TEACHERS' PENSION PLAN ONTARIO

PENSION UPDATE

MARCH 2010

Say good bye to ESA!

As you say good bye to an often challenging administrative process, we prepare to deliver new and exciting services to our members.

The rumours had been flying for months before we were finally able to confirm them—you will no longer have to administer ESA leaves for your employees.

"Alleluia!! Praise the Lord!!! My prayers have been answered."

Rocki Guzzo,
Director of Administration
Holy Trinity School

Ms. Guzzo's response echoed comments across the province when employers first heard about the changes.

"Transitioning ESA administration to TPP just makes sense, says Mila Babic, Director of Employer Information Services.

Adds Mila: "This change allows each of us to do what we do best: TPP specializes in providing members with timely benefit information and employers are experts in teacher contracts and career events. Finding the most efficient and effective way to manage this information will result in dramatic improvements to the member buyback experience."

Who does what?

Leaves start...	TPP	Employers
Before Sept. 1, 2010*	Work with employer to complete reconciliation of all existing ESA leaves	Resolve all issues, complete quotes and reconcile ESA earnings
After Aug. 31, 2010	Administer leaves—provide counseling and quotes, and manage payment process	Report absence details through TIM

** if an absence starts in July or August but there are no work days until the 2010/11 school year, the leave falls under the new rules*

Coming soon...

See page 8 for details!

Recap

Effective Sept. 1, 2010, we will manage cost and contributions for all leaves that fall under the *Employment Standards Act* (ESA). This means:

- Your employees will buy back credit directly through us during or after their leave.
- As we do for all purchases made through us, we will issue tax receipts and pension adjustments (PAs).

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What's inside

Buyback changes coming in Fall

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The immediate impact

If you currently use TIM to administer your ESA leaves, there are some specific dates we are working toward to complete the transition process.

Over the next few months, we're aiming to complete the reconciliation of all quotes that started in 2008 and 2009. This includes resolving all issues and ensuring that all quotes are financially complete. We will encourage all employers to complete the reconciliation of all ESA absences that start between January and September of this year by early 2011.

Providing consistent, proactive service

You will continue to play a key role in our ability to provide exceptional service to our members.

With Teachers' taking over ESA administration, your employees will now receive one cost from one source for all types of absences. This streamlined process will enable us to provide your employees with the information and counseling they need to make their personal buyback decisions.

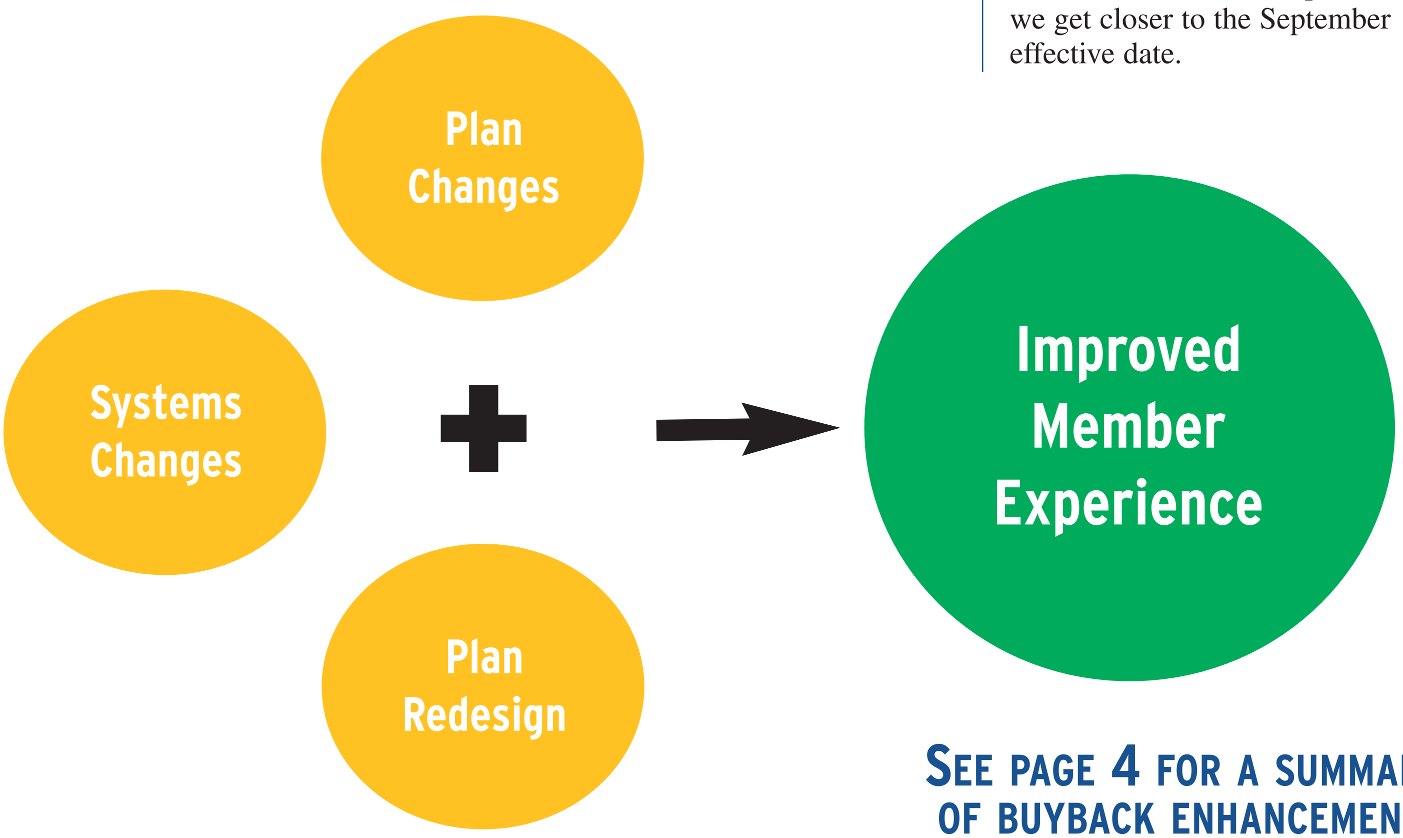
However, you will remain an active and important participant in the buyback process!

When you report event information in the future, it will act as a trigger for us—we will initiate a proactive communication for the member taking the leave. So providing information to us as soon as an absence is approved will be critical to our success.

Where we are now

While your team works through the transition process with you, we will continue to design modifications to both TIM and our internal systems in preparation for the official takeover of ESA in September. We appreciate your patience as we live in the current world of ESA reporting and prepare for the new one simultaneously.

Watch for additional updates as we get closer to the September effective date.



See page 4 for a summary of buyback enhancements

Making it work under one roof

Have you ever lived through a major home renovation? While it can be inconvenient and frustrating at times, the end result is always worth it.

When it comes to your relationship with us, think of TIM as your home away from home. As your primary tool for pension reporting, it is the place you go to communicate with your team and find information. TIM provides access to millions of pieces of data!

Just as there are many personalities, functions and things in your home, there are many different facets of the information living in TIM. Making them work more cohesively under one roof, for a diverse range of users, is one of the greatest challenges we face.

Evolution of data collection and analysis

First it was annual reporting, then payroll and web-based reporting. We went from collecting and analyzing data annually to reviewing it much more frequently.

With millions of pieces of data to review, we needed to build a tool that would help manage this process. That's where the Teacher Information Management (TIM) system came in.

Like any starter home, TIM has grown and changed over the years. After consolidating the ESA application into TIM in 2001, regular additions were made: first it was a contribution application, then one for service reporting. Those were followed by purchase verification tools and the Work Centre.

How it will work

- ✔ Load new paydate
- ✔ Add to school year-to-date total
- ✔ Compare to contract information:
  - Aligns with existing information—pass
  - Doesn't align—question

To you, these changes appeared under one roof in TIM. For us, they involved years of development of many different and complex systems.

While we have always tried to minimize the impact of additions and changes to TIM, we've reached a point where the various systems co-exist but do not work as efficiently as they should.

Focus on member service

In addition to systems and process complexity, members' needs evolve and service expectations continue to increase.

Our TIM redesign is just one of the many changes that will position us to deliver increased proactive services, customization and choice to members. Our goal is always to anticipate member needs and surpass their expectations.

New way of doing things

One feature of our new model will be to simplify data measurement by reviewing the school year as a whole. We want to stop focusing on the granularity from pay to pay and reduce the noise that exists in your Work Centre.

Here's how it will work. When a new pay date is loaded, it will be added to the school year-to-date total and compared to the contract information to determine if it is correct. If the information we received isn't consistent with the member's contract expectations, we will consider the school year misaligned and ask you about it.

Our current model of measuring each pay date individually has some inherit shortcomings. While it does present you with issues as soon as our systems cannot validate the reported pay record, it does not allow us to compare salary patterns year over year, or integrate pay information with absence details.

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DATA ASSESSMENT AND BUYBACKS

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Even though you resolved the payroll issues when they occurred, we often had to ask you questions—how leaves of absence integrated with your pay records or the reasons for an irregular salary progression when a member went to draw a benefit.

The new model will align payroll service, absence information and contract details. This modern validation model will take into consideration the ideal flow of all information—sort of like pension feng shui!

BLENDING TWO WORLDS TOGETHER

So the kitchen is done and now you need to paint the walls.

You want red but the family room connected to the kitchen is green—that just won't work. So now you have to consider painting the family room a new colour so that it works with your brand new kitchen.

That pretty much describes how things will evolve over the next few years. New features will need to blend together and co-exist with the existing ones while we continue to develop improvements. In addition, we will be required to update our systems to implement legislative changes, such as the buyback process.

It's an ongoing process all designed to ensure everything "in the house" works together and is running as efficiently as possible.

SUMMARY OF BUYBACK ENHANCEMENTS

Our takeover of ESA administration is just one aspect of the plan changes approved earlier this year. Here is a summary of five enhancements that are designed to make the buyback experience a better one for your employees.

1. **Five years to pay–**once an employee's leave ends, they have a five-year deadline to pay for their buyback. Instead of paying in one lump sum, they will now have the flexibility to pay what they want, when they want. The only exception is for work outside of Canada—if you arrange for an employee to work outside of Canada during their leave of absence, they must pay during the leave.
2. **Interest begins at end of leave–**if employees have a balance remaining on their buyback, it will not be subject to interest as long as they are still on leave. Interest will only start to accumulate on the unpaid portion of their buyback when their leave ends.
3. **Use RRSPs to pay for ESA leaves–**your employees can now use RRSPs to help pay for all leaves of absence, including ESA leaves. As you know, members can only transfer RRSPs to pay for leaves that are directly paid for through us.
4. **More stable cost for leaves that span multiple years–**when calculating the cost of a buyback, we will use the salary and contract percentage at the time of your employee's leave as a base, and apply a standard salary adjustment every school year. This method will give your employees a more stable cost so they can budget accordingly.
5. **Part-time credit will be eligible for full qualifying credit–**part-time teachers who want to buy back the year of their absence will receive a full year of qualifying credit beginning with the 2010/11 school year.

PERIOD OF CHANGE

While the new model will result in significant efficiency gains and dramatic member service improvements over time, living through the renovation will not always be easy.

The concepts will evolve as our project teams develop the new approaches. As always, we will undertake significant employer consultation and endeavour to keep you well informed as we work out the construction plans and delivery dates.

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CONDITIONAL INFLATION PROTECTION

WHAT CIP MEANS TO YOU

Only matching employers will receive new invoice.

Do you normally match pension contributions? If so, you will be receiving a new invoice in the future.

Conditional inflation protection (CIP) was one of the changes introduced to address the plan's ongoing funding challenge. It was introduced by the Ontario Teachers' Federation (OTF) and the Ontario government in the fall of 2008.

SHARING COSTS

As we told you in a special notice last December, this provision has cost implications for employers—more directly for those who normally match pension contributions.

If members' benefits are reduced due to the application of CIP, both the government and matching employers will need to make extra payments equal to any cost-of-living increases members forgo due to a funding deficiency.

If you don't match contributions, you will not receive any invoices for additional contributions (we will bill the government directly).

COST IN PROPORTION TO MEMBERS' SALARIES

The OTF and government do not intend to invoke conditional inflation protection for pensions before the next funding valuation is filed with the provincial pension regulator (sometime before Oct. 1, 2012).

While CIP wasn't invoked for 2010, members terminating from the plan will receive lump sum payments based on revised assumptions for the future value of their benefit. The total foregone inflation bill arising from lump sum payments in 2010 for all matching employers is estimated to be in the range of $2,000.

It's important to note that this $2,000 would be divided between *all* matching employers.

Each matching employer's invoice will be in proportion to the pensionable salaries of their members in 2010. We expect to send our first invoices in September 2011 for payment due in January 2012.

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WHAT CIP MEANS TO YOUR EMPLOYEES

Inflation protection for pension credit earned after 2009 is conditional on the financial health of the pension plan. After retirement, inflation increases for this portion of pension credit range from 50 per cent to 100 per cent of the change in the Consumer Price Index (CPI). This change is effective Jan. 1, 2010.

For those members retiring after 2009, annual inflation adjustments are based on two components:

1. **The portion of pension credit earned up to the end of 2009 is 100 per cent protected against increases in the cost of living, as measured by the CPI.**
2. **The portion of pension credit earned after 2009 will be 100 per cent protected against increases in the cost of living as long as the plan has sufficient assets. If the plan has insufficient assets, annual cost-of-living increases for pension credit earned after 2009 will range from 50 per cent to 100 per cent of the change in CPI.**

POINT THEM IN THE RIGHT DIRECTION

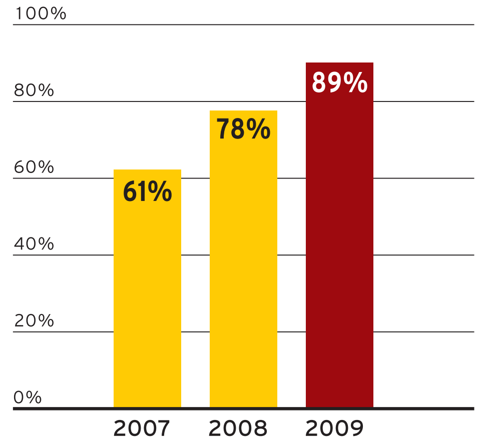
Retiring members value speed and convenience of iAccess Web.

Whether you have employees that can't wait to retire or are somewhat reluctant, one thing they don't have to worry about is the application process.

Thanks to *i*Access Web, our secure, members-only website, your employees can retire online in six easy steps. Once they've signed into *i*Access, all they have to do is:

1. **Tell us when they want to begin their pension.**
2. **Verify their contact, personal and survivor information.**
3. **Answer a few benefit-related questions.**
4. **Tell us where to deposit their monthly pension.**
5. **Review their application and submit it online.**
6. **Print their online application for their records.**

ONLINE PENSION APPLICATIONS



WE EXPECT MORE THAN 4,000 RETIRING MEMBERS TO APPLY FOR THEIR PENSION ONLINE BEFORE THE END OF THE YEAR. THE CHART SHOWS JUST HOW MUCH THE ONLINE PROCESS HAS GROWN THE PAST FEW YEARS.

TYPICAL QUESTIONS ASKED BY EMPLOYERS

Q Can teachers participating in a deferred salary leave retire without returning to work?

A The Teachers' Pension Plan does not require members to return to work after a deferred salary leave.

However, there may be negative tax implications if your employees don't return to work. To receive preferential tax treatment, the Canada Revenue Agency requires employees to return for a time at least equal to their leave.

Please ensure you inform your employees of this guideline when making arrangements for deferred salary leave plans.

Q I really enjoyed receiving your weekly TIM Bits. Can we get them back?

A Yes. We are currently reviewing our content schedule and plan to reintroduce a weekly email tip in April. We're going to expand it beyond "TIM" tips and use the weekly email to provide other important reminders and tips to help you with all aspects of pension reporting. Watch your inbox for "Pension Bytes" in April!

BRIEFLY…

IT'S BACK—RECONCILE TO WIN!

Complete 2008 by April 30.

The contest is the same, your window of opportunity is just a little tighter.

With more than half of employers already reconciled for 2008, we're challenging the rest of you to complete the process by April 30, 2010. All those that do will be entered into our draw.

EARLY RECONCILERS ALSO ELIGIBLE

Don't worry—if you're already done, you're eligible too.

In fact, those of you that reconciled 2008 before Dec. 31, 2009 will have twice the odds of winning—we'll enter two ballots on your behalf!

TIME TO SEND 2010/11 INFO

It's never too early.

It's warming up outside, a sure sign that spring is around the corner. The start of a new season also signals the beginning of our collection process for the upcoming school year.

PAY SCHEDULES AND WORK DAYS

How we collect work days for teachers depends on whether you are a school board or designated employer:

- **School board—**directly from the Ministry of Education
- **Designated employer—**directly from you

If you have pay groups that fall outside the regular teaching calendar, we'll need to collect additional information from you. The level of detail required depends on whether it's a new or existing pay group (see box).

Basically, we need more details for new ones and only changes for existing ones.

Your team will work closely with you over the next few months to gather the required information.

What do we need?

Send us work days plus information for positions that fall outside the regular teaching calendar for 2010/11.

The information we need depends on whether the pay group or profile already exists in our database.

EXISTING

Changes to previous school-year calendar that may include:

- pay frequency
- paid work days
- first pay date in school year
- start and end date of first pay period
- pay percentages

NEW

Separate pay schedule for each unique group that includes:

- list of all pay dates
- start and end dates of each pay period
- payroll formula (i.e., monthly, semi-monthly, bi-weekly, work days per period, pay percentages, etc.)

WHO WILL GET ONE THIS YEAR?

Announcement coming in April.

Over the next few weeks, we'll be announcing our latest Employer Service Excellence recipients. In the next issue of *Pension Update*, we'll profile our award winners.

KEYS TO SUCCESS

Here are some of the key measures we use to determine our annual winners:

- ✔ Same-day response resolving priority issues
- ✔ 97% or more of your employees have no data issues—we can process most service requests immediately
- ✔ Incoming data has less than 3% error rate—minimal validation work is required
- ✔ Meet all partnership criteria—consistently meet target dates, same-day call return for urgent requests, high degree of pension reporting compliance, etc. ■

WATCH YOUR INBOX FOR THE UPCOMING ANNOUNCEMENT OF OUR LATEST EMPLOYER SERVICE EXCELLENCE WINNERS!

HOW TO REACH US

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

E-mail
eisinquiry@otpp.com

Employer Website (TIM)
employers1.otpp.com

Corporate Website
www.otpp.com

Toronto area
(416) 227-7525

Toll-free
1-866-867-9147

Toronto area
(416) 730-7807

Toll-free
1-800-949-8208

Hours
8 am to 5:30 pm, Monday to Friday

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