



## Your Pension - The Facts

This presentation will tell you about the features of your pension plan and what you can expect from the Ontario Teachers' Pension Plan (the Plan).

These slides are intended as a general guide.

To understand your personal situation completely, you must contact OTPP Client Services at the Plan.

The OTPP website at <http://www.otpp.com> provides excellent information.

You should consider signing up for *iAccess Web* where you can see your personal pension information.



### What You will Get

Your pension promise is made to you the day you begin to work. What you get when you retired is based on a formula and other rules. Ours is a defined Benefits plan which means we can predict what our monthly pension payments will be.

Your contributions form part of a vast pool of money invested on behalf of all members and from which all members benefit.



### Your Pension Promise

When the Ontario Teachers' Federation (OTF) or the Plan talk about *pension benefits*, we mean the whole package to which you as a Plan member are entitled – your pension promise.

The basic features

- full retirement with your 85 factor or at age 65
- your pension amount based on a formula
- full indexation to inflation up to 8% in any year with roll-over and catch-up \*
- partial integration with the Canada Pension Plan

In addition to the basic features, your Plan provides

- retirement as early as age 50 with neutral reduction factors to minimize the penalty
- survivor benefits for your spouse and your dependent children
- disability Pensions
- deferred Pensions

There are also special considerations for people with a terminal illness.

\* Beginning on January 1, 2010, pension accrued from that date going forward will have a guarantee of 50% indexation with a further 50% discretionary in the hands of the Partners. It is the Partners' stated intention to pay 100% indexation going forward until such time as some future shortfall makes that impossible.



The Plan also provides for some options such as:

- ten-year guarantee to your survivor or your estate
- percentage of protection for spouses

### Not in Your Pension Benefits

As teachers, you are used to the term benefits referring to the package that is added to your salary.



Not included in your pension benefits are:

- extended health coverage
- drug plans or
- dental care

These are available to you elsewhere when you retire - through your board, your union or your retired teachers' organization.

### What Will You Get?

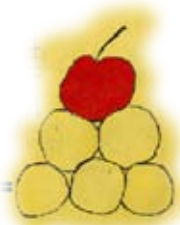
The pension formula determines your basic pension:

- $2\% \times$  the average of your "Best 5" salaries  $\times$  your Years of Credit

Your pension is partially integrated with the CPP.

### Unreduced Pension

An unreduced pension simply means that no penalties are applied. Your basic pension will be the full amount generated by the pension formula minus permanent reductions for some options you may choose.



This is sometimes mistakenly called a full pension.

### Plan and CPP Work Together

On earnings for which you make a CPP contribution, your contributions to the Plan are reduced.



So at age 65, your teacher's pension will have the CPP reduction applied. This is commonly known as the CPP offset.

### Survivor Benefits

Your eligible spouse or dependent children are entitled to survivor benefits to help them maintain financial security after you die.



You should also designate a beneficiary in case you die before retirement.



Survivor benefits are complicated so full details are available at: the Plan web site at [www.otpp.com](http://www.otpp.com).

### Ten-Year Guarantee

By taking a very small permanent reduction in your pension, you can provide an optional ten-year guarantee of your teachers' pension.

If you're single, you're automatically entitled to a ten-year pension at no cost.

If you die within ten years of retiring, your survivor or estate will receive the amount of your pension for the balance of the period.



### How Much You Pay

Active members contribute according to income.

Remember you are paying yourself - it's not lost income.

The Government or employer matches your contributions – dollar for dollar.

Members contribute at two different rates on gross salary earned:

- On amounts up to the Years' Maximum Pensionable Earnings (YMPE), members contribute at the lower rate.

The YMPE is the portion of your salary on which you also contribute to the Canada Pension Plan. The YMPE is set each year by the government.

For 2009, the YMPE is \$46,300.

- On amounts earned above the YMPE, members contribute at the higher of the two listed rates.
- On January 1, 2009, the last of the increases agreed to during the 2005 Valuation will take effect making the two rates **10.4%/12.0%**

With the exception of the 2008 calendar year, the contribution rate has been identical for both active members of the Plan and for the matching contributions from the Government and other employers as the table below will illustrate.



| Effective Date  | Member Contributions |            | Government/<br>Employer Contributions |            |
|-----------------|----------------------|------------|---------------------------------------|------------|
|                 | Up to YMPE           | Above YMPE | Up to YMPE                            | Above YMPE |
| From inception  | 7.3%                 | 8.9%       | 7.3%                                  | 8.9%       |
| January 1, 2007 | 9.3%                 | 10.9%      | 9.3%                                  | 10.9%      |
| January 1, 2008 | *9.6%                | *11.2%     | 10.4%                                 | 12.0%      |
| January 1, 2009 | 10.4%                | 12.0%      | 10.4%                                 | 12.0%      |

\* For 2008 only, OTF used a \$76 million contingency reserve to offset members' contribution rates.

### Tax Deductible

Pension contributions are tax deductible.



Because of this deductibility, your increase will be partially offset by a decrease in your tax payable.

### When Can I Retire?

You can retire on an unreduced pension when you reach the 85 factor – when your age and the number of your qualifying years adds up to 85.



Though most will not teach until age 65 (normal retirement age), all teachers are entitled to an unreduced pension from the first day of the month following their 65<sup>th</sup> birthday as long as they have more than two years of qualifying time.

### 85 Factor

You can retire at the age of 50 but your pension will be reduced by penalties for retiring early.

Age + number of qualifying years = 85

For example:



|                       |          |
|-----------------------|----------|
| your age              | 56       |
| your qualifying years | 29       |
|                       | 85 years |

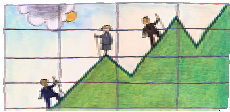


### Early Retirement

You are entitled to a reduced pension if you are age 50 or older and have at least 2 qualifying years in the Plan

Two types of reduced pensions are available:

- Immediate reduced pensions
- Deferred pensions



### Indexation of Your Pension

Each January 1<sup>st</sup>, the OTPP applies a cost of living increase to your pension.

The calculation is:

$$\frac{\text{Average monthly CPI for the 12 months ending in September}}{\text{12-month average a year earlier}}$$

The adjustment is up to 8% in any single year with anything above that carrying forward to future years so if inflation is 10%, the two percent you don't get this year would be carried forward to the next year.

For 2009 the increase will be 2.5%

### Kinds of Pensions

You can find out more about these pensions on the OTF/OTPP websites.

- Unreduced
- Reduced
- Disability



## Your Pension Package

Just to summarize,

The basic features of your pension benefits include

- your monthly pension check
- 85 Factor or at age 65
- indexation up to 8% in any year with roll-over and catch-up \*
- partial integration with CPP

In addition to the basic features, your plan provides

- early retirement with penalties
- survivor benefits
- deferred pensions
- disability pensions

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