TEACHERS' PENSION PLAN ONTARIO

PENSION UPDATE

JULY 2005

What the future holds at TPP

Focusing our efforts today in a way that reduces the work we all do tomorrow is one of several guiding principles at Teachers'.

It began in earnest about five years ago…our commitment to develop less onerous reporting processes, and provide you with dedicated support and effective tools. We continue to evolve, embracing technology to help make pension reporting more efficient and less complex.

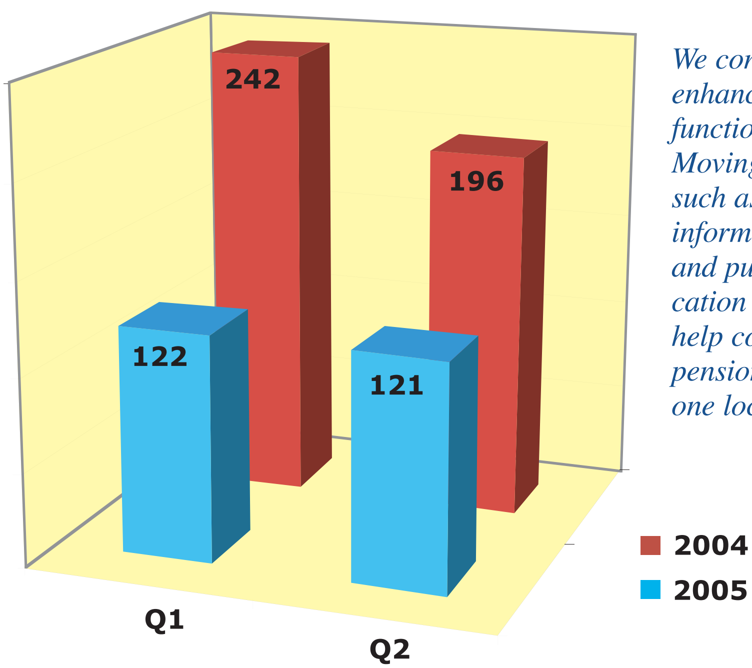
TIM leading the way

The introduction of the Teacher Information Management (TIM) system three years ago has changed the way we do business—many manual processes have become obsolete and current data is now available online. However, development never ends at Teachers'—relying heavily on your input, we will always look for opportunities to improve online functionality. Over the next two years, we will focus on several ambitious objectives.

Continue to move processes and communications online

To help you manage various reporting processes and communications, we want to create a main contact centre or inbox for you in TIM. In a secure, two-way communication environment, you will be able to retrieve, return and track the status of all requests for information that occur between your organization and your regional team.

Outstanding member information requests



We continue to enhance online functionality. Moving items such as member information requests and purchase verification to TIM will help consolidate all pension reporting in one location.

The ability to manage the employer contribution discrepancy (ECD) remittance online is the latest in a series of TIM developments. Here are a few more processes we want to completely transition to TIM over the next 18 to 24 months:

- ✔ **Reconciliation**—modify our site to make all information needed for reconciliation available online (i.e., no paper reports).
- ✔ **Member information requests**—when reviewing service records, we may identify issues or incomplete data. Items we currently fax, such as the weekly priority list, purchase authorization forms, etc., will be handled through TIM.

Continued on page 8

What's inside

2005 CERTIFICATION UNDERWAY

To raise accountability and instill confidence in pension reporting, we introduced two new annual processes in 2004. Pension reporting certification, the first of its kind for pension plans in Ontario, involved all employers while the pensionable salary review involved only four school boards.

OBSERVATIONS

From the feedback we received, these new processes generated many interesting discussions among our employer group. Employers identified and corrected a number of pensionable salary reporting problems (i.e., inclusion of ineligible earnings, including allowances for "Head of House", first-aid training, etc.). We also confirmed that re-employment continues to be one of the greatest ongoing reporting challenges—for us and employers.

One of the key benefits of the certification process was that it enabled us to correct reporting errors before many members applied to receive benefits from us. However, as with any new initiative, implementation had its challenges and learning opportunities.

Administrative delays occurred as getting the package to the right people at each organization—an unanticipated challenge.

For those employers that identified reporting problems, corrections were sometimes labour intensive—we appreciate the cooperation and effort of those employers. By working through issues and committing to process improvements, our members will enjoy a high degree of confidence in the benefits they receive.

Special thanks to 73 employers who returned their signed certificate by the September 30th deadline.

PROCESS REMAINS THE SAME

Other than sending the packages earlier this year, the process remains the same. We will once again focus on the following key plan provisions at your organization:

- eligibility,
- service credit,
- pensionable salary,
- contribution and remittance,
- cessation of employment,
- privacy, and
- designation criteria for private schools and organizations.

PACKAGES MAILED—EARLIER DEADLINE

All employers received this year's certification kit before the end of June. Based on updated contact information we have compiled since last year's mailing, we will do our best to ensure the package reaches the people responsible for completing the certificate.

The package included a covering letter, brochure and postage-paid return envelope. Please ensure that your Chief Financial Officer or equivalent completes, signs and returns the certificate by August 31, 2005. ■

2004 BY THE NUMBERS

88%	REPORTED FULL COMPLIANCE
7%	STILL UNDER INVESTIGATION OR BEING RESOLVED
5%	IDENTIFIED NON-COMPLIANCE ITEMS
$2.6M	PENSIONABLE SALARY CORRECTIONS

IMPORTANT REMINDERS

- ✔ **All employers, including those that did not have eligible employees for the reporting period, are required to complete the certification process.**
- ✔ **Your Chief Financial Officer, or most senior financial officer, must sign the certificate.**

FAIR TREATMENT

The annual certification and pensionable salary review processes help us ensure all members receive fair and equitable benefits based on their employment. There has been considerable interest in the press and from our members recently about benefits being inflated based on ineligible earnings.

We have assured our members that processes do exist to prevent such things from occurring. Where errors in reporting come to our attention, we will make the proper adjustments and if necessary, members will be responsible for returning payments.

Briefly

New collective agreements and retroactive adjustments

Over the past few weeks, many of you have signed new collective agreements. If you haven't already, please provide us with the details of your new agreement and settlement as soon as possible—handling it will help us interpret your payroll information when we receive it and ensure your employees receive accurate benefits.

For employees who have applied to retire, your new agreement may affect their pension calculations.

Adjust salaries retroactively

When your employees apply to retire, we estimate their earnings based on the information we have at the time we process their application (usually the reported rate of pay). When we receive your updated collective agreement information, we will begin using the new rates for individuals applying for pensions in the future.

Increases small

Monthly pension increases stemming from retroactive salary adjustments are usually small. Here's an example:

- **Annual starting pension—$40,000**
- **Salary increase—2%, retroactive for one year**
- **Monthly increase—$14**

For individuals that have already received a calculation of their benefit, we must recalculate the pension benefit if the new agreement changes our assumptions—for example, if the retroactive settlement increases your employees' best five-years' salary.

Automatic recalculation

Your employees do not need to contact us for a recalculation—we will automatically recalculate affected pensions this fall.

In addition to the higher monthly pension, affected employees will receive a lump-sum payment representing the difference between their old and new pension amounts, plus interest. ■

E-statement award recognizes commitment to PBR

Without your ongoing commitment to our ambitious initiatives, including the adoption of payroll-based reporting (PBR), we wouldn't be able to provide our members with new and innovative services.

For example, last year we introduced an online personal statement of benefits for members, the first interactive statement of its kind in the world. These statements are continuously updated as new service is reported—with PBR, our members receive more current data and more accurate projections.

Benefits Canada award

We recently received an award for this statement, ranking first for "best online strategy" by *Benefits Canada* magazine (featured in June issue).

The member e-statement was judged best in its class on the basis of creativity, clarity of message, vibrancy, uniqueness and ease of use. It was also recognized for its ability to educate members.

Important role

You continue to play an important role in our ability to improve our services to members—thanks!

■

Your employees do not need to contact us for a recalculation of their pensions. We automatically recalculate them in the fall.

A DAY IN THE LIFE... BALANCING AND

Learn more about the roles and responsibilities of staff in Employer Information Services. Effectively managing their daily workloads is key to a good working relationship with you.

Between telephone calls, e-mails, workshops and board visits, you have all spent time with Employer Information Services (EIS) staff over the years. This year, we're trying to increase the number of board visits—they are an efficient way to help you meet specific targets (i.e., reconciliation) and better understand pension reporting requirements.

However, as eager as we are to visit you more often this year, time away from our office does have an impact on the overall productivity of each of our four regional teams. To find the right balance, we work closely with you to establish goals, determine the appropriate time(s) for making a personal visit and ensure that we have clearly defined objectives for what we'd like to accomplish during a visit.

To help you better understand how we work, here's a review of how our department operates.

FOUR REGIONAL TEAMS SUPPORT

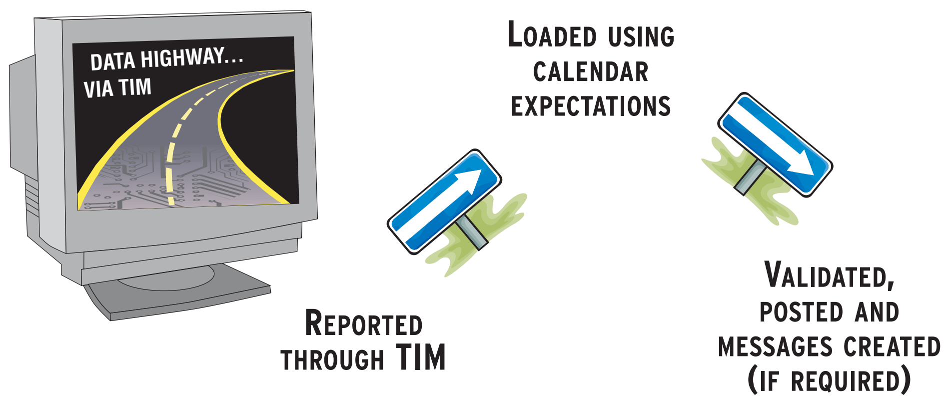
We currently have four regional teams—there are approximately 54 employers per region, representing 44,000 members. Each team consists of a team leader, senior analyst and analysts (average five people per team).

We assign one person to act as the primary contact for each employer—however, everyone on the team works with your data and is available to assist you.

Each person on the team is also responsible for at least one of our objectives or reporting products (i.e., reconciliation, ESA, LTIP, validation, etc.).

Here's a brief look at the different positions within EIS:

ON THE DATA TRAIL: RECEIVED



EIS TEAMS

Manager—supervises regional teams, accountable for several departmental initiatives.

Team leader—coordinates effort of team, deals with issues and responsible for departmental results; also acts as mentor for senior analyst.

Senior analyst—acts as back-up for team leader, handles special projects, acts as coach for less experienced analysts.

Analyst—reviews data, usually first to identify issues.

DAILY ROUTINES

For most analysts, their day begins with an assessment—they will check their voicemail and e-mail to ensure there are no issues requiring their immediate attention.

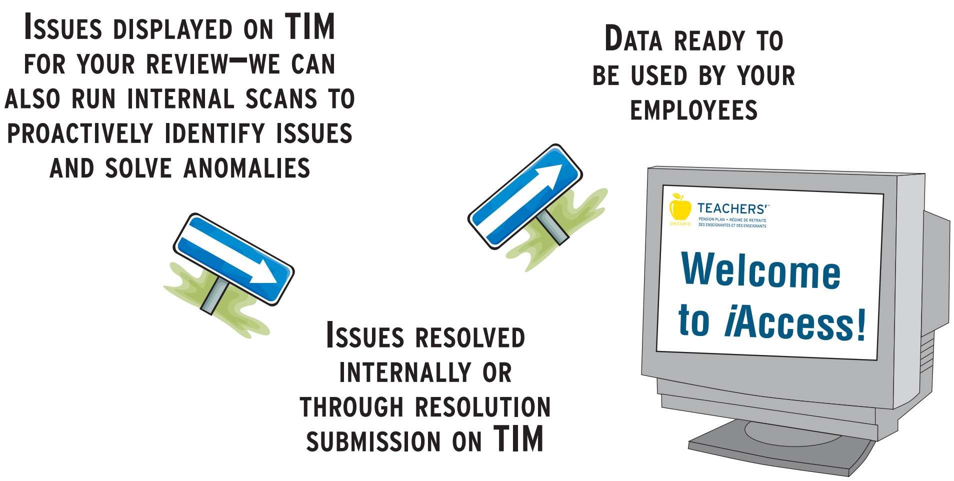
If there are no urgent messages, they will prioritize their workload for the day—these priorities will change based on time of year, monthly remittance cycles, etc.

In addition to the Teacher Information Management (TIM) system, everyone in EIS uses many different internal tools on a daily basis (see sidebar on page 5). These tools help perform the following functions:

- Store data, including all pay process information, and statistics
- Analyze incoming data—approximately 15,000 member records are loaded each night

PRIORITIZING KEYS TO GOOD SERVICE

AND RESOLVED THROUGH TIM



- Set priorities and expectations—review all account statuses, goals, etc.
- Contract settlements—established tracking system to monitor negotiations, proactively obtain new calendar information
- Review information for members with specific service requests—if we have concerns or if information is outstanding, we will contact you
- Ongoing employer education and training

COOPERATIVE EFFORT AMONGST ALL EIS STAFF LEVELS

Everyone in EIS works closely with their managers and the director, Mila Babic, to effectively set priorities and balance their daily workloads.

Striving to meet our ambitious goals can be challenging at times. However, with the continued dedication of our staff and your assistance, we'll continue to provide your employees with better service each year. ■

"Claude Lamoureux, our President and CEO, credits Teachers' success to the talented staff of our organization. In EIS, we know we have a dedicated group that works hard to ensure that members have data they can trust and employers have the support they need. "

Mila Babic,
Director, Employer Information Services

BY THE NUMBERS

EIS staff relies on several internal systems and databases to help them manage their daily routines. Thanks to these systems, information is quickly and readily available, enabling all EIS staff to work independently on an individual and team level.

- ✔ **Validation—our main data checking and interpretation system has approximately 350 formulas and runs when we receive data, throughout the year and at reconciliation.**
- ✔ **Service—with PBR, our main database now stores more than 32 million pieces of service. From 1917 to 1996, before PBR, the total was "only" 10 million.**

  We load approximately 16,000 pays per year and post 15,000 employment records each night—adding over four million records each year.
- ✔ **Calendars—the cornerstone of benefit credit accrual, we add approximately 950 calendars each school year.**

Reminders

Protecting privacy

Protecting the confidentiality of your employees' personal information has always been important to our organization.

We implemented our Privacy Code in early 2004 to meet a model code incorporated in federal privacy law. With this code, we renewed our commitment to protect your employees' privacy when we collect, use and dispose of their personal information.

E-mail not secure

Electronic communication such as e-mail has become one of our primary means of conducting our day-to-day business with you. Because it is not a secure method of communication, please avoid sending personal information about your employees using this method.

For example, today there are a few ways we safely send and receive personal information:

- **Secure fax**—our fax machine is not in an open area
- **Online**—Instant Messaging (IM), event reporting and file attachments through TIM

Next year, we expect to deliver a secure e-mail channel and employer inbox through the Teacher Information Management (TIM) system, our secure website.

Moving away from SINs

While most employers have established employee identification numbers, we have historically relied on Social Insurance Numbers (SINs) to identify plan members when communicating with you.

Next year, we will develop a plan to transition our systems and processes from SIN to an alternative identifier (not yet determined). As SINs are one of the most sensitive pieces of personal information, reducing its use will help further protect your employees' privacy. ■

Defining personal information

Personal information includes, but is not limited to, the following:

- social insurance number
- member name, spouse, former spouse, survivor, or beneficiary
- age, date of birth, date of death
- sex, sexual orientation, marital or family status
- education and qualifications, employment, retirement date
- salary, tax, pension income, other income or financial transactions or affairs

Reconciliation targets

	Completed	Target Date
2003 accounts (including LTIP & ESA)	76%	June 30
Outstanding historical discrepancies	45%	August 31

We're continuing to make good progress toward this year's reconciliation goals. To date, 142 employers have closed their 2003 accounts.

Historical discrepancies now on weekly Priority List

In April, we added the total number of outstanding requests for historical discrepancies to your weekly Priority List (sent by fax). This helps keep you informed of the total number outstanding for completion by August 31, 2005.

Since launching this enhancement, you've made significant gains toward the completion target—we're more than half-way there!

Visits add value

Over the past two months, we have traveled across the province to visit many of you—these visits have been very beneficial as we continue to focus on reconciliation. Not only can we help you work through some of your more difficult reconciliation issues, we gain a greater understanding of your operations and the challenges you may face.

If you need assistance or are having difficulty meeting the completion targets, please contact us as soon as possible. ■

Re-employment window set to close August 31, 2006

In September 2001, the Plan Partners introduced a five-year window for re-employment in education. During this period, pensioners could work a maximum of 95 days in any school year without affecting their pension.

After August 31, 2006, the re-employment limits that were in effect prior to September 1, 2001 will once again apply:

- ✔ Maximum 95 days per school year for the first three years of re-employment (the three years do not have to be consecutive).
- ✔ Maximum 20 days in any school year for subsequent years.

Transition period

When we revert to the previous re-employment limits, you may have pensioners that will have already reached their 95-day limit for one or more years. These years will count toward the three-year 95-day limit if they occurred before the temporary provisions went into effect (September 1, 2001). The years taught during the window period *do not count* toward the three-year limit.

Example

Jane retired on June 30, 1997 and has been re-employed at various times since then—the chart shows a summary of her past re-employment and future limits (window period highlighted in red).

School Years	Jane's Limit	Days Taught
1997/98	95	45
1998/99	95	15
1999/00	95	95
2000/01	20	20
2001/02	95	95
2002/03	95	60
2003/04	95	60
2004/05	95	95
2005/06	95	
2006/07	20	
2007/08	20	
All other	20	

Jane can teach for up to 95 days in the upcoming school year, the last year covered by the temporary rules. When the old provisions return on September 1, 2006, she will only be able to teach up to 20 days in a school year without affecting her pension. ■

Qualification issues = No annual statement

As we approach another annual statement season, please resolve as many issues as possible using your Work Centre in TIM. The more issues we resolve, the more complete and accurate the information will be for your employees—online and on paper.

It's especially important to focus on the following two issues:

- No qualifications found on file
- Service outside qualification period

If these issues remain unresolved, those employees will not be able to receive an annual statement of benefits this fall. ■

Enrolment forms not required

Thanks to payroll-based reporting (PBR), you don't have to provide your new employees with an *Enrolment Form (0145)* to complete.

When we identify new employees from your payroll transmissions, we automatically create an account for each new employee. Using your data, we send them all relevant plan information and collect additional personal information from them directly. ■

Typical questions asked by employers

Q If principals work on a 12-month calendar and they retire June 30th, can we pay out their vacation owing and have their pension begin on July 1st?

A Administrative employees, such as principals, normally have required work days on their calendar for July and August. Therefore, if they retire at the end of June, their pensionable salary for their final year of employment would be based on approximately 10/12 of their annual rate of pay (days worked/work days in their calendar). Any accrued benefits paid at the time of termination are not pensionable.

WHAT THE FUTURE HOLDS, CONTINUED

Continued from page 1

MOVING FROM CHEQUES, NDDS TO INTERNET BANKING

Another key area of development involves monthly remitting. While most employers regularly use TIM to send us back-up remittance information each month, your actual fund transfers currently occur by telephone (Royal Bank's National Direct Deposit Service, or NDDS) or in some cases, mailed cheque.

One area we will continue to investigate closely is using the Internet for transfers of your monthly remittance. The biggest challenge is the current inability to identify when you make your monthly online deposit with the bank. Once this and other challenges are resolved, we will work to transition all employers using cheques and NDDS to Internet banking.

INTERNET BANKING STATS

Online banking has taken off dramatically the past few years. In a study conducted by Pew Internet & American Life, the number of U.S. Internet users doing some form of online banking has grown by over 250% in the last five years!

ELIMINATE LESS EFFICIENT PROCESSES

Another target is the elimination of as many paper reports as possible. Last year, we added pensionable earnings information online—with just a few clicks, you have the information you need to calculate pension adjustments (PAs) for your LTIP employees.

We will continue to look for opportunities to move information that is contained in many of our existing paper reports (i.e., statement of account) to TIM. ■

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