TEACHERS' PENSION PLAN ONTARIO

PENSION UPDATE

Season's Greetings from EIS

DECEMBER 2004

ANOTHER GREAT YEAR!

With another busy year coming to a close, we've highlighted some achievements made possible because of your dedication and commitment to our service goals.

In 2005 we will further empower employers by providing: all financial transactions on-line, an improved employee record page, enhanced leave verification, as well as better ESA functionality. We also expect to visit you more to assist in sharing best practices and provide hands-on training across the province.

Together we have made incredible gains in pension reporting over the past few years. These improvements have resulted in better and more reliable service for our members, and helped us realize a true partnership between our organizations.

We promised to work with you to put our past behind us—reconciling prior year accounts and resolving most of our historical discrepancies. Soon we will be working in an environment focused only on current employment information.

Now that is exciting!!

On behalf of everyone at Employer Information Services, thanks for another very successful year.

2004 HIGHLIGHTS

Over 90% of members have online access to personal information.

2001 and 2002 accounts reconciled.

Online:

- Web-based reporting for employers with less than 150 members
- Pensionable salary and contributions training module
- Instant messaging
- Employer-level service and data measurements
- 2,000+ employer sessions each month
- 22,500+ service record adjustments

Introduced Pension Reporting Compliance Certificate.

200 employers attended our workshops across Ontario.

WHAT'S INSIDE

FUNDING OVERVIEW

WANT MORE INFORMATION ON FUNDING? GO TO OUR CORPORATE WEBSITE: www.otpp.com

The Ontario Teachers' Federation (OTF) and the Ontario government (Ministry of Education) are the co-sponsors of the Teachers' Pension Plan. They negotiate the use of surplus and, when there is a deficiency, make the required decisions to ensure the plan is fully funded within a specified period of time.

With news reports about the financial challenges facing pension plans around the world, several public sector pension plans have made moves designed to keep their plans fully funded. Here's an overview of what's been happening at Teachers'.

In March 2003, the co-sponsors of the plan adopted a funding management policy. This policy was designed to provide a structure for the sponsors to determine when it's appropriate to change benefits, change contribution rates or hold the line on both.

VALUATION EVERY THREE YEARS

By law, a funding valuation must be filed with pension regulators every three years. The last valuation we filed was in 2003. A funding valuation can also be filed any year within the mandated three-year window if the co-sponsors decide to do so.

The funding valuation, conducted by an independent actuary, measures the plan's ability to pay pensions over the next 70 years. It takes into account investment performance and the cost of future pensions.

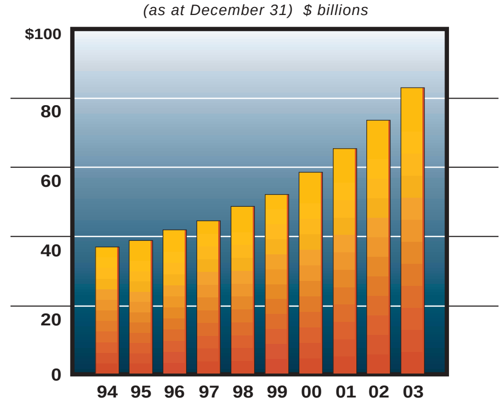
If the plan is in balance at the time the funding valuation is filed, then no changes are necessary in contribution rates or benefit levels. If the valuation shows the plan is not fully funding the cost of its future benefits, a contribution rate increase could be imposed to cover the shortfall.

KEEPING YOU INFORMED

Periodically, the co-sponsors review the plan's funding status and may make changes to safeguard the future of the plan. As these changes may have an impact on your business operations, we will inform you as soon as the co-sponsors announce plan changes.

Cost of future benefits

(as at December 31) $ billions

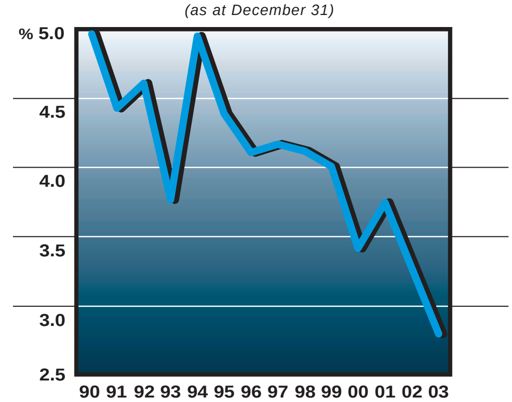


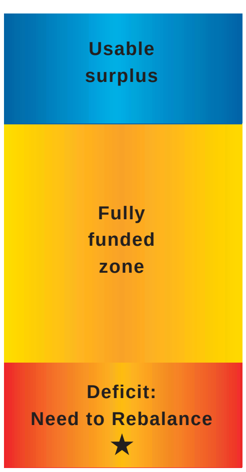
THE ACTUARY USES REAL INTEREST RATES (AFTER INFLATION) TO ESTIMATE THE COST OF FUTURE BENEFITS.

WHEN THESE RATES DECLINE, THE COST OF FUTURE BENEFITS GOES UP; CONVERSELY, IF RATES INCREASE, THE COST COMES DOWN.

Declining real interest rates

(as at December 31)





★ IN 2003, THE PLAN HAD A FUNDING SHORTFALL OF $6.2 BILLION

Continuing to Certify

93% fully compliant

With the end of 2004 fast approaching, we're working closely with many employers to complete our inaugural certification process.

Thanks to everyone who has worked diligently to complete this process—to date, 93% of those who have returned their document have certified that they are fully compliant.

Your compliance is critical to ensure our members receive accurate pension benefits. While the process has gone smoothly for the majority of those completing their certification requirements, we have encountered two common problem areas.

Pensionable salary

We identified several allowances that are ineligible for pension purposes (i.e., car, geographic, incentive bonuses). As a result, approximately 500 members, including 90 pensioners, have had ineligible salary removed from their records.

This may mean the estimates obtained for active teachers will change and we will need to recalculate the pensions for retired teachers. In addition, if someone has taken the commuted value of their pension, they would be required to return any ineligible portion of their payment.

Sign-off

We also received several completed packages that were signed by someone other than the senior financial officer.

If the senior financial officer delegates someone else to complete the process, we still require his or her signature on the certificate. We will contact employers directly to obtain the required signature.

We can help

We understand that pension reporting can be challenging and appreciate your disclosure and co-operation.

When negotiating contracts or exploring new concepts, please contact us if you are unsure of the pension treatment of existing or proposed compensation arrangements.

■

Fast Facts...

138,800+ Personal Statement of Benefits sent to members this fall

30,100+ members able to access an online, interactive pension statement

Always Learning

We've just wrapped up another busy and successful workshop season. Close to 200 employers traveled to five different locations across the province—this made our fall 2004 program one of the most well-attended in years.

From basics to hot topics

We opened and closed with workshops specifically on pension basics—in between these two workshops were five sessions focusing on a variety of hot topics, procedure changes and other emerging issues. In addition, we introduced a focus group discussion, based on participants' agenda submissions, as part of the program.

"Participants really enjoyed the group discussions we had during the afternoon. They were lively and informative for everyone, including ourselves," said Lorie Bissonette, Manager of Member Data and Employer Reporting. "Although our primary goal is to educate and train employers, we also learn a lot from those attending," added Lorie.

What we learned

Thanks to all attendees for your participation and valuable feedback, especially during our group discussions. Your comments and suggestions will help us focus on additional areas that need improvement.

During our discussions, one thing became clear—employers want more hands-on training for online reporting tools.

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What they said

"Always enjoy the workshops offered and come away with having learned something new. Good opportunity to see other boards have common questions/concerns."

Lori Thompson
Hastings and Prince Edward DSB

"I think it would be good to have TIM training (actual hands on) to enable me to use TIM more effectively."

Judy Weller
Grand Erie DSB

"I find these sessions most useful (& enjoyable) in providing new information and reinforcing existing information."

Ermine Stecura
University of Toronto

While most participants understand and appreciate the benefits of online reporting, some don't feel confident using the various tools. Based on this common feedback, we'll provide more hands-on training for our next series of workshops (spring 2005). In the meantime, we encourage you to work online and contact your team when you need assistance.

Contact us

Since our spring 2005 workshops will provide hands-on training, we need the proper facilities to ensure they are successful. If you have computer facilities and are interested in hosting a workshop, please contact us. ■

Briefly

Using forms

Over the past few years, the need to complete paper forms has greatly decreased thanks to several developments:

- **Payroll-based reporting**—we receive detailed data directly from you more frequently.
- **Internet**—online reporting options and processes replace forms.
- **Simplified purchase rules**—members contact us directly so employer involvement is not always required.

Go online for forms

- ✔ Sign-in to employers1.otpp.com
- ✔ Go to Forms
- ✔ Select eForms or PDFs

Use the Web

We encourage everyone to send us information electronically wherever possible—any paper form that you may have been required to complete is now available online. Once you've signed in to employers1.otpp.com, go to "Forms" and select the electronic (eForms) or PDF version of the form you wish to complete.

As part of our ongoing website development, we will be reviewing the forms section to analyze overall usage and determine required improvements.

Discard old forms for teachers

Please throw away all old forms you have in your office specifically for teachers.

We regularly update our most common forms for teachers (i.e., *Information Update*) and post the current versions on our website for them to obtain directly (these forms do not require employer completion). Please encourage your employees to visit our corporate website (www.otpp.com) if they request these forms from you. ■

December remittance

The December remittance is due on Friday, December 31. If your office is going to be closed and you plan to remit early, please contact your team and let them know.

Remember to provide both your back-up information and contributions by noon of the day you make your remittance. ■

2005 Contribution formula

The 2005 YMPE is $41,100—please use the following formula when calculating contributions next year:

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Reminders

Employment during an X/Y leave

When employees participate in a deferred salary leave plan (also known as X/Y leave), you hold back a portion of their salary and pay it to them during the year of their leave. Throughout this type of leave, you report 100% salary and service during the period of the arrangement.

Employment

Occasional—leave continues; employee will receive a refund of excess credit.

Contractual—leave ends; contributions eligible only for regular employment.

Some employees may work during the year of their leave—how this affects their leave depends on the nature of employment status during the leave.

When employees are hired on a contractual basis during the year of their leave, we will only accept contributions on behalf of the deferred salary leave plan up to the day of their return to contractual employment. If there is an overlap in contributions, we will return the deferred salary leave portion to you during the reconciliation process—we will consider them contributions received in error.

Encourage teachers to consider pension and possible tax implications when employed during a deferred salary leave. They may wish to contact a financial advisor or the Canada Revenue Agency directly regarding taxable income. ■

Pension adjustments

If you report on a payroll basis using the Ceridian or ADP system, we receive your employees' PA information directly from your payroll provider.

If you don't use one of these systems, you need to send this information to us for all of your employees who will have contributed to the plan in 2004. If your payroll extract doesn't provide this automatically, please remember to send it to us once you have finalized the PA amounts.

LTIP pensionable earnings information available online

Please review your LTIP employees' pensionable earnings (PE) information online. You need the PE amounts to calculate the PA for members receiving long-term income protection (LTIP) benefits.

Since this information is now available online, we no longer send paper reports (usually sent in January)—please go to the LTIP application and click "Pensionable Earnings". If you cannot access the information online, please contact us for a paper report.

Remember to provide end dates for LTIP claims—this impacts the values required for PA calculations.

Handbook updated in October

Please refer to Section 9, *Pension Adjustments* for all the information you need to calculate your 2004 PAs. We added the revised section to our websites in October and are sending paper copies to those of you who have a handbook. ■

Security breach?

✔ Call us immediately

✔ Change your password to our secure website

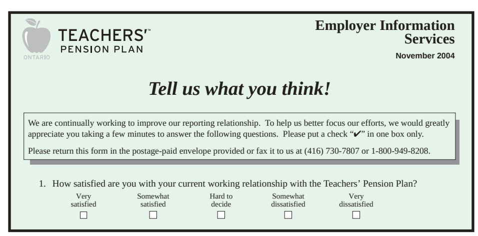
Privacy—Best practice

In October, an employer identified a breach of security involving its administrative database—an unknown and unauthorized person gained access to their database through the Internet.

The employer reacted swiftly and responsibly to this breach of security. If such a situation should arise at your board, school or organization, please do the same to ensure our members' privacy is protected. ■

Tell us how we're doing

Early last month, we sent our annual survey to the primary contact at each employer location—this year's one-page survey is green.



TEACHERS' PENSION PLAN ONTARIO

Employer Information Services

November 2004

Tell us what you think!

We are continually working to improve our reporting relationship. To help us better focus our efforts, we would greatly appreciate you taking a few minutes to answer the following questions. Please put a check "✔" in one box only.

Please return this form in the postage-paid envelope provided or fax it to us at (416) 730-7807 or 1-800-949-8208.

1. How satisfied are you with your current working relationship with the Teachers' Pension Plan?

Very satisfied	Somewhat satisfied	Hard to decide	Somewhat dissatisfied	Very dissatisfied
☐	☐	☐	☐	☐

If you haven't already, please take a few minutes to complete this short, one-page survey and fax or mail it to us before the end of the year. Your feedback will help us focus our efforts on improving our current working relationship and reporting processes. ■

Briefly, cont'd.

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TIM Update

Instant Messaging now available

Though many of you had to clear some technical hurdles, we've received positive feedback on Instant Messaging (IM) since its recent launch. IM, another communication option for you. provides instant, anytime access to your regional team.

If you need assistance setting-up IM, or experience any performance issues, please contact one of the following people:

Alexiis Walker-Stephen
416-227-7515 or
1-877-812-7989, extension 7515

Mark Greening
416-228-6841 or
1-877-812-7989, extension 6841

Ivan Rados
416-227-7522 or
1-877-812-7989, extension 7522

Thanks to our testers!

The following employers helped us test IM before its release:

- Donalda Johnson, Peel DSB
- Adrienne Lemieux, Sudbury Catholic DSB
- Bonnie Mitchell, Trillium Lakelands DSB
- Lorie Pidgen, DSB of Niagara
- Sharon Piwowarczyk, Thames Valley DSB
- Lori Thompson, Hastings and Prince Edward DSB

Holiday hours

During the holidays, we will have normal business hours except on the following days:

Early close (3:00 p.m.)
Friday, December 24 and 31

Closed
Monday, December 27
Tuesday, December 28
Monday, January 3

How to reach us

Our business hours are Monday to Friday, 8 a.m. to 5:30 p.m.

Please contact us whenever you need assistance or if you experience any technical difficulties while using our web applications.

Employer Information Services
Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario
M2M 4H5

Employers

Toronto area	(416) 227-7525
Toll-free	1-866-867-9147

Members

Toronto area	(416) 226-2700
Toll-free	1-800-668-0105

E-mail	eisinquiry@otpp.com
Employer Website	employers1.otpp.com
Corporate Website	www.otpp.com

Toronto area	(416) 730-7807
Toll-free	1-800-949-8208