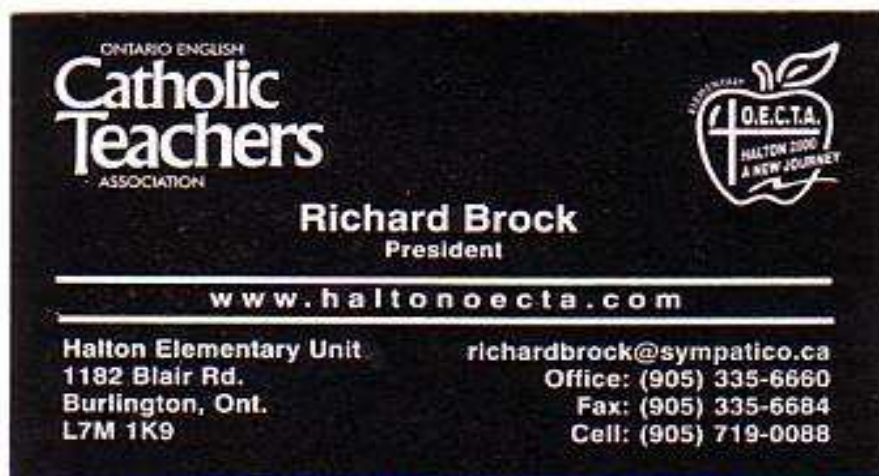


C.B.C.

2009 - 2010

COLLECTIVE BARGAINING COMMITTEE



FLYER

~ PENSION PLANNING ~

UPDATE

MARCH 10, 2010

#15

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"OECTA C.B.C. REPS." TO ALL TEACHERS

Six steps to online retirement

Over 4,050 teachers, or 90% of retiring members, are expected to apply for their pension online by the end of 2010.

In 2007, 61% of members retired online. In 2009, that number jumped to 89%—

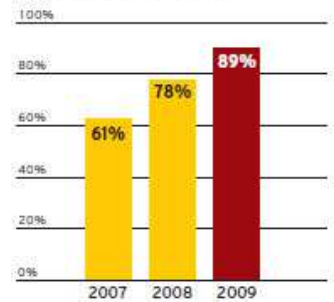
an increase of 46% in two years. "The increase we've seen in online pension

applications has been remarkable," said Michael McAllister, Director, Client Services at Teachers'.

"We are well aware that our members are incredibly web-savvy. We strive to recognize this in a

simple, easy-to-understand retirement process that is paperless, quick and efficient."

INCREASE IN ONLINE PENSION APPLICATIONS



The benefits of the [iAccess Web](#) retirement centre have not gone unnoticed by members, who value the service's speed and convenience. "When I started to think about my retirement, I used *iAccess Web* to try out retirement scenarios and access valuable information. So when I sat down to apply online, I was well-prepared. And applying for my pension was simple, fast and straightforward," said Mary-Lynn Woolcott of Nepean, who retired in 2009.

HOW TO APPLY

You can apply for your pension up to four months before your pension start date. For example, if you are planning on retiring at the end of June, you can apply beginning Mar. 1, 2010.

Teachers can apply online in six easy steps at [iAccess Web](#):

1. Tell us when you want to begin your pension.
2. Verify your contact and personal information, and [survivor benefits](#).
3. Answer a few benefit-related questions.
4. Tell us where to deposit your monthly pension.
5. Review your application and submit it online.
6. Print your online application for your records.



Once you've applied, you'll need to supply us with a few hard-copy documents (all may not be applicable or we may already have some of your documents on file):

- a photocopy of your birth certificate
- a document supporting your deposit instructions (for example, a void cheque, the [U.S. Direct Deposit Request form](#) or the [Foreign Wire Application form](#))
- a photocopy of your spouse's birth certificate
- a photocopy of your marriage certificate
- a letter from your religious order confirming your vow of poverty
- a photocopy of your Native Indian Status card.

How to register for *iAccess Web*

1. Call 416-226-2700 or 1-800-668-0105 weekdays from 8 a.m. to 5:30 p.m.
or
2. Download and complete the [registration form](#).

The benefits of buying back

Two years ago, Rick's biggest concern was finding the time to complete his graduate thesis in Curriculum Studies and Educational Administration. After taking time off from teaching to obtain his Master's in Education, Rick returned to work with dynamic new ideas for his school's development. But, what will happen to his pension because he took two years off?

BOOST YOUR PENSION AND RETIRE EARLIER

When you take time off from working in education—whether to pursue your dreams of higher education or to take a parental leave—you no longer contribute to the pension plan and you do not receive credit for your absence. Buying back your absence allows you to maximize the value of your pension.

Effective Sept. 1, 2010, buybacks will be changing. To learn more, read [Enhancements will make buybacks easier.](#)

What's more, if the year you buy back is part of your "best-five" average salary used in the formula to calculate your pension, then buying back can both increase your credit and your best-five average. The impact to your pension could be significant.

Buying back has an additional benefit that regular investments and RRSPs do not have: it can allow you to retire earlier with an unreduced pension. And, unlike RRSPs, it provides pre-determined retirement income for life. It is not dependent on investment returns or interest rates and provides valuable survivor benefits.

"It makes good financial sense to buy back your absence," said Michael McAllister, Director, Client Services at Teachers'. "Your contributions are tax deductible and the pension improvement is paid for life."

HOW A BUYBACK CAN IMPROVE YOUR PENSION



Rick	
Age:	45
Years of credit:	20
Planned date of retirement:	June 30, 2020
Absence:	Sept. 1, 2006 to Aug. 31, 2008 (two school years)
Best-five average salary:	\$75,000

If Rick doesn't buy back his absence

Retires:	June 30, 2021
His pension:	\$44,805/year

If Rick buys back his absence

Retires:	June 30, 2020
His pension:	\$45,000/year*

BOTTOM LINE: if Rick buys back, he

- 1. can retire one year earlier**
- 2. collects an additional year of pension**
- 3. increases his pension by \$195 a year**

...and had Rick bought back a year that increased his "best-five" average salary, his benefit would have been even greater.

* the \$195 increase in annual pension assumes that Rick works full-time until retirement and that his average salary increases 3% from 2020 to 2021.

WHO IS ELIGIBLE?

You may qualify to buy back pregnancy and parental leaves, as well as employer-approved leaves for specific, continuous periods of time or for religious holidays.

A full explanation of the buyback eligibility rules is available [here](#) online. If you have additional inquiries, you can also call one of our Pension Benefits Specialists at 416-226-2700 or toll-free at 1-800-668-0105, Monday to Friday from 8:00 a.m. to 5:30 p.m.

To see how buying back credit can improve your pension, use the Pension Calculator on [iAccess Web](#). In a few easy steps, you can see how a buyback can affect your future monthly income.

The cost of a buyback is roughly the amount you would have contributed to the plan if you had continued to work, plus applicable interest. Contributions are calculated by multiplying your salary by the contribution rate(s) for the year(s) you are buying back.

Once your leave ends, you have five years to complete your buyback.

Posted March 2010

Leading the charge: How Toronto, and Teachers', can be leaders in the pension world

Toronto. Clean. Diverse. Safe. And, a world hub of retirement financing solutions? That image may not spring to mind right now, but if a few forward-thinking financial leaders have their say, it will soon.

The Ontario Teachers' Pension Plan has endorsed a [report from the Toronto Financial Services Working Group](#) which outlines a strategy to make Toronto one of the two leading financial clusters in North America and one of the top 10 global financial hubs by 2015.

"By supporting the report, we have a chance to put Toronto, and Teachers', at the centre of excellence for the pension and financial industries," said [Jim Leech, President and CEO](#).

"We have a chance to put Toronto, and Teachers', at the centre of excellence for the pension and financial industries."
– Jim Leech, President and CEO, Ontario Teachers' Pension Plan

FOCUS ON FINANCE

The report acknowledges that the future prosperity of Ontario will be driven by the financial services industry. It presents a strategy to increase Toronto's competitiveness as an international financial centre to create more jobs and to strengthen Toronto's position as a financial services capital.

As a member of the [Financial Services Leadership Council](#), Jim will work with CEOs from across the province's financial services industry to develop and implement the plan. Initiatives include establishing a global institute for risk management, investing in institutions such as the [International Centre for Pension Management at the University of Toronto](#), and marketing and promoting Toronto as a financial services destination.

FINDING THE BEST AND BRIGHTEST

So, why does this matter to Teachers'? One of the risks the organization faces is the need to retain talented staff. Finding and keeping the best and brightest minds in pension management is critical to achieving ongoing success and to fostering innovation in investment and service capabilities. If Toronto is a hub of retirement financing solutions, people are more likely to migrate here to work with other experts in the field. Quite simply, talent attracts talent.

"The fact that pension plans were included in this initiative is significant," said Jim. "It highlights the fact that everyone from governments to the man on the street has recognized that retirement systems face major challenges that must be addressed, in Canada and around the world."

The overarching goal is financial retirement stability for all. As a core of expertise develops in Toronto, Teachers' can play an important role in the discussions around retirement income strategies, policies and solutions. Therefore, an obvious benefit to members emerges as the organization becomes increasingly well-positioned to continue being an industry leader and to strengthen its service offering.



Why Toronto?

So many pieces of the puzzle are already here:

1. We're home to three of the country's and the world's largest pension funds—Teachers', [Canada Pension Plan Investment Board \(CPPIB\)](#) and [Ontario Municipal Employees Retirement System \(OMERS\)](#).
2. The [International Centre for Pension Management at the University of Toronto \(ICPM\)](#) at Rotman is already recognized as one of the leading-edge institutions in pension management.
3. Canada's three largest life insurance companies are based in or have major operations in this city.
4. We're a leader in the field of actuarial science, with academic programs at [Waterloo](#), [U of T](#), [York](#) and [Western](#).

Posted March 2010

Your pension, explained...

You may have read that the [Ontario Teachers' Federation \(OTF\)](#) and the [Ontario government](#), the plan's co-sponsors, filed a funding valuation with the provincial pension regulator in the fall of 2009. A [funding valuation](#) is an assessment of the longterm financial health of a pension plan. This valuation showed the pension plan had enough assets to cover the cost of future pension benefits as of Jan. 1, 2009.

But [funding shortfalls](#) have been problematic in the past, and they are projected to return in the future. That's because plan liabilities (the cost of future pensions) continue to grow faster than plan assets.

To address this, the OTF and government, in co-operation with the Teachers' pension plan, have set up a working group. The group will develop a strategy to deal with the pension plan's recurring funding challenges. No changes to plan benefits or contributions will occur before the next valuation is filed, which must be done by Sept. 30, 2012.

Along the way, we have made a commitment to keep members up-to-date on the working group's progress. We also want to provide members with a sound understanding of core funding concepts. To help explain these concepts, we begin a new series of informative articles entitled ***Your pension, explained...***

THIS ISSUE: How interest rates affect the cost of your pension

Real interest rates for long-term bonds play a major role in the funding status of the pension plan. That's because real interest rates are used to estimate the cost of future pensions. The "real" interest rate is the interest rate minus inflation.

Real Interest Rate Calculation

3.0%	Interest rate
-2.0%	Inflation rate
1.0%	= "Real" interest rate

If real interest rates remain low, the cost of future pensions will remain high. If real interest rates increase, the cost of future pensions will decrease.

Imagine you are saving for a down payment for a house or car by a specific date. If your savings earn less each year because interest rates are low, you will have to put aside more money to reach your goal on time. It's the same with pensions. When real interest rates drop, the plan needs to set aside more money to reach its goal.

For example, securing a typical \$40,000 pension requires about \$745,000 when real interest rates are at 3%. If real interest rates drop to 1%, about \$995,000 is needed.

Have a look at the information in the table below. It demonstrates why real interest rates have a huge impact on pension costs.

Interest rate	Money required for a typical \$40,000 pension, retirement at age 58
5.0%	\$585,000
4.0%	\$660,000
3.0%	\$745,000
2.0%	\$855,000
1.0%	\$995,000

Posted March 2010

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