

PENSIONWISE

A PUBLICATION FOR ONTARIO TEACHERS

FALL 2016



The long view of buybacks

Why Vicky chose to pay
for both of her leaves

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THINKING OF WORKING DURING YOUR LEAVE?

There are a few things you need to pay attention to if you're considering working in education while on a leave of absence. If you fall into any of the following categories, take note.

Working for the same employer

When you work during your leave, a tax rule may complicate matters. Ideally, you want your absence to be treated as one buyback opportunity. There are two requirements to qualify for this treatment:

1. you must have worked for the same employer for a 36-month period prior to your leave, and
2. the salary you earn for employment during your leave must be lower than your pre-leave salary.

If you don't meet both of these requirements, the *Income Tax Act* requires us to set up multiple buybacks. This means you'll have different tax treatments and will have to contact us for assistance.

! If you're employed with the same employer on a less than full-time contractual basis for any period during an approved leave, you're ineligible to purchase additional service for the period the contract covers.

Working less than full-time

If you were on a part-time contract prior to your leave, you can only accumulate credit up to your *pre-leave* work percentage. For example, if you take a leave from a 50% position and choose to buy back your leave, the most credit you can accrue for that year is 50%.

It's important to know there's a limit on how much service you can accrue.

Close to retirement

The rate of pay for occasional teaching can end up having a negative impact on your pension.

Your best-five years' average salary is a key component of how we calculate your basic annual pension. Salaries are usually highest at the end of your career.

If you take a leave of absence close to retirement, and then work occasionally during that leave, it'll lower your annual rate of salary for that year. Why? When determining your annualized pensionable salary for that school year, we use *both* your annual rate and occasional rate.

Working extra days can increase your credit. But if you're nearing retirement, it may also reduce your best-five years' average salary and result in a smaller pension.

If you're in any of these situations, our advice is to be cautious. Contact us to see how working during a leave could affect your pension.

CONTACT US WHEN YOU'RE BACK

When you have multiple buybacks as a result of working during your leave, you won't see any information in your Buyback Centre.

Why? We have to account for all service that occurred during your leave, and can only do that in the fall after you return to work.

Contact us (1-800-668-0105) to confirm your buyback costs, payment options and tax situation.

THE LONG AND SHORT OF BUYBACKS

Vicky Mak-Tubbs spent time at home with her sons, while keeping her retirement on track, by deciding to pay for her buybacks.



Vicky's a full-time French teacher in Mississauga and a full-time mom to Sam, 4, and Lucas, 1½. With both boys she decided to extend her maternity leave until the beginning of the following school year.

"Finding a daycare spot for a one-year-old is difficult and ridiculously expensive. So, instead of going back in the middle of the school year, when my mat leaves would've been up, I chose to go back at the beginning of a new school year and have a fresh start," Vicky explains.

This type of thinking is common amongst her colleagues. Roughly one-in-four of the maternity leaves we see are extended beyond their original end date, and half of those extended leaves end on Aug. 31.

Deciding to pay for that buyback, whether you extend your leave or not, is still a big decision.

For her first buyback, Vicky visited www.otpp.com and explored the payment options while she was still

pregnant. She points to low interest rates as an incentive to hold off and wait until she went back to work before beginning her payments (our rates tend to hover below 1.5%). By waiting until she was earning a salary, she also maximized her tax benefit.

"It was never a question of whether or not I was going to pay for my buyback," Vicky says.

When it came to figuring out how to pay, Vicky relied heavily on the Buyback Centre in her online account. "When I'm able to read complex information and see it and navigate it for myself, I learn more than when someone tells me what needs to be done," she says.

"Having the website at my fingertips, and not just during normal business hours but at 3 a.m. when the baby was awake, was awesome."

Spreading the payments out over five years helped with affordability, she says. Living

solely off of her husband's income during her leave also helped prepare them. "If you go back to work and put off buying back, then you get used to having that extra income. It becomes that much harder to readjust your spending style back to the way it was before."

She maintains that the investment is worth it, both short term and long term. Not only has Vicky spent more time with her sons during their first years, she'll ultimately retire as though she had never taken the leaves.

**Give us a call
(1-800-668-0105)
to register for
an online account.**

FORGING NEW PATHS

Our investment team combines a steady hand with creativity and innovation to deliver returns for the long term.

We have more than 10,000 investments around the world and across a multitude of sectors to ensure we can pay future generations of teachers' pensions. Managing this portfolio means we have to stay on top of emerging trends, while maintaining a steady hand.

Recent global turmoil, like Brexit, has highlighted this need to maintain stability while seeking growth opportunities.

"We look forward to working with our existing companies in the UK, and on new opportunities through our London team, which will continue to co-ordinate our investment execution for Europe, the Middle East and Africa," said Bjarne Graven Larsen, Chief Investment Officer.

We meet our fiduciary duty to you by striking a balance between steady returns from investments such as government bonds, and seeking higher rates of returns through innovative investments such as the ones outlined below.

Here are recent examples of how being actively engaged, integrating environmental, social and governance risk assessments and diversifying across sectors and regions helps to provide a solid foundation for your pension plan.

What's the connection between healthy eating trends and a healthy pension?

Broad societal trends, like healthier diets offer investment opportunities.

Aroona Farms is one of Australia's largest growers of almonds, which are a great source of vitamins and minerals and have been shown to reduce the risk of heart disease. Aroona's almonds are enjoyed worldwide on their own, added to mixed nut products, and used in granola bars and other healthy snacks.

We invested in Aroona in 2014 (the same year it was created) and own a 99% stake. The company has 20 full-time employees between its main offices in Adelaide and two farms in Victoria and South Australia. The operation consists of 590,000 trees, covering about 20 square kilometres. We're expecting a return on our investment in excess of 10%.

Aroona monitors water use and soil moisture levels in real time to maximize water efficiency, using a sophisticated system that is controlled electronically.



How does active wear contribute to the sustainability of my pension plan?

In 2012 we acquired a majority ownership stake in Helly Hansen Group AS. Based in Oslo, Norway, Helly Hansen designs, develops and markets high-performance (and stylish) outdoor apparel.

Since acquiring our stake, we've worked with the company to revamp its management and refocus its product lines.

In 2015, Helly Hansen posted a 66% increase in earnings on a 20% increase in revenue.

Paul Stoneman, Helly Hansen's CEO, told the *Financial Times* that he attributes a large part of this growth in earnings to our active ownership. "They don't have the funding pressure of private equity firms but they do have the discipline of private equity investing. That was a healthy balance."

How does paying a toll in Mexico help pay my pension?

Infrastructure investments tend to have low return volatility over the long term. We recognized an opportunity to develop new partnerships and enhance our presence in Latin America by investing in a Mexican toll highway.

The Arco Norte is a 223-kilometre toll road that curves around the northern border of Mexico City.

We partnered with the Canada Pension Plan Investment Board (CPPIB) and IDEAL, a Mexican investment firm. With CPPIB, we contributed \$1.35 billion to obtain a 49% stake together in Arco Norte from IDEAL, which held 99% ownership. The transaction is subject to customary closing conditions.

We recognize there may be significant social and governance risks when investing in emerging markets, like Mexico. Our due diligence work includes identifying mitigating factors to make us comfortable with the risks we're undertaking. Our legal team worked closely with the deal team and our future investment partners to ensure our investment is protected from reputational and legal risks.

"Arco Norte is an attractive asset with long-term growth potential that will provide stable income to pay pensions," said Andrew Claerhout, Senior Vice-President, Infrastructure and Natural Resources.

CHECK OUT YOUR NEW PENSION STATEMENT



We've simplified your Statement of Pension Benefits, so now you'll see what matters to you most.

Need to know

Your pension is one of your most valuable financial assets, with a variety of benefits to help you maximize your retirement. But what it probably comes down to for you is simply, “when can I retire, and how much will I retire with?”

Now you get your key pension and personal information at a glance, on the very first page. You can see what you've earned so far and look ahead to see what your future pension will be, if you're still teaching.

To learn more, sign in and stay awhile

Your statement is a snapshot in time. For the most up-to-date experience, stay signed in after you review your statement and check out all your online account has to offer. There, you can find your full service record, and if you want to see more retirement projections, simply use the Pension Calculator.

DID YOU KNOW?

- 1** If you've turned 50, you'll no longer see your pension's commuted value (CV). Why? Once you turn 50, you're eligible for a pension and no longer eligible to withdraw or transfer your CV.
- 2** Your projected pensions are based on today's salary. As you move through your career, your salary will likely increase, and so will the values of these projections.
- 3** You'll see a bridge benefit amount. This benefit ends the month after you turn 65, or earlier if you start a disability pension from the Canada Pension Plan (CPP). By this time you'll likely be receiving a retirement pension from CPP, and that should make up for the difference in your monthly income once the bridge benefit ends.
- 4** You can review, and update if necessary, your personal details, including beneficiary designation, in the My Pension section of your online account.

DIGITAL BRIEFS

Keep up-to-date with plan news, as it happens.



Subscribe in your online Ontario Teachers' account



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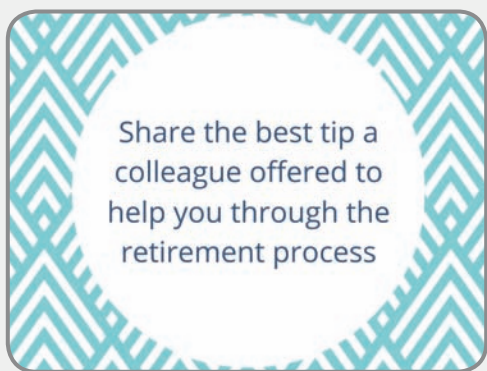
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TOM: Work through the pension calculation scenarios on the website... they are very helpful and quite fun. There were many afternoons and evenings spent playing with the idea of "if I go on THIS date, I'll earn this much vs. that much." It helped me stay until I reached my 85 factor. I am very grateful!

LEANNE: My retirement date was Oct. 31, but a colleague showed me that retiring at the end of June was a good option. I did retire in June and I love it!

Are you the new kid in school?

We've welcomed more than 700 new teachers to the plan this school year. If you're one of them, check out www.otpp.com/rookieteacher for tips to help you fire up your pension while you're getting your career going.

myOTPP 101



Is your turn to retire coming up? Check out the first installment of our **myOTPP 101** series, Preparing for Retirement. We offered up three tips through a Facebook Live broadcast. Missed it? Don't worry, you can watch it under the video tab of www.facebook.com/myOTPP. Then, head over to Pinterest and check out the Preparing for Retirement – myOTPP 101 board for even more tips and tricks. Share your tips for colleagues on our Facebook page.

Check out the smiles on the faces of your now-retired colleagues. We asked the Retirees of 2016 to share a snap of themselves on their first "official" day of retirement – the first day of school.



NEWS BRIEFS

Cheers to this investment!

We've acquired Constellation Brands Canada, the market leader in the Canadian wine industry.

Headquartered in Mississauga, the company operates three commercial wineries, five estate wineries, and 163 Wine Rack stores throughout Ontario. Wine labels on the roster include Inniskillin, Jackson-Triggs, Kim Crawford, Robert Mondavi, Ruffino, Sawmill Creek and Wallaroo Trail.

"Constellation delivers stable and predictable cash flows and provides us with an excellent investment platform in this growth industry," said Jane Rowe, Senior Vice-President and head of our private equity arm.

The \$1.03 billion transaction is expected to close by the end of 2016.

Focus on disclosing environmental, social and governance risk disclosure

Barbara Zvan, Chief Investment Risk Officer and Senior-Vice President Strategy and Risk, has been selected as a founding member of a group committed to improving the quality and comparability of sustainability-related disclosures to investors.

The Sustainability Accounting Standards Board (SABS) recognized that more and more investors are evaluating environmental, social and governance (ESG) risks, to help improve their organizations' long-term financial performance. SABS selected 14 representatives from leading asset owners to form the Investor Advisory Group (IAG).

The IAG aims to develop standardized, comparable information on material ESG factors, to aid investors in their decision-making processes.

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

We appreciate your comments about anything you read in *Pensionwise*.

Please email: member_communications@otpp.com

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