

pensionwise™

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Buyback can boost your pension

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Making pension contributions during a pregnancy leave could translate into thousands of extra pension dollars for teacher Ilona Vaszi.



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Buyback can boost your pension

Elementary school teacher Ilona Vaszi is buying back her pregnancy leave to ensure she gets the largest possible pension when she retires.

Although retirement seems like a lifetime away for the mother of two toddlers, Ilona understands her investment could translate into thousands of extra pension dollars.

In addition to maximizing the value of her pension, Ilona will qualify for an unreduced pension sooner because she is buying back a school year in which she had no previous credit.

Credit is the actual time you contribute to the pension plan. Missing a year's credit now, for instance, means one less year of credit when calculating your pension. The more credit you accumulate, the greater your pension. Of course, you can lessen the effect of an absence by extending your career.



In addition to pregnancy and parental leaves, you may qualify to buy back employer-approved leaves for specific, continuous periods of time or leaves for religious holidays.

You may also qualify to buy back credit for a break in service if you were

not granted a leave of absence and you left your job:

- to care for a child under age seven;
- for compassionate reasons, such as caring for an ill family member;
- because of ill health; or
- to serve in an elected office (municipal, federal or provincial).

HOW A BUYBACK CAN IMPROVE YOUR PENSION

Use the buy-back calculator on *iAccess Web*, the secure members-only section of our website, to determine the cost and benefit of buying back an eligible leave of absence. In a few easy steps, you can see how a buyback can increase your future monthly income.

This chart demonstrates the increase in an annual unreduced pension with the buyback of a one-, two- and five-year leave of absence.

Buy Back:	Increase in annual pension, based on best-five years' salary of:			
	\$ 40,000	\$ 50,000	\$ 60,000	\$ 70,000
One year	\$ 800	\$ 1,000	\$ 1,200	\$ 1,400
Two years	\$ 1,600	\$ 2,000	\$ 2,400	\$ 2,800
Five years	\$ 4,000	\$ 5,000	\$ 6,000	\$ 7,000

To get an estimate, you need to know the start and end dates of your leave, as well as the salary and contract percentage that would have applied during your absence.

If you decide to proceed with an estimate, you can even arrange to pay for your buyback electronically. If you aren't yet registered for *iAccess Web*, consider signing up.

Ilona Vaszi's pension will continue to grow while she takes time off to care for her sons, Krisztian (shown) and Alexander.

PAYING FOR A BUYBACK

You will continue making contributions through your employer during a pregnancy or parental leave, unless you make other arrangements. If you want to continue contributing during other eligible leaves, contact us about two months before your absence. You can pay by arranging for automatic withdrawals from your bank account or by providing us with post-dated cheques.

If you would rather buy back the credit later, you have up to five years from the end of your eligible absence to pay for all or part of it in one lump-sum payment. If you miss the deadline, you forfeit the opportunity to buy back. If you buy back only part of your absence, you will receive a corresponding amount of credit.

Paying for an absence later is more expensive because interest charges apply.

Visit our website at www.otpp.com for more information on buying back credit during a leave or break in service.

OTHER BUYBACK OPPORTUNITIES

In addition to leaves of absence, you may qualify to buy back:

- credit for service in another registered pension plan in Canada, under certain conditions;
- credit concerning any refund you received if you left the plan at some time in the past; and
- credit concerning the commuted value of your pension if you removed it when you stopped working in education.

The cost of buying back credit for such purposes is the present value of the expected improvement in your pension resulting from the buyback.

For more information on eligibility requirements, deadlines and costs to buy back other opportunities, call 416-226-2700 or 1-800-668-0105, weekdays from 8 a.m. to 5:30 p.m. ■

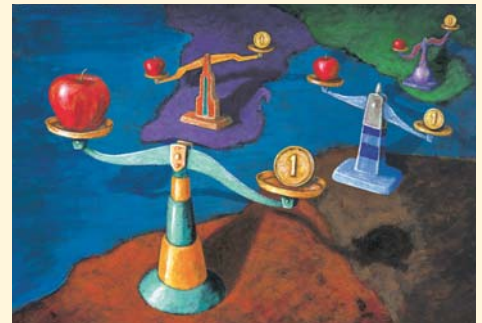
Pension law protects value of pension

Don't rush into retirement because of fears of losing inflation protection or the opportunity to retire if you have reached your 85 factor.

Ontario's Pension Benefits Act protects the pension benefits you have earned to date. Under this Act, a change in pension plan provisions could affect only that portion of your pension you will accumulate in future years.

For example, if you have already reached your 85 factor, it cannot be taken away for credit earned to date. Similarly, cost-of-living increases and other pension benefits are assured on the years of pension credit you have now. However, inflation protection and other pension benefits for credit you will earn in future years could be changed under pension law.

"Members should not be retiring earlier than planned in response to the recent survey that explored members' preferences for different benefit and contribution scenarios," said



Rosemarie McClean, Senior Vice-President, Member Services.

"Retiring earlier will not result in a larger pension."

The Ontario Teachers' Federation (OTF), the Ontario government and the Teachers' pension plan commissioned the survey to gather member preferences for possible changes in contribution rates, pension provisions, or both if required to keep the pension plan financially healthy well into the future.

The OTF and the government, the plan's sponsors, will consider the survey results, along with actuarial advice and financial findings, when defining future contribution rates and benefit levels if a funding shortfall must be addressed in the future.

About 2,500 people, representing a cross-section of the membership, were randomly selected to participate in the survey. Statistically, a survey of this size will accurately reflect the views of the plan's 167,000 working members.

Survey results will be released later this year. If you want to discuss your views on benefit and contribution levels, contact the OTF or your affiliate pension representative. ■

Test your pension fund knowledge

1 At the end of last year, our largest single investment was in:

- A Maple Leaf Sports & Entertainment
- B Government of Canada bonds
- C Nexen Inc.
- D Royal Bank of Canada

2 Since 1990, our investment team has outperformed the markets in which it invests by:

- A \$22.1 million
- B \$10.3 billion
- C \$4.5 million
- D \$22.7 billion

3 Our investment team aims to:

- A beat its benchmarks
- B maximize returns
- C take on less risk
- D all of the above

4 Our investment team has beaten its composite benchmark for the past:

- A two years
- B five years
- C seven years
- D twelve years

5 Our rate of return in 2006 was:

- A 15.3 per cent
- B 13.2 per cent
- C 17.1 per cent
- D 10.4 per cent

6 The following assets provide stable returns, correlated to inflation:

- A real estate
- B corporate bonds
- C stocks
- D treasury bills

7 The following action could be taken if a funding shortfall exists when the next valuation is completed in 2008:

- A an increase in contribution rates
- B a reduction in pension benefits
- C a combination of 'A' and 'B' above
- D none of the above

8 Only the following can change contribution rates and pension benefits:

- A the Ontario Teachers' Pension Plan
- B the Ontario Teachers' Federation and the Ontario government
- C the Ontario Teachers' Federation
- D both 'A' and 'B' above

9 When interest rates are low:

- A the cost of future pensions increases
- B the cost of future pensions decreases
- C there is no change in the cost of future pensions
- D none of the above

10 Every 0.1 per cent change in real (after inflation) interest rates, increases or decreases the cost of pension benefits by about:

- A \$20 million
- B \$100 million
- C \$2 billion
- D \$5 billion

11 For every dollar the plan collected in contributions in 2006, the plan paid:

- A 50 cents in benefits
- B \$1 in benefits
- C \$1.45 in benefits
- D \$2.30 in benefits

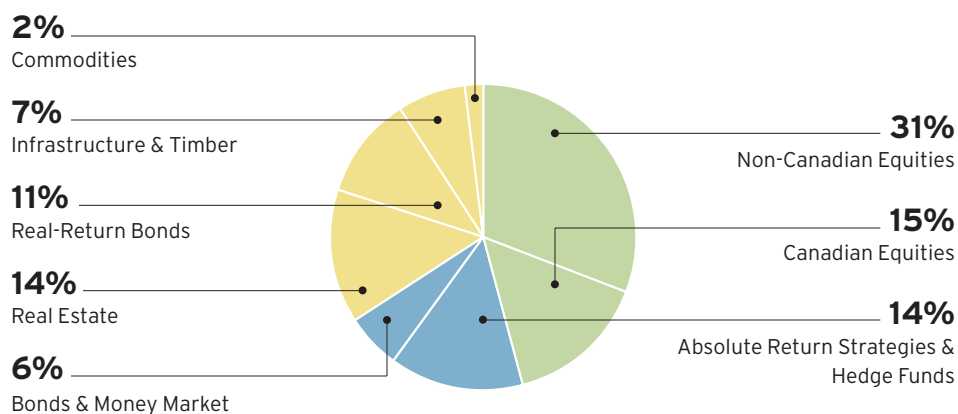
ANSWERS:
1B, 2D, 3D, 4C, 5B, 6A,
7C, 8B, 9A, 10C, 11D

Actual Asset Mix

as at Dec. 31, 2006

- 46% Equities
- 34% Inflation Sensitive
- 20% Fixed Income

The Teachers' pension fund has a highly diversified portfolio of investments.



FAST FACTS

\$106
BILLION

Net assets at
Dec. 31, 2006

\$9.9
BILLION

Increase in net assets
in 2006

\$3.4
BILLION

Amount earned in 2006 in excess
of market returns

\$3.8
BILLION

Benefits paid
in 2006

\$1.6
BILLION

Contributions collected
in 2006

View highlights of annual meeting

You now can watch video clips of our April 20 annual meeting at www.otpp.com. Follow the annual meeting link from the What's New section of our homepage. Highlights of presentations on our investment performance, funding, plan governance, and member services are available in Flash and text formats. About 250 members attended or watched a live webcast of the annual meeting. ■

PENSION PLAN EXECUTIVES WIN IVEY BUSINESS LEADER AWARD

Two plan executives are being honoured for their business achievements and contribution to strong corporate governance in Canada.

President and CEO Claude Lamoureux and Bob Bertram, Executive Vice-President, Investments, will receive the award from the Richard Ivey School of Business later this year.

"Together they have done more than anyone else to advance the cause of shareholder rights within corporate Canada and their influence is felt beyond our borders well into the global community," said awards co-chair Gilles Ouellette.



TEACHERS' PLAN NAMED SAVVIEST PUBLIC PENSION PLAN

The Teachers' pension fund is the first Canadian organization to be named, by U.S.-based *Money Management Letter*, the "savviest" public sector pension plan of the year.

"The fund pushed the envelope last year by making private equity investments in South Africa, Turkey and India," the publication noted.

"It also diversified its real estate by taking a 46 per cent interest in one of the largest shopping mall companies in Brazil. As well as seeking returns, the plan has even put into place an innovative strategy to hedge against the rising price of oil."

FUND JOINTLY BUYS NEW ZEALAND TELEPHONE DIRECTORIES

The Teachers' pension fund is expanding its Yellow Pages business.

In March, the fund and CCMP Capital Asia, a private equity firm

based in Hong Kong, teamed up to buy Telecom Corp., New Zealand's print and telephone directories business, for approximately \$1.8 billion.

In 2002, the fund and another private equity firm acquired BCE's Yellow Pages business, which was later converted to Yellow Pages Income Fund.

PENSION FUND TEAMS UP TO BUY NUTRITION, SUPPLEMENT FIRM

The Teachers' pension fund made a healthy investment in the growing wellness market with the joint purchase of the world's biggest retailer of vitamin and nutritional supplements.

The fund, together with private-equity firm Ares Management LLC, purchased the parent company of General Nutrition Centres (GNC) in February. GNC has 4,800 retail stores in the U.S. and franchises in 46 international markets.

"People are becoming more health-conscious as they get older, and that's what's driving this business," said Jim Leech, Senior Vice-President, Teachers' Private Capital.



FUND LAUNCHED IN TURKEY

The Teachers' pension fund and the Canada Pension Plan Investment Board have jointly created the largest private equity fund to focus exclusively on investment opportunities in Turkey.

"Turkey is an attractive private equity market, with a large and growing population, a high number of quality mid-tier businesses, and a developing economy which is expected to benefit from becoming increasingly harmonized with Europe," said Senior Vice-President Jim Leech. ■

Register now for interactive pension statement

You don't need to wait until the fall to get a personal statement of pension benefits.



You can retrieve current information on your pension entitlements any time on iAccess Web, the secure mem-

bers-only section of our website.

iAccess Web contains all the personal information found in printed annual statements. As well, it is continually updated and allows you to do such things as generate and compare pension estimates, change your beneficiary, buy back a leave of absence or update your personal profile.

"We still print pension statements every fall for people who choose not to use our online services, but the state-

ments are outdated almost as soon as people get them," said Rosemarie McClean, Senior Vice-President, Member Services. "Online information is always current."

Ms. McClean encourages members to switch to online services before the paper statements are printed in the fall.

Signing up for online services requires only a few minutes and an active e-mail account. Register by:

- calling 416-226-2700 or 1-800-668-0105; or
- downloading and completing the iAccess Web registration form on our website at www.otpp.com. ■



Newfoundland joins teachers' transfer agreement

You now may qualify to transfer credit to the Ontario Teachers' Pension Plan from the Newfoundland and Labrador Teachers' Pension Plan.

Consolidating your pension assets in one plan may allow you to retire earlier with a larger pension.

Earlier this year, Newfoundland became the final province to sign a pension portability agreement that allows for the transfer of pension assets from one teachers' plan to another.

You can apply to transfer credit if:

- you left your pension benefits in the Newfoundland plan; and
- you have not started receiving a pension from either plan.

The credit you receive in the Teachers' pension plan would likely be less than the credit you have in the Newfoundland plan because of different plan features.

For more information, read the *Interprovincial Transfers* fact sheet in the publications section of our website at www.otpp.com. ■

E-mail not safe for personal information

The Teachers' pension plan never sends or requests personal information via e-mail.



"E-mail isn't a safe channel and we take the protection of our members' personal information very seriously," said Rosemarie McClean, Senior Vice-President, Member Services.

The pension plan:

- Uses plain text e-mail messages because graphics and other formats are more susceptible to viruses.
- Steers away from attachments that are also prone to viruses.
- Never sends e-mails asking members to link directly to a website to verify personal information.
- Encourages members to sign up for iAccess Web where they can retrieve personal information, including signed correspondence, in a secure, encrypted environment. iAccess Web is the secure members-only section of our website at www.otpp.com. ■

You Asked Us...



Q: Will my pension continue to grow while I receive WSIB benefits?

A: Credit accumulates in the Teachers' pension plan only if you receive "loss of earnings" benefits from the Workers' Safety Insurance Board (WSIB).

Q: How will an increase in the federal pension age limit affect me?

A: In its spring budget, the federal government announced its intention to increase the pension age limit to 71 from 69. Our preliminary assessment shows the change would affect members in two ways:

1. Pensioners would be subject to the plan's working after retirement limits for two more years - until the end of the calendar year in which they turn age 71, up from age 69.
2. Teachers who continue to work could accrue a pension for two more years, until the end of the year in which they turn 71. They must then start their pension, even if they continue to work. Our records show less than one per cent of members work beyond age 65.

Q: Isn't your executive compensation excessive, particularly given the shortfall?

A: To attract and retain a talented team, we pay competitive compensation packages that are tied to performance. Our board consults with an independent compensation adviser to confirm we pay fairly. If our investment managers outperform the markets in which they invest, they receive bonuses. Our

investment team has beaten its benchmarks by more than \$12 billion, net of costs, during the last four years. Only about two per cent of this amount was paid as bonuses; the rest remained in the pension fund to pay pension benefits.

Q: Why does the pension plan require a probated will to pay death benefits to some estates?

A: The practice ensures payment to the correct party and reduces potential liability. A probate certifies a will and gives the named executors authority to administer the deceased's estate. Most major financial institutions require a probated will for estate payments of \$25,000 or more. We require a probate for payments of \$50,000 or more to the estate.

Q: Is there still time to apply for a pension in July?

A: Yes, you can apply to retire online, in six easy steps, in your own personal Retirement Centre at iAccess Web. iAccess Web is the secure members-only section of our website at www.otpp.com. Printed copies of documents, such as birth certificates, are required to support the online application. You can identify the documents you need when you visit the Retirement Centre.

If you are not registered for iAccess Web, sign up in a few minutes by calling 416-226-2700 or 1-800-668-0105.

Q: Can I continue to receive long-term disability payments while I collect a pension?

A: No, you are considered to be employed in education if you receive long-term income protection benefits through your employer. To collect a pension, you must resign from employment in education and cease payments from your disability carrier.

Q: Why did the government remove money from the pension plan when we had surplus funds?

A: The government did not remove any money from the pension fund. To eliminate a shortfall that existed when the pension plan became an independent organization in 1990, the government agreed to make special payments to the fund. It made extra contributions to the plan and then used its share of surplus funds between 1993 and 1999 to eliminate the remaining pre-1990 deficit. The OTF used its share of the surplus to improve pension benefits as shown in the attached chart:

OTF	ONTARIO GOVERNMENT
Pension benefit improvements including: • Permanent 85 factor • Lower CPP reduction (0.45% from 0.7%) • Reduced pension as early as age 50	Eliminated special payments scheduled to address the plan's pre-1990 unfunded liability
About \$9 billion	About \$9 billion

New members, chair bring wealth of varied experience to board

There are four new members and a new chair on the Ontario Teachers' Pension Plan Board.



Eileen Mercier

Eileen Mercier is the new Chair, replacing Robert W. Korthals who retired from the board after 11 years of dedicated service. Ms. Mercier, who has 35 years of business experience, was appointed to the board in 2004.

New board member **Hugh Mackenzie** is an economist with more than 30 years' experience in the public, non-profit and trade union sectors. He runs his own economic consulting business and is a Research Associate of the Canadian Centre



Hugh Mackenzie

for Policy Alternatives. Mr. Mackenzie serves on the Actuarial Standards Oversight Council, the Ontario Pension Board, the Pension Investment Advisory Committee of the Canada Post Pension Plan, and the boards of the Atkinson Charitable Foundation and People for Education. He holds a BA from the University of Western Ontario and an MA from the University of Wisconsin.

New board member **Louis Martel** is



Louis Martel

Vice-President of Product Development and Client Services for Greystone Managed Investments. Mr. Martel has worked as a senior pension and investment consultant for 25 years for major consulting and insurance firms. He is a fellow of the Society of Actuaries and the Canadian Institute of Actuaries, and a CFA charter holder. He holds a B.Sc. from Laval University.

New board member **Sharon Sallows** is a partner in Ryegate Capital Corp., a Toronto

company that provides merchant banking, as well as financial and strategic advisory services. A former executive at the Bank of Montreal and MICC Properties, Ms. Sallows



Sharon Sallows

has more than 30 years of business experience. She sits on the Board of Riocan Real Estate Investment Trust and is Chair of the Board of Executive Risk Services.

Ms. Sallows holds a PhD from The Wharton School, University of Pennsylvania; an M.Sc. from the London School of Economics; and a BA from Carleton University.

New board member **Jean Turmel** is President of Perseus Capital Inc., a position he assumed in 2005 after retiring from the National Bank of Canada as President of Financial Markets, Treasury and Investment Bank. Mr. Turmel is chair of the Montréal Exchange and I Musici de Montréal Chamber Orchestra



Jean Turmel

foundation. He is also a director of Alimentation Couche-Tard Inc., Maple Financial, Canada Post Corp., and Canam Group Inc. Mr. Turmel holds a B. Comm. and an MA from Laval University.

The pension plan's board has nine members who serve for two-year renewable terms. Half of the members are appointed by the Ontario Teachers' Federation and half by the Ontario government. The two bodies jointly select the chair. ■

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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