TEACHERS'™
PENSION PLAN
ONTARIO

PENSION WISE

A NEWSLETTER FOR ONTARIO TEACHERS

WINTER 2013

Teaching as a second career

PAGE 2

Brett Oosterman, Toronto District School Board
Photography: Gerald Allain

INSIDE THIS ISSUE

NEW PATHS

Second-career teachers often grapple with the financial consequences of their decision to switch to a career in education. Knowing your options when you join Teachers' can help you maximize your credit in the plan.

Brett Oosterman left his job at a telecommunications firm for a career in teaching. When a chronically-late student in his class apologized for his tardiness, he had an "a-ha" moment: he knew hanging up his necktie and leaving his corporate career to become a teacher was the right decision.

"This was a student who had a lot of challenges at home and was never on time. When he apologized, it seemed so small and insignificant, but he acknowledged that he wanted to be in my classroom. He acknowledged that his actions affected others. It was a huge breakthrough," Brett said. "It's those small moments that make this job so worth it."

Five years ago, Brett's life was considerably different. He was working in the private sector, responsible for sales targets and operational budgets. On a ski vacation with his family, he fell on a flight of stairs and shattered the bones in his leg. The simple misstep left him immobilized and house-bound for months.

"I had four months to contemplate life. After one week of being back at work, I came home and said, 'This is not what I want to do.'"

His wife, Julia, suggested a career in teaching.

The transition wasn't easy. At the time, Brett had two children from a previous marriage, and a toddler with Julia to consider (since then, they've added a fourth child to the family). Quitting his job to go back to school at the age of 43 and starting a career from scratch in an uncertain job market was not a decision he took lightly. But, with family support, he graduated from teachers' college, and landed a full-time position with the Toronto District School Board as a grade four teacher. Today, he teaches a grade six special education class.

Moving from the private sector to a career in education also meant taking a significant reduction in salary. "Teaching has so many wonderful benefits, but financial gain certainly was not one of the driving factors of my decision to pursue this career," Brett said.

During his tenure in the private sector, Brett invested in RRSPs, but was not a member of a pension plan. Though his earning potential was greater, his retirement income was entirely dependent upon the performance of his personal investment decisions. "While my salary took a huge hit, in the long-term I gained retirement security by joining Teachers' defined benefit pension plan. It's a trade-off that will balance out in the end," he said.

"Making the decision to teach was one of the best decisions of my life. I get to help kids decide what kind of people they want to be. I get to teach them the benefits of being a member of a community. There is no monetary bonus that can top that."

Transferring credit into the plan

You cannot transfer RRSPs into the plan, except as payment towards a buyback. If you contributed to a defined benefit pension plan in a previous career, or worked in education in another province, you may be able to transfer that credit into Teachers'.

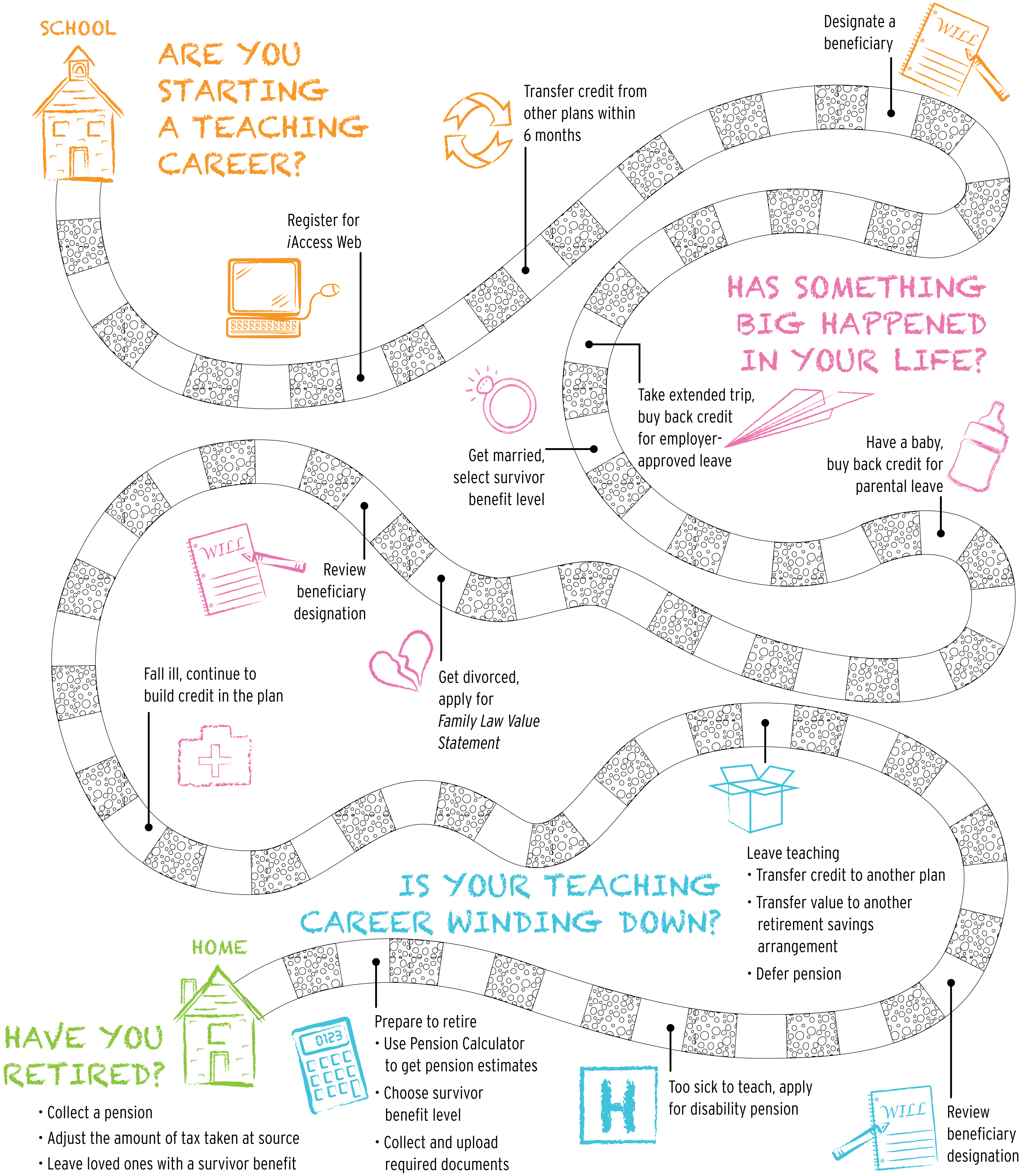
Remember, you have six months from the time you join Teachers' to transfer credit.

To learn how you can transfer credit into Teachers':

- go to www.otpp.com/MemberReferenceLibrary;
- select "Working Members";
- scroll to the "Buying back or transferring credit" section;
- download the "Pension Transfers" form and fact sheet; and
- contact us if you still have questions.

YOUR TEACHERS' PENSION PATHWAY

Everyone's career is different. For some, teaching is the only career they'll know. For others, like Brett Oosterman (see page 2), teaching is a path they start down later in life. Check out this illustration to see the role we play throughout all of the twists and turns of your career.



THE BIG PICTURE

No matter where you are in your career, take a moment to stop and imagine what your retirement will look like. Even if it seems eons away, and the picture is a bit fuzzy, by understanding the role your Teachers' pension plays in that image, you can sharpen the focus of that picture.

When you are ready to turn that picture into a reality, chances are your Teachers' pension will be your most valuable financial asset. Take the time now to zoom out and understand the other elements of your retirement picture and how they fit with your Teachers' pension.

Here are four steps to help you see your big picture:

Crunch some numbers

Try to estimate how much income you'll need in retirement. If all of your major debts and obligations are paid off, then chances are you'll need about 70% of your pre-retirement income. Here's an easy formula to estimate what your Teachers' pension will provide:

Full-time years you worked X 2 = % of salary your Teachers' pension will provide

To get an even clearer picture, use the Pension Calculator in *i*Access Web, our secure member website, to generate multiple what-if scenarios. Experiment with retirement dates, buybacks, and salary projections to find the scenario that will best suit you.

Remember, reductions for early retirement, survivor benefits or CPP may apply.

Maximize your Teachers' pension

If you previously contributed to another pension plan, you may be able to transfer that credit into Teachers'. By consolidating all of your credit into one plan, you can make the whole greater than the sum of multiple parts. See page 2 for information on transferring credit.

Buying back credit for employer-approved leaves also maximizes the value of your Teachers' pension. Are you torn between paying for a buyback and putting that money towards an RRSP or TFSA? In the majority of cases it makes more sense to invest in a buyback. Here's why:

- Your Teachers' retirement income is not dependent upon the performance of personal investments. If you have the ability to pick the top performing mutual funds or stocks each year, than putting money into RRSPs or TFSAs could make more sense. But, for the majority of us, that's not the case. The security of a defined benefit pension is hard to beat.
- Your contributions to Teachers' are matched by your employer and the Ontario government. The same cannot be said for RRSPs or TFSAs.

Other retirement income

Canada Pension Plan (CPP) and Old Age Security (OAS) will complement your Teachers' pension. CPP is integrated with your Teachers' pension, but OAS is not. What does this mean?

Each year, the CPP sets a maximum salary on which to base your contributions. This is referred to as your YMPE, or yearly maximum pensionable earnings. In 2013, the YMPE is $51,100. This chart shows how the integrated rates work:

YOUR SALARY	CPP CONTRIBUTION RATE	TEACHERS' CONTRIBUTION RATE
up to $51,100	4.95%	11.15%
above $51,100	n/a	12.75%

In 2013, the maximum CPP retirement pension is $12,150 per year. Remember, because your Teachers' pension and CPP are integrated, we will reduce your Teachers' pension the month after you turn 65, regardless of when you decide to collect CPP.

OAS is not integrated with your Teachers' pension. The maximum basic OAS pension in 2013 is slightly more than $6,500 per year. OAS benefits are scaled back above a certain income level, about $70,000.

If you are over 65, collecting CPP and still working, you will only contribute at the 12.75% rate.

Did you know Canada Pension Plan (CPP) also has a tool to help you estimate your CPP pension? Access it by visiting www.servicecanada.gc.ca.

Still need more?

By adding your estimated Teachers' income and CPP and OAS, you now have a sense of what your retirement income will be. If you feel you'll come up short, then consider where else to invest.

Be sure to inform your financial advisor that you're a member of Teachers'. The security that a defined benefit brings may mean you can have a higher risk tolerance with other investments.

If you decide to contribute to RRSPs, keep in mind your RRSP contribution room is lowered because you're a member of Teachers'. Take a look at Box 52 of your T4 slip to see your pension adjustment, or PA. A PA is an estimate of the value of the pension benefits you earned in a year. The greater your pension benefit, the less room you will have available to contribute to RRSPs. To learn how much RRSP contribution room you have, contact the Canada Revenue Agency (CRA).

Your TFSA contribution room is not affected by your income or whether you're a member of a pension plan. The government has set the limit for 2013 at $5,500. You can carry forward any unused contribution room.

Want More?

Check out our Pension Calculator tutorial in iAccess Web to learn how this tool can help you create what-if scenarios and plan your retirement.

YOU ASKED US...

LABOUR DISPUTES AND YOUR PENSION

One-day, legal strikes by members of the Elementary Teachers' Federation of Ontario took place in December. Many of you had questions about the impact these legal work stoppages would have on your Teachers' pension. If you have other questions about your pension plan, e-mail member_communications@otpp.com.

Q: If I participate in a legal strike, will it affect my credit in the plan?

A: No. You will continue to accumulate credit in the plan during a legal strike, just as if you were working. There is no need to buy back credit. However, your employer will report a loss of salary.

Q: Will the loss of salary reported during a legal strike by my employer affect my pension?

A: A loss of salary due to a legal strike shouldn't affect your pension.

Q: The legal strike has occurred within my best five years of salary. What now?

A: If the legal strike occurred during one of your best five years of salary, in most cases your affiliate will top-up contributions on your behalf. You can also top-up the loss of salary by paying the required contributions, plus interest. Remember, top-ups are not matched by employers. Your top-up would have to cover the contributions that both you and your employer would have otherwise made.

Q: Can I resign during a strike?

A: Yes. Contact us prior to your resignation and we can inform you of your options and provide you with estimates. You should also contact your employer to inquire about their deadline for submitting a resignation letter.

Q: What happens in the event of an illegal strike?

A: In the event of an illegal work stoppage, employers report a loss of credit and salary. There is no opportunity to top up the loss of salary or credit.

Q: If there is an illegal strike and I lose credit, can I work summer/night school to make up credit lost?

A: Yes, as long as you are working for an employer who contributes to this plan. You can only accumulate a maximum of one full school year of credit. Any excess credit will be refunded to you. If your rate of pay for the summer/night school is lower than your regular rate of pay, your best five years' average salary may be adversely affected.

Want More?

Find out the impact of participating in a work stoppage when you are not in a legal strike position.
www.otpp.com/PensionNewsOnline/WorkStoppages

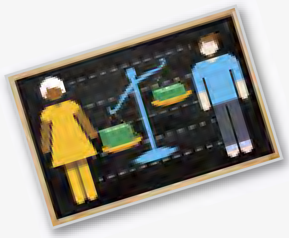
ONLINE BRIEFS

Common-law survivor benefit eligibility

A recent Ontario court ruling has changed the treatment of pre-retirement death benefits for common-law partners.

This ruling affects you if you are in a common-law relationship and were previously married, and not yet divorced.

www.otpp.com/PensionNewsOnline/CommonLaw



Plan funding

Did you know that in 1917 a typical starting pension benefit was $300, with no death benefits? Explore the evolution of your pension plan with a new interactive tool, test your funding knowledge with a quiz, and learn quick funding facts to share with your colleagues.

Our Plan Funding section will help you build knowledge of your plan and keep up-to-date with funding matters.

www.otpp.com/PlanFunding

Bright lights, small screen

You've read our "You Asked Us..." feature in *Pensionwise*, now watch it online.

In this new video series, we're taking your frequently asked questions and getting our in-house experts to answer them in 60 seconds or less. If you have questions, be sure to send them to member_communications@otpp.com.

Watch the video, get your answer anytime, anywhere you have an internet connection.

www.otpp.com/PensionNewsOnline/YouAskedUs

Check out our new look

We've launched a new and improved www.otpp.com.

All of the content you've come to rely upon is still there, but our new look is clean, modern and easier than ever to navigate. Our revamped Members section is now delineated between working members and retired members, making it quicker for you to find all of the information that matters to you.

www.otpp.com/PensionNewsOnline/Redesign

Overheard on Facebook

Conversation continues at **www.facebook.com/myOTPP**

Here are some highlights:

We featured the following pop quiz: Generally, you can estimate your Teachers' pension as a percentage of your pay by multiplying ____ by two.

Only 50% of respondents knew that "full-time years in the plan" was the answer.

But, when quizzed about when you should ensure we have all of your important documents on file, 100% of the respondents knew that this should be done about a year before retirement.

And we also asked you to dust off your crystal balls and predict the number of snow days in this school year. Members from Upper Grand and Stratford seem to be bracing themselves for lots of the white stuff, they predicted eight and seven days, respectively. Venture further north and one member from Moosonee said, "None. We haven't shut the schools down here in four years."

NEWS BRIEFS

2013 contribution rates

Your contribution rate recently increased 0.35%. This rate increase took effect on Jan. 1, 2013.

You now contribute 11.15% of your salary up to the Canada Pension Plan (CPP) limit (this year that's $51,100). You will contribute 12.75% of any earnings above the CPP limit to Teachers'.

"Log in to Win" winners!

More than 4,000 members logged in to *i*Access Web, our secure member website, and took the "Log in to Win" quiz.

Those who got all of the answers correct were entered into a draw for some great prizes. Our grand prize winners are:

- **Penny Anne Hutton**, of Fort Frances, won the iPad;
- **Calvin Jessome**, of St. Catherines, won the Kobo Touch; and
- **M. Ellen Dempsey**, of Otonabee-South Monaghan, won the Marlies jersey.

We also gave away four $50 *Cadillac Fairview shop!* cards. These winners are:

- **William Armstrong**, of Oxford Station;
- **Colette Shorter**, of Newmarket;
- **Kenneth Paterson**, of Flesherton; and
- **Simon Rivard**, of New Liskeard.

Sick leave beyond 10 days update

Under the *Putting Students First Act*, teachers are eligible to receive 66.67% or 90% of salary through a short-term sick leave arrangement.

In the Fall 2012 issue of *Pensionwise*, we reported that you will receive full service credit, regardless of the rate, but that your pensionable salary and actual contributions paid will be reduced.

What has happened?

A recent plan amendment, retroactive to Sept. 1, 2012, now requires that your full pensionable salary be reported. This will require additional contributions to support the increase in pensionable salary. Your employer will deduct the additional contributions from your salary.

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

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
Website: www.otpp.com

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Toronto, Ontario
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