TEACHERS'™
PENSION PLAN
ONTARIO

PENSION I

A NEWSLETTER FOR ONTARIO TEACHERS

WINTER 2014

Teachers' welcomes new President & CEO, Ron Mock

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Photography: Paul Lawrence

INSIDE THIS ISSUE

THEN AND NOW:

In 2013, the number of members registered for *i*Access Web, our secure member website, surpassed 200,000. Since launching the site, we've continued to expand and improve the service offered throughout it. Here are a few of the enhancements we've made with you in mind:

Greater access to pension calculator

You needed at least one school year under your belt with a long-term occasional (LTO) contract to use the pension calculator.

NOW: As long as you have at least one school year with some service on record, regardless of how many days, you will be able to access the calculator and create pension scenarios.

You can find the pension calculator by signing in to *i*Access Web, and clicking the "My Retirement" tab. While there, you can create and compare up to five scenarios per session to paint your retirement picture.

TIP:

Advice to help you select the best survivor pension for your loved one

Choosing a survivor option was left to the pension application.

NOW: We now provide online counseling to help you choose the best survivor pension option.

What does this mean? When you die, your eligible spouse or eligible children are entitled to receive benefits to help them maintain financial security. The type and amount of benefit depends on your credit in the pension plan, and whether you die before or after retirement.

First, we recommend that you choose the highest survivor pension option long before you are ready to retire. By doing this, you may avoid needing a medical exam. You should select this option at least two years before retirement or age 63, whichever is earlier. This ensures you will have all options available regardless of your health at retirement.

Second, when you are ready to retire, we have added a few questions within the survivor pension section of the retirement application to learn more about your personal situation. These questions will help you decide how much of your pension should be designated to your loved one. For example: is your loved one financially dependent on you? If your answer is yes, we recommend giving them a higher percentage of your pension. If your answer is no, we recommend giving them a smaller percentage of your pension.

To update your survivor pension option before applying for your pension, sign in to *i*Access Web and select "My Profile" from the "My Home" tab. Expand the Marital Information section to view and edit your option.

Updating your banking information online

If you were receiving a Teachers' pension and had to update your banking information, you had to notify us in writing, either by fax or mail.

NOW: You can sign in to *i*Access Web and update your Canadian banking information online. Once you're retired, visit your Pension Payments page or your Profile page to make the change.

When you update your information, we'll send you an email confirmation. This email serves two purposes:

1. reassures you that the change you've requested has been made, and
2. adds an additional layer of security by confirming that it was in fact you that requested the change.

Personalized retirement presentations

We provided you with a generic checklist of documents that you would have to update your file with before you could collect your first pension payment.

NOW: We've created a personalized presentation called "Three Steps to Retirement" that walks you through the retirement process. It also tells you which documents we require on your personal file. You can view the presentation in the "My Retirement" section.

TIP:

Reminder:

LIFELONG LEARNING

Born in Trinidad, Franka moved with her family to Montreal when she was 13 years old. When she completed her undergraduate degree, her mother, a teacher, asked Franka what she planned to do with her life.

"I told her I would like to travel," says Franka. "And my mother said, 'You can travel, but only after you go to teachers' college.' You didn't argue with your mother, so I went. Afterwards, I needed to earn money and I started teaching."

Once Franka started, she didn't stop until almost 40 years later.

She spent the first nine years of her career teaching primary school in Montreal. During that time, Franka got married and had two sons. In 1981, she and her family relocated to Mississauga, Ont., where she continued to teach primary school. Eventually, Franka became a principal.

"I believe that every day you should learn something new. My career afforded me the opportunity to interact with many interesting people, parents and colleagues, who I could learn from. That's what I loved the most about working in education," says Franka.

In 2009, she qualified for an unreduced pension. "It hit me. This could be it. I started thinking about retirement, but when the time came to submit my letter of resignation, I couldn't do it. I wasn't ready."

Franka's not alone. Knowing when to retire is not just a financial decision; it's also an emotional one.

Words of advice

Are you thinking about retiring? If so, Franka offers these tips:

- Start researching a few years in advance.
- Sign in to *i*Access Web, our secure member website, and use the pension calculator to create and compare different scenarios.
- Discuss your pension estimates with your family and write down any questions you have.
- Factor in any major purchases or investments, a new car or home renovations for example, that are on the horizon.

"The pension calculator really helped me decide when a good time to retire would be. It helped to clarify the decisions and planning I had to do in those last few years leading up to retirement," says Franka.

Also, consider whether or not you plan to work part-time in retirement. If so, learn the re-employment rules. If you're unsure whether the role you're interested in is considered re-employment, call and ask the experts. "I didn't want to work as a substitute teacher or go back into the classroom, but I did want to work with adults who are studying at teachers' college," says Franka.

"When I called the contact centre, the Pension Benefits Specialist spoke to me about my personal situation. She was very knowledgeable and I found the experience to be very reassuring."

In 2011, Franka decided it was time to call it a career. "Writing my resignation letter wasn't easy. Handing it in was even harder."

But, with the research she had done leading up to her decision, Franka knew exactly what to expect.

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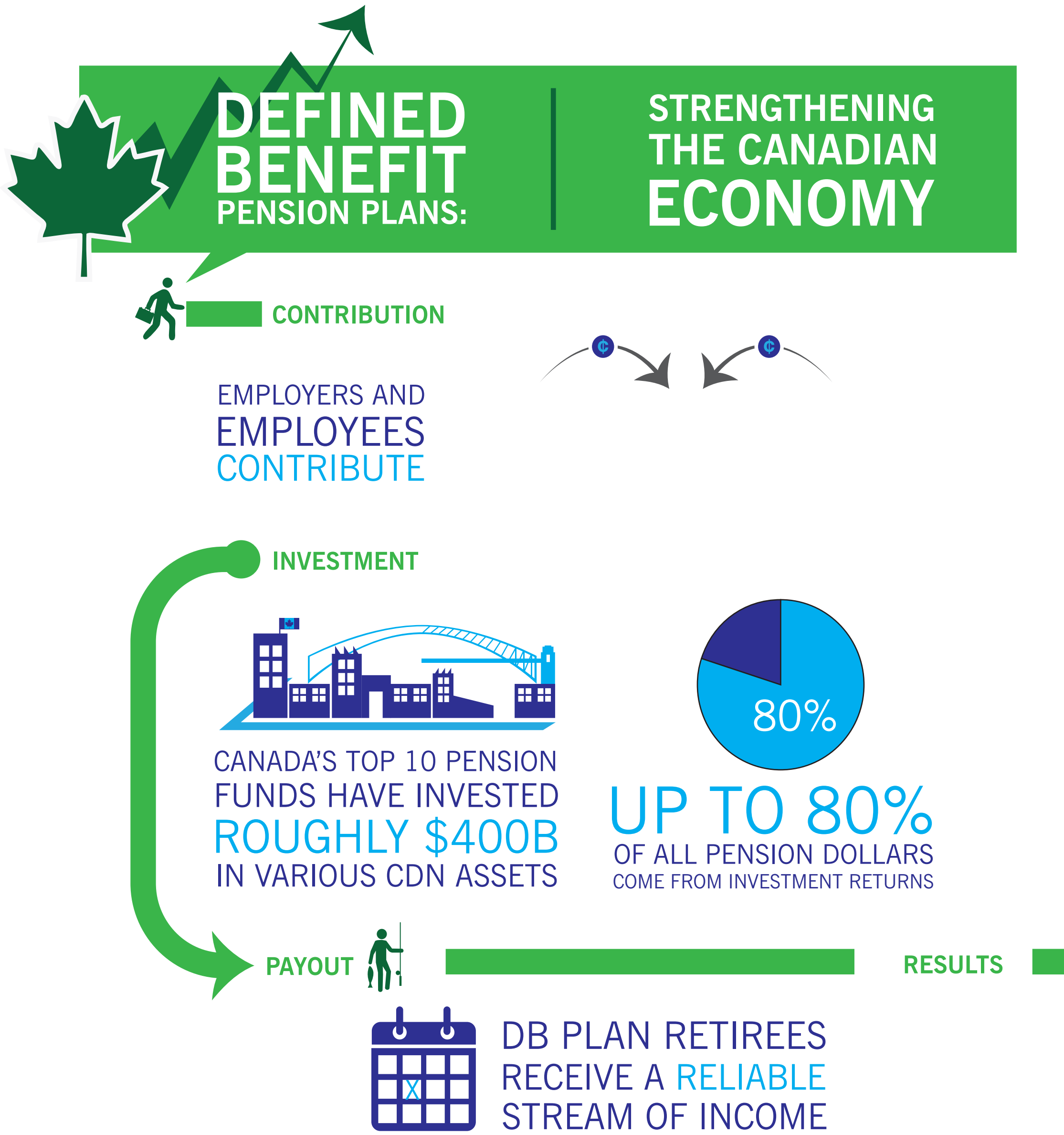
DRIVING THE ECONOMY

The study was sponsored by four Ontario pension funds, including Teachers'.

A recent Angus Reid poll shows a troubling situation regarding saving for retirement in Canada. The poll shows that those with household income of $50,000 or less save 7% of their income for retirement, rising to 9% for those in the $50,000-$99,000 group. In contrast, DB retirees contribute 10-14% of their income to their pension plans. So part of the reason that payouts from DB plans are generous is that DB members simply save more for retirement.

Two other responses from the Angus Reid survey are alarming: only 26% of Canadians believe that they're saving enough for retirement; and 15% of Canadians are saving nothing for retirement.

Yet much of the recent conversation about retirement savings has revolved around the perceived need to convert DB pensions to defined contribution (DC) plans. Former President and CEO of Teachers', Jim Leech, and Senior Writer at the Globe & Mail, Jacquie McNish, in their book *The Third Rail: Confronting our pension failures*, argue that while DB pensions need to evolve to deal with demographic challenges, getting rid of DB pensions would be a large mistake.



Disclaimer: Information in this document is sourced from a study conducted by The Boston Consulting Group (BCG) and commissioned by Healthcare of Ontario Pension Plan (HOOPP), Ontario Municipal Employees Retirement System (OMERS), OPSEU Pension Trust (OPTrust) and Ontario Teachers' Pension Plan (OTPP). The materials excerpted by commissioners from the study referenced are provided for discussion

Flip to meet Teachers' new President and CEO.

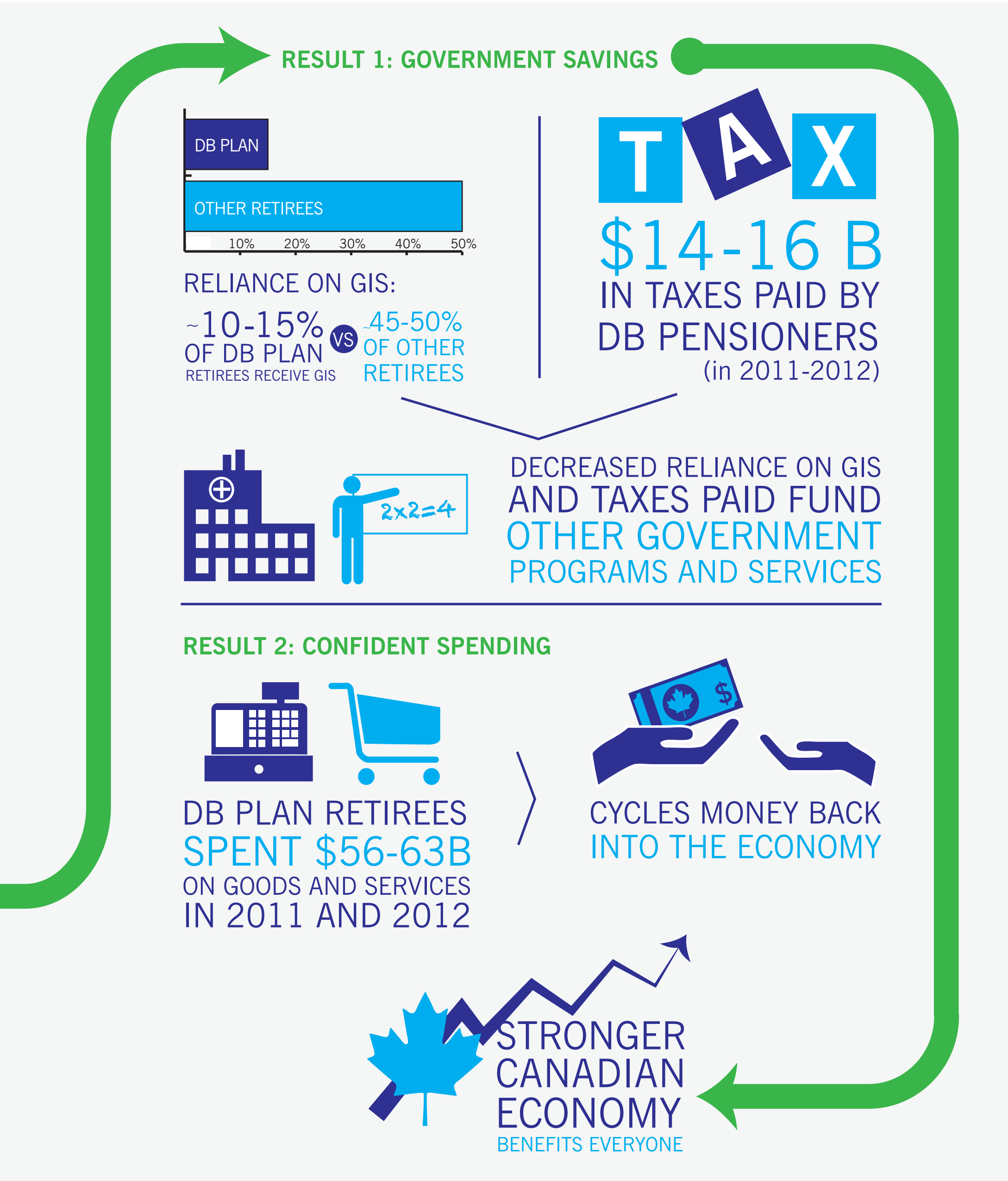
The BCG study, plus a study from earlier in 2013, show the many benefits of DB pensions, including:

- a very low cost of investing;
- investment expertise that allows them to generate up to 80% of a fund's assets through investment returns;
- shared longevity risk; and
- the ability to invest in areas that the average person simply can't access, such as real estate, private equity, hedge funds and infrastructure.

Longevity risk is a big deal. If you're a retired teacher in Ontario, you aren't concerned about how long your retirement lasts because you know that you will receive your pension at a given level for as long as you live. People with DC plans know how much money they have when retirement begins. Since they don't know how long they will live, they don't know how much money they can afford to spend each year in retirement.

The BCG study indicates that DB retirees are able to spend at a higher rate because they have a pre-determined steady and stable income throughout their retirement. This makes sense — if your income is reliable and secure, you are able to spend freely.

So instead of pitting the public sector against the private sector and DB vs DC, perhaps the conversation should be: "Let's fix what is broken and ensure that all Canadians have access to reliable and secure retirement income."



Key findings of the BCG study

Defined benefit retirees spend

$56–$63 billion

on goods and services each year.

DB retirees pay

$14–$16 billion

in income, property and sales taxes each year.

DB retirees take the GIS 10–15% of the time, compared with 45–50% for other retirees, reducing the GIS payout by

$2–$3 billion

each year.

The smaller the community, the greater the benefits from DB pensions. In small Ontario towns, DB pension benefits represent nearly

12%

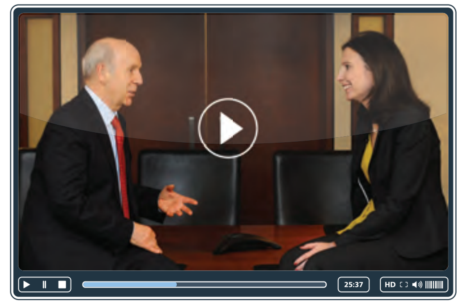
of total earnings.

75–80%

of DB pension benefits are paid from investment returns. For Teachers', that figure is 77% over the past 10 years.

purposes only and may not be relied on as a stand-alone document. Additional analysis has been done to the data and analysis contained within the study by third parties other than BCG. BCG has not independently verified this additional analysis and assumes no responsibility or liability for it.

IN CONVERSATION WITH RON MOCK



www.otpp.com/PensionNewsOnline

Tell us how the organization has evolved over the years and what it means to you.

RON MOCK: Teachers' has grown from humble beginnings to a pension plan that is known around the world for its service to members, solid investment return and a strong stance on governance.

I've watched the organization grow over the last 12 years that I've been here and one thing I can say is the people at Teachers' always put members first. We are here to deliver retirement security and we're here to deliver outstanding service to the members. That said, there's been quite a substantial change from a regulatory and investing perspective. To grow through these changes, we have to continue to focus on innovating, adapting and remaining very agile.

Tell us about Ron Mock.

RM: Life to me is all about continuous learning, being inquisitive and having an intellectual curiosity. In fact, my grade 12 calculus teacher played a strong role in my road to learning and had a huge influence on my life – that's one of the reasons I'm so proud to be part of Teachers'. He instilled in me a love for mathematics which moved me through electrical engineering at the University of Toronto. When I graduated, I started working at Ontario Hydro. I took these analytical skills and transferred them into the investment business. For several years, I worked for Burns Fry and had my own asset management firm. I've been with Teachers' for 12 years and now I find myself in the role of CEO. It's been an exciting journey.

Outside of the office, I like skiing, sailing, travelling with my family and I'm a voracious reader. Five years ago I took up Italian and am proud to say I'm getting pretty good at it now.

What is the state of the pension plan today and how will it evolve?

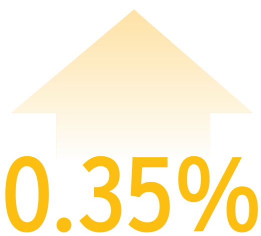
RM: The plan has in excess of $130 billion in assets so we're in a position where we can pay pensions for a very long time. However, we need to think about the underlying changes taking place with demographics. For example, people are living longer and therefore teachers work for fewer years than they're retired. This is great news, but as a result, the fund has to pay out more money over longer periods of time. To do this, we must ensure we've got the right mix of assets and the right levers on the fund – so that when we look out over 70–80 years, the plan is sustainable.

What do you hope to bring to Teachers' as its new leader? What are your priorities?

RM: I've always been goal-oriented, that's not about to change. Teachers' has always focused on performance and has two main priorities. The first is to continue investing and earning the returns to ensure our members have retirement security. To do this, we need to focus globally, continue to innovate, and we have to remain agile as we compete with the rest of the pools of capital around the world. The second is to exceed our members' expectations when delivering service. For example, we are always looking for more ways to stay connected with them, whether it is online, through mobile applications, or simply speaking over the telephone.

Delivering outstanding service to the members is in our DNA and I'm really proud to be in charge of an organization with such great people that puts members first.

ONLINE BRIEFS



2014 contribution rates

Your contribution rate recently increased 0.35%. In 2014, the maximum amount of salary on which you contribute to the Canada Pension Plan (CPP) is $52,500. On your salary up to the CPP limit, you will contribute 11.5% to your Teachers' pension. On your salary above the CPP limit, you will contribute 13.1% to your Teachers' pension. This rate increase took effect on January 1, 2014.

For more information, and for examples, visit www.otpp.com/PensionNewsOnline/Contributions2014

Updates to Classtime

We've made a number of enhancements to Classtime, our app for occasional teachers. You can now seamlessly sync your added work days on Classtime with the default calendar on your mobile device or tablet. In addition, we've added an easy scrolling feature, allowing you to store the names of as many schools and teachers as you like into your app, so you can easily find them when making a new entry. Classtime is available for free download on iOS and Android devices.

Go online to www.otpp.com/PensionNewsOnline/ClasstimeUpdates and read about the other updates we've made.

You Asked Us... Pre-retirement estate planning

Why is it important to designate a beneficiary? Should I designate my spouse as my beneficiary? We answer these questions, and more, in the latest installments of our You Asked Us... video series.

www.otpp.com/PensionNewsOnline/YAU

The conversation continues at www.facebook.com/myOTPP and www.twitter.com/OTPPinfo.

We celebrated the 4,200 teachers who retired in 2013 in a Fun Fact Friday post on Facebook and Twitter. We also posted a pop quiz asking what year Teachers' became an independent organization. Fifty percent of teachers knew the correct answer (1990). It was at this time the Ontario government gave Teachers' the authority to diversify the plan's holdings and administer the plan.

In the interactive section of Pension News Online, we shared a video by co-authors Jim Leech, Former President and CEO of Teachers', and Jacquie McNish, Senior Writer at the Globe & Mail. The video breaks down three solutions to address today's pension challenges as discussed in their new book, *The Third Rail: Confronting our pension failures*.

NEWS BRIEFS

No need to buy back mandatory unpaid days

Putting Students First Act triggered a few changes for the 2013/2014 school year, including mandatory unpaid days for all teachers. With many of you taking your first unpaid day in December 2013, our hotline has been ringing with questions about buying back credit for these days.

We consider these unpaid days pensionable service. This means that if you were scheduled to work on a mandatory unpaid day, your employer will report credit and remit contributions on your behalf as they normally would if you were working.

So what do you have to do? Nothing. You will automatically maintain full service credit in the plan for mandatory unpaid days. There is no need to contact us to buy back credit for these absences.

April 30 Buyback reminder

If you have an approved leave of absence that ended in 2013, you have until April 30, 2014 to tell us whether you intend to complete your buyback and qualify to receive a pension adjustment (PA).

If you tell us you intend to buy back your absence before April 30, 2014, we will issue you a PA. Keep in mind, the PA will impact your RRSP contribution room.

To review your buyback history, sign in to *i*Access Web. Click on the "My Buybacks" tab and tell us whether you intend to buy back your absence. Even if you've decided to not buy it back at all, we ask that you let us know about your decision.

Teachers' bites into Burton's Biscuits

Teachers' reached an agreement to purchase UK-based Burton's Biscuit Company, the makers of Cadbury Fingers, Wagon Wheels and many more.

"With its portfolio of iconic brands, Burton's is set to lead the premium biscuit market for some time to come and use product innovation to appeal to consumers looking for delicious treats and snacks inside and outside the home," said Jo Taylor, head of Teachers' London office.

SAVE THE DATE

You're invited to our ANNUAL MEETING on April 10

Want more news about your pension plan? Attend Teachers' annual meeting.

Date: **Thursday, April 10**

Time: **4:45 p.m. – 7:00 p.m.**

Place: **The Carlu**
(444 Yonge St, Toronto)

The event includes a Q&A period and an opportunity to ask a Pension Benefits Specialist about your own pension.

Register to attend at **http://www.otpp.com/AnnualMeeting** by April 1. If you can't attend in person, watch the webcast live, or later at **www.otpp.com/AnnualMeeting**.

Have a question?
Send it to communications@otpp.com.

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

Ce bulletin est disponible également en français.

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