TEACHERS' PENSION PLAN
ONTARIO

Survivor benefits • Retirement • News briefs

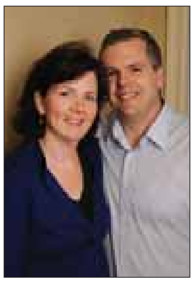
pensionwise

A Newsletter for Ontario Teachers • Winter 2011 • Issue 28

Toronto teachers Mike and Heather Ross, with their daughters Sarah and Lauren.

It's never too early to start thinking about your pension

If you are married and in the middle of your teaching career, there are two important decisions you should be making right now.



Heather and Mike Ross are busy working teachers raising two active daughters. Retirement matters are often the last thing on their minds, particularly decisions relating to the benefits that their loved ones will receive should anything happen to them.

"It's tough to have to make these choices now," says Mike, a Toronto District School Board teacher. "But I know that making decisions today means one less thing to have to worry about."

1 DESIGNATING YOUR BENEFICIARY

You can designate a beneficiary to receive your survivor benefit if you die before you start collecting a pension. For example, you may wish to designate a parent, a friend or charitable foundation. It seems like a natural thing to do to name your spouse as your beneficiary, but it's actually something you should avoid.

Why? Your eligible spouse is automatically entitled to a survivor pension when you die. There is, quite simply, no reason to name your spouse as your beneficiary.

For example, if you name your eligible spouse as beneficiary and later divorce, you may forget to change your beneficiary designation. If you then die before retirement and have no eligible children, your ex-spouse would receive a lump-sum payment.

ORDER OF PRE-RETIREMENT DEATH BENEFIT RECIPIENTS

1. Your eligible 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

HERE ARE SOME TIPS FOR DESIGNATING A BENEFICIARY:

Do not name your eligible spouse
Use this opportunity to name one or more people, such as adult children or a charity, in case you die before retirement and you have no eligible spouse at the time of your death.

Consider naming your children
If you want your children to receive the biggest death benefit possible, you must name them as your designated beneficiaries. Although dependent children are entitled to a pension if you die without an eligible spouse, there is often an additional benefit, in addition to their pension, 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.

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 distributed to all three.

Do not name your estate
If you do not have eligible survivors or a designated beneficiary, your estate automatically receives your death benefit. If you name someone else, you can also avoid high estate taxes and probate fees that sometimes accompany an estate designation.

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 value of the pension you accumulated after 1986, minus the commuted value of the post-1986 portion of any pension payable to dependent children.

The commuted value is the amount needed today to replace your future pension. In the absence of an eligible spouse and dependent children, death benefits payable for service before 1987 go to your estate, not your designated beneficiary.

2 CHOOSING A SURVIVOR BENEFIT LEVEL

Survivor benefits for death after retirement

If you die after you start collecting a pension, your eligible surviving spouse will receive a lifetime benefit, equivalent to a percentage of your annual CPP-reduced pension. You can choose the level of benefit your spouse will receive. This percentage can be 50, 60, 65, 70 or 75 per cent of your CPP-reduced pension. If you do not go online or complete a form to select your survivor benefit, your eligible spouse will automatically receive 60 per cent of your annual CPP-reduced pension.

The decision must be made before you start collecting your pension, and there are different deadlines and requirements depending on which percentage you choose. When deciding what option to elect, you may want to consider your health, family history, gender, and how much your loved ones may need to rely on your survivor pension in the future.

Cost and benefit

If you select an amount greater than 50 per cent, your pension will be reduced. The reduction is based on your age, your spouse's age, and the percentage of survivor pension you choose.

The reduction to increase your survivor benefit can be relatively small, and yet it can have a significant impact on your family's future. If your pension is $30,000, an extra 15 per cent survivor pension could mean an additional several thousand dollars a year. Note that this is a lifetime reduction which remains in effect even if your spouse predeceases you.

Why it's a good idea to select a 75 per cent survivor benefit early

You can choose to increase your survivor election any time before you retire. We recommend, however, that you make your selection as early as possible. Your election will be automatically approved and you will be safeguarded should anything happen to you. In addition, there is no cost to make your 75 per cent selection at least until your pension begins.

If you delay your decision and choose to make a selection within two years of your retirement or after age 63 (whichever is earlier), you will be required to take a medical to prove you are in good health for your age. Your election to increase your survivor benefit may be denied.

Let's look at two examples to see why it's so important to make your selection early:

MARIA AND BOGDAN

Maria never selected her survivor pension, and it was automatically set at the 60% default.

At 64 years of age, she becomes ill. Maria tries to increase her survivor pension to 75%.

Unfortunately due to her ill health, she cannot provide the medical evidence required to prove she is in good health for her age. When she dies, Bodgan receives a 60% survivor pension.

RICHARD AND LIZ

When Richard started teaching he immediately set his survivor pension to 75%. He never really thought about it after that.

At 54 years of age, Richard needs to retire suddenly due to ill health. Because he has already selected a pension of 75%, no medical is required. When Richard dies, Liz will be left with a much larger survivor pension than had he made no selection at all.

What if I want to change my 75 per cent selection?

Even if you have selected a 75 per cent survivor benefit, you may decide to change it prior to retirement because you have saved enough in RRSPs or in another pension. For example, closer to retirement you may decide that a 50 per cent survivor benefit will be sufficient for your family.

If you decide this is an option for you and your spouse, you must both sign the *Waiver of Joint and Survivor Pension* form and deliver it to us within the 12-month period before your first pension payment. This form cannot be revoked once your pension begins.

How to make your selection

To change your survivor option, go to the My Profile section on *i*Access Web. Choosing one of the percentages in the drop-down list is all it takes to make your selection. ■

How to register for *i*Access Web:

1. Call **416.226.2700** or **1.800.668.0105**, weekdays from 8 a.m. to 5:30 p.m. or
2. Download and complete the registration form at **www.otpp.com.** Just follow the link from the homepage.

12 steps to retirement

The big day is coming. It's been circled in your calendar for years, and now it's time for you start thinking about your retirement. But before you polish your golf clubs and dust off the Muskoka chairs, there are a few things we recommend you do in advance of the day when you apply for your pension:

1 REGISTER FOR *i*ACCESS WEB, THE SECURE MEMBER WEBSITE.

Over 90 per cent of members retire online, so we recommend you sign up for *i*Access Web today if you aren't already registered.

Please see the yellow box on Page 3 for how to register for *i*Access Web.

2 GET A PENSION ESTIMATE.

Just sign in to *i*Access Web and click on the My Retirement tab. In your Retirement Centre, you can generate and compare different retirement estimates based on various what-if scenarios. Before you begin, make sure all of your information, survivor benefit selection and details are correct. This will ensure you get an accurate idea of how much your pension will be and when you can retire.

3 THINK ABOUT YOUR SURVIVOR BENEFIT.

Your eligible spouse is automatically entitled to a default 60 per cent survivor pension if you die after you start collecting a pension. You can decrease this amount to 50 per cent or increase it to as high as 75 per cent of your pension. Visit the Survivor Benefits section of our website at www.otpp.com for details on the deadlines and requirements involved with each selection.

If you've already selected a survivor benefit, you may want to take this time to reassess whether your choice will be the best for you and your spouse after you retire. Some teachers determine that they will have sufficient income from other sources and only opt for the 50 per cent benefit. Others place heavier weight on their Teachers' pension and decide that they need to increase their election to 75 per cent.

4 COLLECT YOUR REQUIRED DOCUMENTS.

We suggest compiling several documents far in advance of submitting your pension application because it sometimes takes weeks to locate or replace missing papers. The best way to send copies of your documents to us is by regular mail.

You should consider collecting and sending us the following about a year before retirement:

- Your birth certificate or Canadian passport
- Your marriage certificate or a *Statutory Declaration of Common-law Relationship*
- Your married or common-law spouse's birth certificate
- Your complete separation agreement or divorce papers (if applicable)
- Your *CPP Notice of Entitlement or Statement of Denial* (for a CPP disability pension)

5 DECIDE WHETHER OR NOT TO TRANSFER SERVICE.

Do you have service in another pension plan in Canada? You may be able to transfer the credit into the Teachers' pension plan.

Whether or not you want to do this may depend on many factors. The decision can be complicated, so we recommend you read the fact sheet *Interprovincial Transfers*. It's available in the Member Reference Library of www.otpp.com, in the Member Info section. If you still have questions, please call us.

6 DECIDE WHETHER OR NOT TO BUY BACK SERVICE.

To maximize the value of your pension and possibly retire earlier, you should look into buying back credit for any absences you have had. The more credit you accumulate, the greater your pension.

We recommend you begin the buyback process as soon as possible. All the tools and personalized information you need is in the Buyback Centre on *i*Access Web. Visit the Centre to understand how buying back credit can improve your future monthly pension and what your earliest possible date of retirement with an unreduced pension would be—with or without the purchase.

Check with your school board before you resign. Each board has different requirements for how and when you can resign.

7 REVIEW THE RE-EMPLOYMENT RULES.

If you are thinking about working after retirement, make sure you are familiar with the rules before you retire. Currently, you can work after retirement 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.

Beginning Sept. 1, 2012, you will be able to work directly or indirectly for a participating employer without affecting your Teachers' pension for up to 50 days in each school year you work following retirement.

Keep in mind that any return-to-work arrangement you make must be made after the date of your resignation or the date of your pension application.

8 CHECK YOUR PERSONAL PENSION INFORMATION.

About six months before you want to retire, sign into *i*Access Web to check your service record for completeness and accuracy. You should also confirm your estimated pension, contact information and survivor pension options.

RECOMMENDATIONS FROM OUR PENSION BENEFITS SPECIALISTS

- Shop around for the best health care package. Each package offered has different pros and cons.
- Speak to your employer about possible gratuities. Not all boards offer them.
- Call the Canada Pension Plan (CPP) to find out how much you can expect from a CPP retirement pension.
- Talk to an accountant or financial advisor regarding your retirement plans. He or she can help you determine how much money you need to live comfortably in retirement.
- Check with the Retired Teachers of Ontario (RTO) for their post-retirement activities, workshops and advice.

9 DECIDE WHETHER YOU WANT SUPPLEMENTARY MEDICAL INSURANCE.

Because Teachers' is not in a position to provide medical benefits to pensioners, you may want to consider buying supplementary medical coverage. Many teachers choose to continue with insurance through their school board. There are also three independent plans that provide supplemental health coverage to pensioners.

Contact your insurance representative directly for details or to arrange coverage about four to six months before your pension starts.

1. Retired Teachers of Ontario (RTO) www.ero-rto.org	Provided by: **Johnson Inc.** www.johnson.ca Toronto 416.920.7248 Toll-free 1.877.406.9007
2. Active Retired Members (ARM) www.osstf.on.ca **3. Ontario Teachers Insurance Plan (OTIP)** www.otip.com	Provided by: **Ontario Teachers Insurance Plan** www.otip.com Waterloo 519.888.9683 Toll-free 1.800.267.6847

10 CONSIDER THE 10-YEAR PENSION GUARANTEE OPTION.

Choosing this option means that if you die within 10 years of beginning your Teachers' pension, your survivor or estate will receive the amount of your pension (minus the CPP reduction) for the balance of the 10 years. After that, your eligible spouse or dependent children will collect the survivor pension you chose prior to retirement.

If you do not have an eligible spouse at the time of your retirement, you will receive the 10-year guarantee automatically, and with no reduction to your pension. If you have an eligible spouse at the time of your retirement, your pension will be reduced by about 0.1 per cent per year for life, even if your spouse predeceases you. For the average career teacher, this equates to about a $35 pension reduction per year.

Because the amount you pay is nominal, and yet the benefit can be quite substantial, we recommend that our members choose this option. If you have an eligible spouse at the time of your retirement, the 10-year pension guarantee is not an automatic benefit. You must actively elect it—either in your *i*Access Web Retirement Centre or by phone—at the time of your retirement.

11 APPLY ONLINE FOR YOUR PENSION.

And here it is, the day has arrived: it's time for you to submit your pension application. There are six steps to applying online using the *i*Access Web Retirement Centre:

1. Tell us when you want to begin your pension.
2. Verify your contact and personal information, and survivor benefits.
3. Answer a few benefit-related questions.
4. Tell us where to deposit your monthly pension.
5. Review your application and submit it online.
6. Mail in your photocopied documents, if you haven't done so already.

12 TAKE A DEEP BREATH, AND THEN... RELAX!

Your chance to vote for a new *Pensionwise*

It's a brand new year and the times they are a-changing. We want to make *Pensionwise* clearer, more appealing and more relevant than ever before.

And so, we present three different *Pensionwise* designs. We've tweaked a colour here and a font there. And we're leaving it up to you to let us know which one you prefer.

Visit our website at www.otpp.com or write to us to cast your vote. You'll see the winning style in a future issue of *Pensionwise*. ■

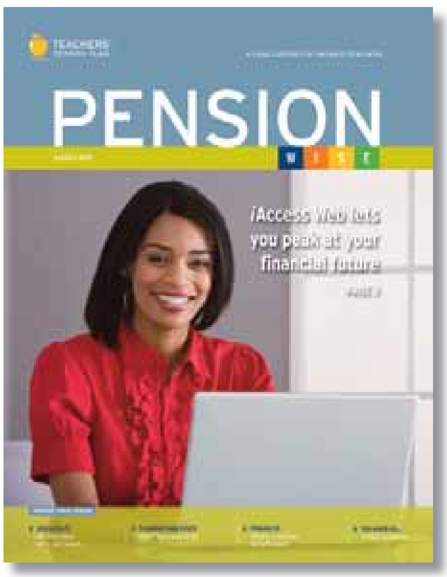
VOTE ONLINE

Go to www.otpp.com/pwredesign.

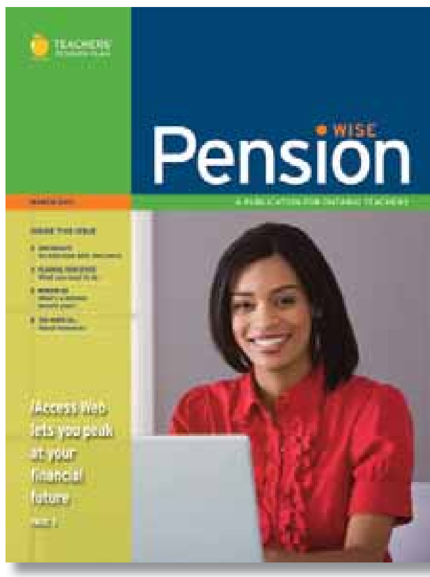
VOTE BY MAIL

Ontario Teachers' Pension Plan
c/o Member Communications
5650 Yonge Street, 2nd Floor
Toronto, Ontario M2M 4H5

Option A



Option B



Option C

Contest

2010'S BIG WINNERS

Congratulations to the following five winners of our demographic information contest:

Jennifer A.	Caledonia
Ryan L.	Dundas
Bruna T.	Richmond Hill
Nichole C.	Etobicoke
Vicky W.	Amherstburg

These members are the lucky recipients of a $100 shop! gift card from Cadillac Fairview. They went online to *i*Access Web, the secure member website, and made a change to their demographic information.

YOU COULD BE A WINNER IN 2011

If you want the chance to have a $100 shop! gift card from Cadillac Fairview in your pocket, all you have to do is go online and make a demographic update to your *i*Access Web profile by June 30, 2011. One entry per person. One winner will be determined by random draw and contacted by telephone.

You asked us...

Q. A survey company called me and said they were calling on behalf of Teachers'. Could you tell me more about how you use this information?

A. We hire an independent research firm to conduct regular telephone surveys on our behalf.

Doing so allows us to regularly assess the quality of our services. Participation is voluntary and it takes about five minutes to provide your feedback. We do not ask personal questions and only use the results to track our performance and identify areas for improvement. Anything you say is kept confidential and we have strict protocols in place to ensure your security. We greatly appreciate your participation.

Q. I'm moving again. How do I notify you of my new address?

A. If you are registered for *i*Access Web, the secure member website, you can update your e-mail and mailing address online. You can even enter a future address and a date for when the switchover occurs. If you change your personal information online before June 30, 2011, you'll be entered into our $100 Cadillac Fairview shop! gift card draw. If you aren't registered, call us at 416.226.2700 or 1.800.668.0105.

Q. Can I get a list of your investments? I'd like to know where my money is being invested.

A. A list of our major investments can be found on our website at www.otpp.com, under the Investments tab, as well as in our Annual Report, under the Annual Reporting tab. This list is updated once a year, in April, when our annual performance results are released.

Our reporting period is the same as the calendar year, which means our list reflects major investments as of our Dec. 31 year-end. If you're looking for more current information, we announce large investments and transactions as they happen in the Newsroom section of our website.

Q. Does the increased value of the Canadian dollar affect the value of Teachers' investments?

A. As our dollar gets stronger against other currencies, the value of some of our foreign investments can go down when converted back into Canadian dollars. However, this is offset by the fact that we have seen many other currencies, such as the Australian dollar, Swiss franc and Japanese yen, keep pace with or increase in value compared to the Canadian dollar.

Teachers' holdings are very diversified in terms of asset class and currency. Investment decisions are made with the potential impact of foreign currency fluctuations taken into consideration and exposure to a portfolio of foreign currencies helps to reduce our overall portfolio risk.

Q. Can I remove the value of my pension from the plan if I leave teaching?

A. You can transfer the commuted value of your pension to a locked-in retirement savings vehicle if you quit teaching and notify us of your intention to terminate your membership no later than the month before you turn 50. Before deciding to do this, we recommend that you consult a financial advisor who is not directly involved in investing your assets.

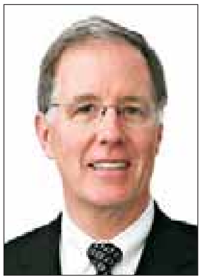
Q. How is my pension affected by a 4-over-5 leave?

A. Your pension is not affected. You make contributions and build benefits as if you were working full time for each of the five years.

Q. Are my pension contributions being set aside separately for investment and returned to me when I get to retire?

A. Your contributions, plus those of other working members, as well as the matching contributions from the Ontario government, are pooled together. There are no individual accounts. That's how a funded defined benefit plan works—it's a pooled arrangement and contributions are invested. It is primarily the return on these investments that pay teachers' pensions. ■

Leech receives communications honour



In January, President & CEO Jim Leech was honoured with the 2010 CEO Award of Excellence by the Canadian Public Relations Society of Toronto. The award recognizes a CEO who has demonstrated excellence in all aspects of communications, including employee communications, media relations, public and stakeholder relations and community support. You can read his acceptance speech on our website, www.otpp.com.

New SVP, Teachers' Private Capital announced

Teachers' is pleased to announce Jane Rowe as the new Senior Vice-President, Teacher's Private Capital (TPC).

Jane has a strong background in credit and equity investing. Her career with the Scotiabank Group of companies spanned more than 20 years, including her most recent position as Executive Vice-President, Special Accounts Management.

"I'm confident that Jane's strong and proven collaboration and leadership skills, as well as hands-on operational management experience, will be a strong asset for TPC and our entire organization," said Neil Petroff, Executive Vice-President, Investments.

Attend annual meeting on April 7

Want more news about your pension plan? You can attend Teachers' annual meeting from 4:45 p.m. to 7:00 p.m., at Arcadian Court, 401 Bay Street, 8th Floor, in downtown Toronto. The event includes a Q&A period and an opportunity to ask a Pension Benefits Specialist about your own pension.

To submit a question for the meeting, e-mail communications@otpp.com by 5 p.m. on April 6. The most frequently asked questions will be addressed at the meeting and answered on our website.

You can also watch the proceedings live, or later at your convenience, at www.otpp.com.

Your answer must be in the form of a question

Are you one of the estimated nine million people who tune into *Jeopardy!* every weeknight? If so, you may have been surprised to see your pension plan mentioned on the popular game show. On Nov. 30, 2010, two out of three contestants answered the final challenge correctly:

A. In action since 1917, this sports franchise is now largely owned by the Ontario Teachers' Pension Plan.

Q. Who are the Toronto Maple Leafs?

Did you get it right? We sure hope so!

Teachers' receives investment award

It was happy holidays for the pension plan late last year as the investment team was awarded the aiCIO's Industry Innovation Award in the $15 billion-plus public pension fund category. The awards, established by publisher Asset International, celebrate asset owners that have delivered long-term and consistent results in the wake of current market uncertainty. ■

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

We appreciate your comments about anything you read in *Pensionwise*. Please e-mail member_communications@otpp.com

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