasing the survivor pension.

You may also want to consider your health, family history and gender when making your decision. *The statistics above are averages and should not be relied on when making your decision.*

ELIGIBLE SPOUSE

The spouse you're living with when your pension starts is eligible for a survivor

OF THE MORE THAN 5,000 SURVIVING spouses currently collecting a pension, more than 450 are 90 or older (the oldest survivor is 104). About 600 survivors started their pensions last year with an average annual pension of \$23,000.

CONDITIONS OF ELIGIBILITY

ORDER OF ELIGIBILITY	REQUIREMENTS	DEATH BEFORE RETIREMENT	DEATH AFTER RETIREMENT
1. Spouse	Married or common-law, including same-sex	Must be living together at time of death	Must be living together at the time of your first pension payment. The spouse remains eligible, even if you subsequently separate, divorce or remarry.
2. Children	- Under 18, or - Between 18 and 25 and enrolled in full-time continuous education, or - Disabled and financially dependent	There is no eligible spouse and meets requirements	There is no eligible spouse and meets requirements
3. Beneficiary	Can be anyone you designate by completing the appropriate one-page form – e.g. parent, adult child or charitable foundation	There is no eligible spouse and has been designated by you	Not applicable

If there is no eligible spouse, children or designated beneficiary, benefits are paid to your estate. The conditions of eligibility assumes you have two or more qualifying years of service.

pension. If you subsequently separate or divorce, your spouse at the time of your first pension payment remains your eligible survivor, even if you subsequently remarry.

If you marry after your pension begins, or are living separate and apart from your spouse when your pension begins, your spouse is ineligible for a survivor pension.

THE EXTRA 10-YEAR PENSION GUARANTEE

This promises you and your heirs a total of 120 payments of your pension (minus the CPP reduction). So if you die within 10 years of beginning your pension, this benefit ensures that you or your family are guaranteed your pension for a total of 10 years. After that, your eligible spouse will collect the survivor pension you choose prior to retirement.

If you have a spouse, this benefit is not automatic. You must opt for the

10-year pension guarantee. And there is a cost. The reduction for this benefit is 0.1% of your annual pension (minus the CPP reduction), or about \$35 per year for the average career teacher. The reduction is for life, even if your spouse predeceases you.

If you're single when your pension begins, you are automatically provided with the 10-year pension guarantee at no additional cost. ■

EXAMPLE 3 Bob retired after a 32-year teaching career. He has opted for the 10-year pension guarantee and decided on the 60% survivor pension for his spouse.

Basic pension calculation (2% x credit x average best-5 salary)	0.02 x 32 x \$65,000 = unreduced pension
Bob's pension*	\$ 41,103
CPP reduction (at 65 or death)	\$ (5,538)
10-year guaranteed pension	\$ 35,565
60% survivor pension	\$ 21,616

**includes reductions of \$36 for 10-year guaranteed pension and \$461 for the 60% survivor pension.*

CPP survivor pension

According to the Human Resources Development Canada Web site, CPP provides three types of benefits. For details about CPP survivor pensions, please visit www.hrdc-drhc.gc.ca.

CPP Death benefit is a one-time payment when you die to a maximum of \$2,500.

CPP Survivor's pension is a monthly pension paid to your spouse or common-law partner. The amount a survivor receives depends on how long you've contributed to CPP, your spouse's age when you die and whether your spouse is receiving a CPP disability or retirement pension.

CPP Children's benefit is a monthly benefit paid to dependent children.

These CPP benefits are in addition to the survivor benefits provided by Teachers' pension plan, but like the Teachers' benefits, your survivor must apply. ■

What if you become incapacitated?



If you were unable to make decisions for yourself as a result of illness or injury, your family would need legal authority to manage your financial affairs.

Without your power of attorney we're powerless to carry out requests from your spouse or an immediate family member, or release information to them.

In the event that you are unable to make decisions for yourself, having granted power of attorney to someone you trust can simplify your financial affairs. Just as a will provides for management of an estate after death, power of attorney can provide for management of your affairs even if you're incapacitated. Indeed, power of attorney is often drawn up at the same time as a will.

There are two basic types of power of attorney. The first has to do with financial affairs, including pension-related matters, known as a *continuing power of attorney for property*. The second is *power of attorney for personal care* where you appoint someone to make medical and other care decisions on your behalf if you are not able to make them.

WHO TO APPOINT AS ATTORNEY?

Power of attorney usually gives the person or persons authority to act on your behalf, so the person should be selected with care. The actions of the individual you've authorized are binding on you, but there is an obligation for the person to act in your best interest.

You can grant power of attorney to anyone who is at least 18 years of age and mentally competent. The person does not have to be a lawyer, and is often the spouse or an adult child.

It is important to discuss your wishes with the person to whom you grant power of attorney so that he or she can manage your affairs with your wishes in mind.

It is practical to choose someone who lives close enough to be able to deal with situations easily. It is possible to name more than one person to act jointly or severally. Jointly means that all would have to sign documents to make them legal, and severally means that any of the named individuals could act alone on your behalf.

YOU MAY WISH TO CONSULT WITH A LAWYER

A lawyer can advise you on drawing up specific conditions and limitations in the granting of power of attorney and may also raise issues you may not have considered.

To get you started, the Office of the Public Guardian and Trustee provides a 24-page "Power of Attorney Kit" (with forms). You can get a copy from the Web site of the Ontario Ministry of the Attorney General www.attorneygeneral.jus.gov.on.ca or by calling the Office of the Public Guardian and Trustee at 1-800-366-0335, or (416) 314-2800. ■

Advanced pension calculator now live on member site



If you've been on the secure member Web site lately, you may have already test-driven our high-performance pension calculator. It went live a few weeks ago and it's one of only a few in the world.

WHAT MAKES THE CALCULATOR UNIQUE is its precision. The information the calculator uses comes directly from your personal data file and is the same information one of our pension benefits specialists would use when calculating your pension.

Irene Chewchuk, a department head at Parkdale Collegiate in Toronto, isn't ready to retire yet, but will use the calculator to consider different retirement scenarios. She can work through a different scenario with as few as four clicks of her computer mouse.

The possible scenarios are almost infinite. You can alter future salary, contract percentage, retirement date, or a combination of the three. For instance, the calculator can determine what your pension would be if you decide to work part-time one year, take a year off and then return to teach for two years at a higher salary. You can also determine what your pension would be if you retire months or years before or after your earliest unreduced retirement date.

IRENE CHEWCHUK is one of a growing number of members who prefer online services.

INTERNET USAGE among teachers by age groups

AGE	PERCENTAGE
30 to 39	98.1%
40 to 49	97.1%
50 to 59	93.3%
Total	96.0%

As you would expect, a great deal of care has gone into ensuring that the site is secure and your personal information protected.

Rosemarie McClean, vice-president, Client Services, is pleased with the pension calculator but cautions, "this is the

first release. Although we've created a state-of-the-art calculator, we see it getting even better with each subsequent release of the software. For us this is an evolutionary development process."

To use the pension calculator, you need to register for the *iAccess* member Web site. Call us and a pension benefits specialist can register you by telephone. You can also download the registration form by visiting our Web site, **www.otpp.com**.

Interesting fact: 96% of Ontario teachers who responded to our telephone surveys in 2002 reported having access to the Internet either at home or at work. The number is slightly higher among younger teachers. ■



PHOTO: EDEN ROBBINS

This year's RRSP room has shrunk... or disappeared

If you've already received your Notice of Assessment from Canada Customs and Revenue Agency after filing your 2002 income tax return, you'll know exactly how much RRSP room you have available this year.

There is a one-time reduction to your RRSP contribution room that began this year. The reduction is because of the benefit improvements that took effect in January 2001.

If you've made maximum annual contributions to your RRSP in the past, you'll likely have no RRSP room in 2003, and it may be a year or two before you'll be able to contribute again.

For a complete explanation, please see the May 2002 issue of Pensionwise, available at www.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: jcappelletti@otpp.com

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

Client Services
Telephone: (416) 226-2700 or 1-800-668-0105
Fax: (416) 730-7807 or 1-800-949-8208
E-mail: inquiry@otpp.com
Web site: www.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.

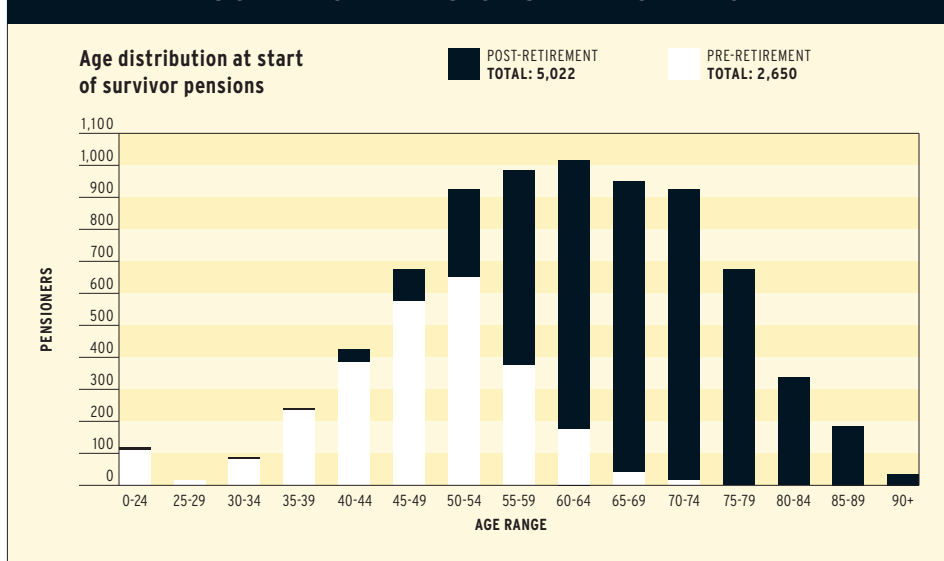
Ce bulletin est disponible également en français.



**TEACHERS'™
PENSION PLAN**

ISSN: 1180-3355

SURVIVOR PENSIONS AT INCEPTION



New appointments to board

Two recently retired business executives and accountants are the newest appointments to the nine-member Teachers' pension plan board. They began their terms in January.

J. Douglas Grant recently retired from management of Sceptre Investment Counsel Ltd., where he helped found the company in 1971 and served as its CEO until 1990. Mr. Grant remains as chairman of Sceptre Investments, a position he has held for 17 years. Mr. Grant is a fellow of the Institute of Chartered Accountants and is a Chartered Financial Analyst.



Thomas C. O'Neill recently retired as chairman of PwC Consulting, where he had previously served as CEO. He has spent his 35-year career with PricewaterhouseCoopers. Mr. O'Neill also has board-



room experience with a number of major multinational companies. Mr. O'Neill is a fellow of the Institute of Chartered Accountants of Ontario.

The director positions became available when Jalyann H. Bennett and Geoffrey W. Clarkson retired from the board. Directors can serve a maximum of four, two-year terms. Robert Korthals remains chair of the board. ■