TEACHERS' PENSION PLAN
ONTARIO

PENSION I

A NEWSLETTER FOR ONTARIO TEACHERS
SUMMER 2014

Teachers' is ready for the future

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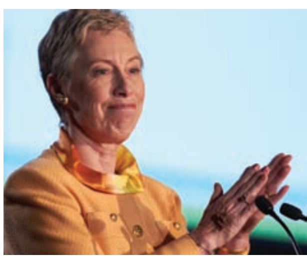
INSIDE THIS ISSUE

YOU ASKED... WE ANSWERED

About 600 plan members attended our 2014 annual meeting, held in Toronto on April 10, and many watched our webcast. Plan leaders announced our rate of return and set out the highlights from Teachers' 2013 Report to Members. Here are the answers to three of the most common questions we received from members leading up to and during the meeting.



Q. I'm a teacher just starting out in my career. What is my pension going to look like when I finally retire?

A. You will receive a pension when you retire based on your average salary and pension credit. However, we cannot predict exactly what your pension will look like because the pension plan will continue to adapt to changing member needs and economic times, just as it has since 1917.

Visit www.FundingYourPension.com and click on 'Track the Plan's Evolution' under 'Funding 101' to see how the Teachers' plan has evolved since its inception in 1917.

Q. Does the plan screen for ethical investments?

A. When we make an investment, we consider a variety of financial and non-financial factors, including environmental, social and governance. We seek to balance what we call the 3Rs – risk, return and reputation – to achieve the best risk/return balance for our members. We don't make an investment decision based on any single factor; we take the whole picture into account. All of our decisions are made with the goal of paying pensions today and long into the future.

To learn more about responsible investing at Teachers', visit www.otpp.com/investments and click on the Responsible Investing section.

Q. Can we invest extra money into the pension plan?

A. The legislation that governs the pension plan limits us to managing the money that comes to us through member contributions. We are not able to accept additional, personal contributions from members, or from people who are not members.

2013 HIGHLIGHTS: expansion, leadership and innovation

New leadership

In the summer, plan members learned that an internal candidate, Ron Mock, was selected to become the third President & CEO in Teachers' history. He took over from Jim Leech, who retired and will soon become the next Chancellor of Queen's University in Kingston, Ontario.

New Hong Kong office

We opened an Asian office in Hong Kong to complement our existing London and New York offices. Having Teachers' people on the ground in the world's largest economic zones means we can be prudent, direct investors and better business partners.

Service strategy entrenched

clarity SIMPLE PERSONAL INSIGHTFUL

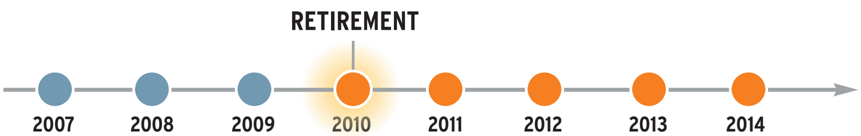
We implemented our new Clarity strategy. Aimed at ensuring Simplicity, Personalization and Insight, Clarity will be our focus when it comes to informing and assisting you and our more than 300,000 members.

Want More?

Learn more about our 2013 highlights in our latest Report to Members available at **www.otpp.com/AnnualReport**

SURPLUS WILL PARTIALLY RESTORE INFLATION PROTECTION FOR RECENT RETIREES

The Ontario Teachers' Federation (OTF) and the Ontario government are using the $5.1 billion funding surplus announced in April to partly restore inflation protection for teachers who retired after 2009.



OTF and government jointly sponsor the Teachers' pension plan. Together, they make decisions about contribution rates and benefit levels, including inflation protection.

Only members who retired after 2009 are directly affected by this change to inflation protection.

You are not directly affected – your pension increase will be based largely on the financial status of the plan when you retire. You do not bank or accumulate a particular level of inflation protection while you are working.

1. Why inflation protection changes

It can be confusing to hear that retirees' inflation protection changes from time to time. The change happens because OTF and the government use inflation protection as a tool to help manage fluctuations in the pension plan's funded status.

Think of it as a lever: when the plan has a funding shortfall (as it has in previous years), reducing cost-of-living increases for retired members can help to bring the plan back into balance. When there is a funding surplus (as there was on Jan. 1, 2014), the sponsors can use the money to partially or fully restore cost-of-living increases.

Inflation protection can only change on the portion of pension earned after 2009. Any pension credit you earned before 2010 remains 100% protected against inflation. Further, members who retired before 2010 will continue to receive full inflation protection.

Want More?

For additional funding information, visit **www.FundingYourPension.com**

2. How the preliminary 2014 surplus will be spent

In January 2015, pensioners who retired after 2009 will receive an annual pension increase of up to $50, depending on their personal circumstances.

This increase will restore their pensions to the level they would have been at if full inflation protection had been provided each year since they retired. In addition, they'll receive slightly higher inflation increases in 2015 (60% of the change in the Consumer Price Index, up from 50%) for the portion of their pensions earned after 2009.

You are not directly affected because inflation increases are based on the financial status of the plan when you retire. The sponsors' goal is to provide 100% inflation protection whenever the pension plan can afford it.

3. Why the surplus is being spent

OTF and the government, which jointly sponsor the plan, have a policy to guide their decisions on using surplus funds. Their first priority is to restore previously reduced levels of inflation protection.

After inflation protection has been restored, OTF and the government may consider other changes.

TEACHERS' IS READY FOR THE FUTURE

At the 2014 annual meeting, *Pension News Online* sat down with Ron Mock to talk about his first annual meeting as President and CEO of Teachers'.

"We had an opportunity to address the members tonight, and we got a lot of great questions," Ron told *Pension News Online* after the event. "We had a strong 2013. Reporting a surplus for the first time in a decade is good news; however, it is not a time for us to be complacent."

> The retirement landscape continues to change:
>
> - life expectancy is increasing so people are collecting pensions for a longer period of time;
> - the ratio of working teachers to retirees is declining; and
> - interest rates are low and continue to fluctuate.

This picture raises questions for young teachers and the long-term security of the plan.

"When we look at the plan's design for decades and generations to come, we're in a great spot. That's what the surplus this year was saying," continued Ron. "To deliver retirement security for decades, we have to take into account our investments today, interest rates today and how we will be managing the plan as we roll into the future. The plan is in a strong position and we will continue to manage through the volatility in the markets and changing demographics. It's about sustainability, and we are committed to the long-term sustainability of the pension plan for all generations."

In addition to touching on some of the demographic challenges, Ron discussed many of the member services' initiatives that took place last year. He also highlighted the direction we were heading with our investments, including introducing some new ones such as Hudson's Bay Company. Ron also spent some time speaking to members about the pride he has for Teachers'.

"First, Teachers' is a member-focused organization. Members are at the centre of everything that we do. Second, the talent that works at the Teachers' Pension Plan is acknowledged to be some of the best in the world. Third, we have a global brand. I travel around the world and wherever I land, I can tell you, Teachers' is known. And fourth, it's a defined benefit plan. Defined benefit plans are the way to go. They're the way to go to ensure retirement security. This plan is a living example of that. And so I'm very proud to be working for the organization and working for the Teachers' Pension Plan."

The theme of this year's meeting was Today for Tomorrow, and when *Pension News Online* asked if we were ready for the future, Ron replied:

> ***"Teachers' is absolutely ready for the future. We've got a great team in place, great opportunities in front of us. We're innovative. We have great agility, and that's just the culture of Teachers'."***

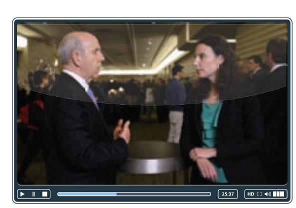
TEACHERS' FUND AT A GLANCE:

$140.8 billion
in net assets

$13.7 billion
in investment earnings

10.9%
rate of return

*all trends are as of Dec. 31, 2013



Watch Ron's interview on Pension News Online
www.otpp.com/PensionNewsOnline

AROUND THE WORLD WITH TEACHERS'

WE'RE ALWAYS ASKING: Where do we need to be next to get the best investment opportunities and results over the next decade? Jump aboard for a quick trip on the Teachers' Pension Plan Express. Each stop has an investment connection to your pension fund.

1. THE FACTS: North America

- $40+ billion in federal, provincial and corporate bonds
- Ownership in TMX Group, which runs the Toronto Stock Exchange
- Hudson's Bay Company, which bought Saks last year
- BluEarth Renewables, a Calgary developer of renewable energy projects
- Luxury goods maker Michael Kors

Investing in a Montreal renaissance

- Cadillac Fairview, our wholly-owned real estate company, plans to invest $2 billion in a 15-year project that will transform Montreal's downtown core.
- Known as Quad Windsor, the modern collection of new office and residential towers will dress up the skyline on Saint-Antoine and Peel streets. The project also features retail shops, improved connections to nearby districts and a large urban park.

2. THE FACTS: South America

- Chilean water utilities ESSBIO and Esval
- Grupo BTG Pactual, a Brazilian investment bank and asset manager

Investing in Brazilian real estate

- Multiplan Empreendimentos Imobiliarios S.A. is the largest shopping mall company in Brazil and also develops residential and commercial real estate.
- Multiplan was our largest public company holding at the end of 2013, with a value of $1.2 billion.

3. THE FACTS: Asia-Pacific

- Sydney Desalination Plant
- New Zealand timberland
- Kyobo, the largest life insurance company in Korea
- Samsung Electronics

Investing in Chinese ecommerce

- We own a stake in JD.com, which operates China's second-largest ecommerce company. It's a bit like Amazon and FedEx — combined.
- JD.com sells electronics, books, small appliances, sporting goods and other items online, and has built warehouses and logistics infrastructure across China to deliver those products to customers within a day or two.

4. THE FACTS: Europe and Africa

- ISS World, a facility services company based in Denmark
- Upscale clothing designers Helly Hansen and HUGO BOSS
- Brussels airport in Belgium and Copenhagen airport in Denmark
- Bristol and Birmingham airports in Britain
- South African financial services company Alexander Forbes

Investing in rail travel

- We are a co-owner of HS1 Ltd, which operates and maintains the 109-km high-speed railway between London and the Channel Tunnel.
- HS1 Ltd owns the stations along the route, including the restored Victorian-era St Pancras International, one of London's great transportation hubs.

PROTECTING YOUR PERSONAL INFORMATION

WE LIVE IN A WORLD where every person and every organization can be connected, where data lives both offline and online, and where communication is instant.

"We have more than 300,000 members of the Ontario Teachers' Pension Plan," said Teachers' vice-president of Client Services, Tracy Abel. "Protecting the privacy of their information is among our highest priorities."

Teachers' has policies in place to ensure our members' information remains private. Our approach includes many technical safeguards, clear procedures and comprehensive employee training. Here are just a few ways we are protecting your information and helping you maximize your own privacy.

1. We created a 'Document Centre' in *i*Access Web, our secure member website, for you to upload personal documents required to process your application when you are ready to retire (such as a birth certificate or a marriage license) – directly and securely to your account.
2. You can make banking account and beneficiary updates through *i*Access Web. We will send you a confirmation via mail and email, respectively, to confirm the transaction and reduce any financial risk. We do not accept this type of personal information over email or by phone.
3. We record all telephone conversations with members for internal use only, to ensure the quality and accuracy of information provided, and for purposes of plan administration.
4. When you call one of our Pension Benefits Specialists (PBS), we will always ask a few security questions at the beginning of the conversation to ensure we are speaking to the right person. Should you wish to authorize a third party (such as a spouse) to speak with a PBS about your account on your behalf, you must give us explicit consent.

We take great care to ensure your privacy. Recognizing the landscape that we live in is constantly changing, we will continue to evolve the ways in which we stay connected with you, while ensuring the privacy of your personal information.

Did you know?

You may have heard news reports about a software vulnerability that impacted many sites on the Internet, allowing for the possible theft of personal information online. Known as "Heartbleed", the bug affects software called OpenSSL. Teachers' applications are not vulnerable to "Heartbleed."

ONLINE BRIEFS

Retirement 411

Planning on retiring soon? Check out our retirement articles on *Pension News Online* to help you navigate through your planning. In our three-part series, we answered your most common retirement questions, broke down the important dates you need to know leading up to retirement, and took a closer look at areas that need your attention, such as survivor benefits.

Check out the series at www.otpp.com/PensionNewsOnline

REMINDER: Teachers' will never send you unsolicited email requests for sensitive or personal information. Should you ever receive a suspicious email that looks to be from us, do not click on it. Instead, call us immediately at 416-226-2700 or 1-800-668-0105.

MEMBER CELEBRATES 100 YEARS... AND A SECURE PENSION

Born and raised in a small town just outside of Stratford, ON, 100-year-old retired teacher Dorothy Adair began teaching in the 1930s. In those days, salaries were as low as $350 per year and women had to resign from teaching when they married. In fact, Dorothy waited about eight years until the policy was lifted to marry her teachers college sweetheart, Joseph. The two married in 1942 and later moved to Toronto where Dorothy taught at schools within the Toronto District School Board, including Givins and Deer Park Public School.

"I mainly taught grade one," said Dorothy. "I just seemed to blossom at it. I just loved teaching. My students used to call me Aunt Dorothy."

Dorothy and Joseph retired in 1972.

"We travelled all over the world when we retired. We didn't have any children so we were free to travel all the time. We went to Japan, Russia, New Zealand, Australia, Netherlands, South Africa, South America and Portugal."

"The Teachers' pension is wonderful," adds Dorothy. "I don't think we would have been able to travel like we did. We would have been thinking too much about how we were going to plan for our security. With our pension, we felt things were secure."

Today, Dorothy continues to receive her monthly pension payment as well as a survivor pension from her late husband, who passed away 23 years ago.

Dorothy is currently living in a condo in Toronto. For her 100th birthday, she travelled to Florida with her niece and a close friend, where the community threw her a birthday party.

Trends from our 2013 Annual Report*:

- On average, retirees are expected to collect pensions for 31 years
- The number of pensioners has tripled since 1990
- The oldest pensioner was 110 at the end of 2013
- The average age of pensioners is 70
- 126 pensioners are 100 years of age or older
- Our oldest member has collected a pension for more than 45 years!

*all trends are as of Dec. 31, 2013

Tips from a 100-year-old retiree

"In addition to your pension, you should plan for your retirement and have a little money put away."

Dorothy and Joseph retired with salaries of $15,000 and $27,000 respectively. "How could we travel on these salaries? We could if we planned for it."

She also recommends investing in medical benefits. "My benefits have been very helpful, such as when I needed knee surgery a few years ago."

Pension News Online asked Dorothy about her secret to living such a long and healthy life:

"I am not on any special diet. I eat everything and anything. You are what you eat!"

FACEBOOK CONTEST

Enter for a chance to

WIN 1 OF 3

$100 gift certificates

We are on a mission to stay connected with you.

Join Teachers' Facebook community to stay informed on the latest plan news and receive tips on what you need to know about the plan, all in one community with generations of teachers.

ENTER OUR CONTEST

If you haven't already liked us on Facebook, join our community at www.facebook.com/myOTPP.

Next, find the **'Mission 5,000'** post and 'like' it. You will automatically be entered into a draw to win one of three $100 Cadillac Fairview gift cards, redeemable at any Cadillac Fairview mall.

Any members of the plan can enter, regardless of whether you already liked us on Facebook prior to the contest. However, only members of the Ontario Teachers' Pension Plan are eligible to win.

Contest closes Tuesday, June 24, 2014 at 5:00 p.m. ET.
We will notify the winners directly the following week and announce the winners on our Facebook page.

NEWS BRIEFS

No need to buy mandatory unpaid days

The second of two mandatory unpaid days, which resulted from the last rounds of collective bargaining unit negotiations, took place in March 2014. As a reminder, 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.

Eileen Mercier to step down as Chair of the Board

Eileen Mercier will retire as Chair of the Board at the end of 2014. A management consultant and former senior executive, she joined the Teachers' Board in 2005 and was appointed Chair in 2007.

The two plan sponsors, the Ontario Teachers' Federation and the Ontario government, announced that Jean Turmel will replace Ms. Mercier as Chair on Jan. 1, 2015. Mr. Turmel, president of Perseus Capital Inc., has been a Teachers' Board member since 2007. He is currently Chair of the Board's Investment Committee.

Plan change: Spousal survivor benefits

In some cases, the amount of a spousal survivor benefit may fall below our threshold for payment as a monthly pension and survivors will receive a lump-sum payment. For example, instead of paying a spousal survivor benefit of $50 per month, we would send the survivor a lump-sum payment of the total amount they are entitled to.

This plan change became effective Jan. 1, 2014 and applies only to post-retirement survivor benefits, and it affects a small number of survivors.

For information on both pre- and post-retirement survivor benefits, review our Survivor Benefits brochure found on www.otpp.com/members.

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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