TEACHERS' PENSION PLAN ONTARIO

pensionwise™

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INSIDE THIS ISSUE

Designate online, save time

You can now name a beneficiary online in the time it takes to read this sentence.

Principal Sylvia Ferri said it took only a few minutes to designate her beneficiaries online.

A designated beneficiary could receive a substantial amount if you die before retirement without a surviving spouse.

To name or change a beneficiary without completing and mailing a paper form, log on to *i*Access Web, the secure members-only section of our website. You can update your beneficiary and other information in the personal profile section.

Consider naming a beneficiary and reviewing your designation whenever your personal circumstances change. Beneficiaries receive a payment without the delays or probate fees associated with the processing of an estate. Higher estate taxes are also avoided, although recipients will pay tax on the benefit.

ORDER OF PRE-RETIREMENT DEATH BENEFIT RECIPIENTS

1
Your spouse

2
Your dependent children (if you don't have an eligible spouse)

3
Your designated beneficiary (if you don't have an eligible spouse and there are still benefits to pay after accounting for pensions for any dependent children)

4
Your estate

TIPS TO HELP YOU DESIGNATE

- **Do not name your eligible spouse**

Your eligible spouse (see page 3) is automatically entitled to a survivor pension when you die. Use this opportunity to name one or more people or a charity, in case you die before retirement and you have no surviving spouse at the time of your death.

- **Consider naming your children**

Although dependent children are entitled to a pension if you die without a surviving spouse, there is often an additional benefit to pay out. This benefit can be substantial if your dependent children are older and will qualify for a pension for only a few years.

Children who are not dependants will receive benefits directly from the plan only if designated as beneficiaries.

- **Multiple beneficiaries share benefits**

You can name more than one beneficiary. For example, if you name your favorite charity and your two children, the designated beneficiary payment will be split in three.

- **Do not name your estate**

If you do not have eligible survivors or a designated beneficiary, your estate automatically receives your death benefit. There is no need to formally name an estate.

- **Name a guardian for minor children**

Beneficiaries aged 18 or older receive benefits directly, while payments for minor children are provided to the court-appointed guardian of the child's property. If there is no guardian, benefits are paid into court until the child reaches age 18.

WHAT A BENEFICIARY GETS

In the absence of an eligible spouse, a designated beneficiary receives a lump-sum payment equal to the commuted

PHOTOGRAPHY: EVAN DION

PRE-RETIREMENT SURVIVORS

SPOUSE

To be eligible for survivor benefits, your married or common-law spouse must be living with you at the time of your death. A common-law spouse is eligible if you have lived together in a conjugal relationship for at least three continuous years or a shorter period if you are the natural or adoptive parents of a child.

DEPENDENT CHILDREN

If you do not have an eligible spouse when you die, your dependent children will receive a survivor pension if they are:

- under 18; or
- 18 to 24 years and enrolled in full-time, continuous education; or
- disabled.

If you have more than one dependent child, your pension is divided equally and paid to each child for as long as he or she remains eligible for benefits. For example, a pension for a 20-year old college student stops when the student completes school or turns 25, whichever is earlier.

value of the pension you accumulated after 1986, minus the value of any pension payable to dependent children. The commuted value is the amount needed today to replace your future pension.

Death benefits payable for service before 1987 go to your estate, not your designated beneficiary.

To register for *i*Access Web:

- Call 416-226-2700 or 1-800-668-0105; or
- Complete the registration form in the publications section of our website at www.otpp.com. ■

Inflation protection: the top 5 questions

1. HOW ARE PENSIONS PROTECTED?

Teachers' pensions keep pace with increases in the cost of living, as measured by the Consumer Price Index (CPI). Every January, retired members receive an annual pension increase. Increases are capped at eight per cent a year. If inflation is greater than eight per cent, the excess amount is carried forward and applied in a year in which inflation is less than eight per cent.

2. WHAT DOES THE CPI MEASURE?

The CPI, calculated by Statistics Canada, is the most widely used measure of inflation in Canada. The all-index CPI we use reflects the cost of a weighted basket of 600 consumer items that are typically purchased by Canadian households each month. The basket includes food, shelter, clothing, furniture, transportation, gas, home energy, recreation and many other items. Changes in the cost of the weighted basket represent changes in the CPI.

3. HOW ARE INCREASES CALCULATED?

We compare the average CPI for the 12-month period ending in September to the monthly average a year earlier. This method, which is prescribed in the Teachers' Pension Act, has been in effect since inflation protection was introduced as a plan feature in 1976.

4. WHAT IS THE AVERAGE INCREASE?

The annual increase has averaged 4.7 per cent since 1976. As you can see below, increases during the past 10 years have been modest because of low inflation rates.

YEAR	INCREASE	YEAR	INCREASE
2007	2.3%	2002	3.0%
2006	2.2%	2001	2.5%
2005	1.7%	2000	1.5%
2004	3.3%	1999	0.9%
2003	1.6%	1998	1.9%

5. WHAT IS INFLATION PROTECTION WORTH?

Inflation protection accounts for about 25 per cent of the total cost of providing your pension. To give you an idea of its value, at 2.5 per cent annual inflation, pensions will double over the average period we expect to pay pensions to retired members. ■

Proxy voting encourages better corporate performance

Your pension plan made some noise when the chairman and CEO of a major Canadian company recently received more than $50 million in annual compensation.

It wasn't about the size of the compensation package. The problem was the link between compensation and individual and company performance. Ensuring compensation packages support a company's business objectives is just one of the principles that guide how we vote our proxies on management and director compensation issues.

"An investor's right to vote is one of the most effective tools for promoting good corporate governance. And good governance is good business," said Claude Lamoureux, President and CEO of the Teachers' pension plan.

"In the past five years we've seen a professional firm of 85,000 employees implode. We've seen executives who knew nothing and remembered nothing. We've seen analysts who acted as cheerleaders, and boards that went along with bad accounting, bad reporting and bad recommendations from compensation consultants."

The pension plan aims to vote every share of every company it owns at every meeting of its shareowners. As a shareholder in more than 1,100 public companies around the world, it's impossible to attend every meeting. A proxy allows votes to be transferred to a third party who can vote on our behalf.

Decisions to vote for or against an issue are made after a thorough independent analysis and a comparison to the fund's proxy voting guidelines. We have 28 guidelines covering issues ranging

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>
> — Claude Lamoureux,
> *President and CEO*
> *Ontario Teachers' Pension Plan*

from board of director independence to buyouts and other purchase transactions.

"We take voting seriously," Claude said. "We vote against management proposals when we feel they don't serve the interests of shareholders."

Voting guidelines cover such issues as the separation of board and management roles, the use of golden parachutes, the need for independent auditors, and the treatment of shareholder rights plans.

"It would be inconsistent with our fiduciary responsibility to vote for any management or shareholder-sponsored initiative that has the potential to diminish shareholder value over the long term," Claude said.

We disclose each proxy voting decision in advance of a company's meeting on the corporate governance section of our website. The intention is to encourage other investors to exercise their rights and to promote transparency of proxy-voting activities.

"We want the companies we invest in to be transparent," Claude said. "We should do the same." ■

SHAREHOLDER RESPONSIBILITIES

THE PENSION PLAN BELIEVES SHAREHOLDERS SHOULD FOLLOW THESE PRINCIPLES WHEN VOTING SHARES:

- ✔ A shareholder's right to information should not detract from a company's ability to compete in the marketplace.
- ✔ A company should not be managed by shareholder referendum.
- ✔ Shareholder influence should lead to actions that are in the best long-term economic interests of all shareholders.

OUR PROXY VOTING REPORT

OWN SHARES IN
1,100
PUBLIC COMPANIES

OWN, ON AVERAGE,
2%
OF EACH PUBLIC COMPANY IN CANADA

VOTED PROXIES AT
592
MEETINGS IN 2005

VOTED ON
3,002
PROPOSALS IN 2005

VOTED IN FAVOUR OF PROPOSALS
74%
OF THE TIME

Study finds pay not linked to performance

Corporate efforts to better link executive pay to company performance aren't working, shows a study conducted by the Teachers' pension plan.

The study of 65 of the 100 largest companies listed on the Toronto Stock Exchange measured the results of compensation structures designed to align CEO compensation with the performance of their companies.

"The study showed CEO compensation in Canada cannot be connected to total stock returns," said Brian Gibson, Senior Vice-President, Public Equities. ■

Denham named to pension plan's Board of Directors

The pension plan's Board of Directors has a new asset – **Jill Denham.**

Jill has worked as a financial services executive for more than 20 years, most recently as Vice-Chair, CIBC Retail Markets.

Named by the *Financial Post* as one of the Top 50 Most Influential Women in Canada for three consecutive years, Jill was also honoured by *U.S. Banker*. The publication named her the eighth most influential female banking executive in North America in 2004.

Jill is a Director of the Foundation Board of the Hospital for Sick Children and the Prostate Cancer Research Foundation. She holds an HBA from the University of Western Ontario, School of Business Administration, and an MBA (Baker Scholar) from Harvard Business School.

The pension plan's board has nine directors who serve for two-year renewable terms. Four of the directors are appointed by the Ontario Teachers' Federation (OTF) and four by the Ontario government. The OTF and the government jointly select a chair. ■

Switch to e-statement for current snapshot of your pension

Rosemarie McClean knows the value of switching to e-pension statements.

The senior vice-president of Member Services says online statements give members the power to update personal data, generate pension estimates and access current information any time.

"Online pension information is rich in content, easy to use and never gets lost," Rosemarie said.

"Unfortunately, paper statements are outdated as soon as we print them."

Your own e-statement is available at *i*Access Web, the secure members-only section of our website. To register for *i*Access Web, call 416-226-2700 or 1-800-668-0105, or complete the registration form in the publications section of our website at www.otpp.com.

Paper statements are mailed each fall to members who aren't registered for online services. ■

Updated brochures sport new look

What happens to your pension if your marriage ends, you stop teaching or you want to retire early?

Find answers to these and many other questions in *Your Pension Plan Guide,* the just-revised basic plan brochure. The 16-page guide, updated with a fresh new look, reflects the new contribution rates that go into effect beginning in 2007.

Also just released is a revised guide to buying back pension credit. It outlines how a buyback can improve your pension, periods that are eligible to buy back, costs and payment options, and tax implications.

The new brochures are available from our office (see contact details on page 8). Please discard any old copies of the publications you may have.

ONLINE OPTIONS AVAILABLE

If you want to save trees and money, access the same information online at www.otpp.com. In the secure members-only section of the website, you can even view audio-visual presentations on buyback and pension basics, get pension estimates and buy back credit. To sign up for this member service, call us or complete the form in the publications section of our website at www.otpp.com. ■

DON'T DELAY PENSION APPLICATION

The Canada Revenue Agency does not allow a pension to be paid retroactively to a previous calendar year unless extenuating circumstances delayed the member's application for a pension.

If you are retired, but have not yet applied to collect your pension, consider doing so before the end of the year.

TEACHING MAY BE GOOD FOR YOUR HEALTH

Retired teachers usually live a few years longer than the average Canadian, with a life expectancy of about 87 years for females and 85.5 years for males.

Life expectancy rates are based on averages. Your family history, general health, lifestyle and other factors are a better indicator of your likely lifespan. ■

Credit limit lifted on WSIB benefits

Members can now accumulate credit in the Teachers' pension plan for as long as they receive income replacement benefits from the Workplace Safety & Insurance Board (WSIB).

The WSIB provides replacement income for Ontario residents who cannot work as a result of a workplace illness or injury.

An amendment to the pension plan, effective Sept. 1, lifts a one-year limit on the amount of credit members can accumulate while receiving WSIB income replacement. Now members will continue to receive credit for as long as they receive the benefits. Credit is a key variable used to calculate the amount of your pension.

Members who reached the limit before the change took place will begin to accumulate credit again, beginning Sept. 1. There will be no retroactive application of the new provision. ■

Outdated buyback provisions to be revoked

Members have until the end of this year to buy back two old gaps in pension service:

- active service in World War II or the Korean War; or
- periods of teaching before Sept. 1, 1957, for fewer than 20 hours a week in special subjects such as music, arts and crafts, physical and health education, home economics, and industrial arts and crafts.

The Ontario Teachers' Federation (OTF) and the Ontario government, which jointly sponsor the pension plan, are revoking the provisions to keep the pension plan current. ■

You Asked Us...

Q: What are real return bonds?
A: Real return bonds are Government of Canada bonds that rise in value with inflation. They are an ideal investment for pension plans, like the Teachers' plan, that are indexed to inflation. Real return bonds provide a guaranteed yield, based on an inflation-adjusted principal.

Q: What is the difference between credit and qualifying years?
A: Credit is the actual time (years, months and days) you have contributed to the plan. We use this figure to calculate the amount of your pension. Qualifying years are the school years in which you have taught for at least a portion of the year. Qualifying years determine when you're eligible to start receiving a pension. Since 1997, you have received a qualifying year for every school year in which you have worked for more than 10 days. An exception occurs in your first and last years of work. Check out our website at www.otpp.com for details.

Q: Can I return to teach after I retire and still collect a pension?
A: You can return to work in education, without affecting your pension, for up to 95 days in each of the first three school years in which you return to work (these don't need to be consecutive years) and 20 days each school year after that. If you continue to work the month after you reach the limit, your pension will be suspended for as long as you work.

Q: Will my disabled child get survivor benefits if I die?
A: A disabled child may qualify for a survivor pension if you do not have an eligible spouse when you die. The pension can be paid for as long as the child remains dependent. For more information, contact us.

Q: How long do I have to buy back a leave of absence?
A: You have up to five years from the end of an eligible leave or break in service to buy back credit for the absence. If you miss the deadline, you forfeit the opportunity to buy back. (An exception occurs if your employer arranged for you to work outside of Canada during your absence. In that case, you must buy back the credit before your absence ends.) Different deadlines apply if you buy back other eligible periods, such as credit for other employment. For more information, visit our website at www.otpp.com. ■

FAST FACTS

$106

BILLION
Cost of paying future pensions

$1.6

BILLION
Contributions collected in 2005

$3.6

BILLION
Benefits paid to members in 2005

$750,000*

Value of average pension at retirement

$96.1

BILLION
Plan assets at Dec. 31, 2005

*At retirement, with 85 factor

Pensionwise™ is published for members of the Ontario Teachers' Pension Plan at a cost of 19¢ a copy.

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

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ONTARIO

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REFUNDS

Chance meeting in gallery leads to $40,000 refund for former teacher

A casual conversation in a little art gallery in Portugal led to a $40,000 refund for a former Ontario teacher.

The former member, who moved to Portugal years ago, met President and CEO Claude Lamoureux when he and his wife popped into her gallery while vacationing in Europe. When their conversation shifted from art to Canada, Claude learned the artist and gallery owner had worked as a teacher in Ontario.

"I asked her what she did with her pension. 'What pension?' she asked. I said: 'You have pension benefits if you worked as a teacher."

Claude, an actuary by profession, did a quick mental calculation to estimate how much her investment would be worth today.

"She asked how I knew so much. I gave her my business card and said to write if she wanted us to look into it."

The member followed Claude's advice and ended up with $40,000, representing the contributions she had made to the plan years before, plus interest.

"That's a great story, but you don't need to stumble across the CEO in Europe to get your money back," quipped Rosemarie McClean, Senior Vice-President, Member Services.

"We're working hard to track down thousands of members who forgot to collect their termination payments when they left teaching, sometimes decades ago."

Since 2004 when the plan began a concentrated effort to settle inactive accounts, it has paid $3.4 million in termination benefits to 8,500 people. Refunds have ranged from $15 to $55,000, with an average payment of $400.

"Next year, we hope to find and pay 5,000 more people who appear to have forgotten about their benefits. You wouldn't think it would be hard to hand out money, but locating people is a challenge," Rosemarie said.

If you know of former teachers who may have forgotten about their pension benefits when they permanently left the teaching profession, please have them call us at 416-226-2700 or 1-800-668-0105. ■

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

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