



How Your Plan Works



What's Special About the Ontario Teachers' Pension Plan?

The Ontario Teachers' Pension Plan (the Plan) is one of the biggest and best managed pension plans in the country.

It is a major player in the financial world.

But there is more to what makes our pension plan special and unique.



A Partnership

The Ontario Teachers' Pension Plan (The Plan) is a partnership between the Ontario Teachers' Federation (OTF) and the Government of Ontario. Before 1989, the Teachers' Superannuation Fund was entirely under the control of the Government of Ontario.

In 1989, it was set up as a separate corporation.

In 1991, a partnership was formed between the Government and OTF. The Plan was created by the *Teachers' Pension Act* of the Ontario Parliament.

Terms of Partnership

The terms of the partnership are

- each partner names four people to serve on the Ontario Teachers' Pension Plan Board (OTPPB) of Directors of the Plan
- the Partners together name a ninth person to be the Chair of the Board
- the Government and OTF name people to sit on a Partners' Committee
- the Government and OTF, as partners, jointly share the risks
- the Government represents the employer in the partnership
- OTF represents the members of the Plan

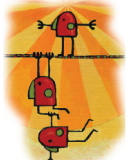


Sharing the Risks and Benefits

Since the Plan is a partnership between the teachers and the Government, each partner shares both the good and the bad.

This means that when the Plan does well and has an actuarial surplus, the Partners negotiate how these gains will be spent.





If the Plan shows a shortfall, the Partners must share the responsibility of making it up and bring the Plan back into balance. Retired members of the Plan do not share this liability.



What is the OTPP?

The Ontario Teachers' Pension Plan (OTPP) or the Plan is the administrative organization that manages the Plan and its investments on a daily basis. In the financial press it is known as Teachers - we just call it the Plan.

The OTPP is headed by a Chief Executive Officer who reports to the Board of Directors.

OTF Representatives

The process for naming members to the Board is defined by OTF By-law XII.

The By-law describes the qualifications required of the Directors. One Director must have: general pension knowledge; and, specific expertise in teachers' interests. One Director must have: general pension experience; and specific expertise in pension plan benefits and structure. Two Directors must have: general pension experience; and specific expertise in pension finances.

Appointments are ratified by the OTF Board of Governors following a recommendation from the OTF Executive.

What do the Board of Directors Do?

The Board of Directors are responsible for the management of the pension fund and for the administration of the Plan.

The Board of Directors make decisions about the investment strategies for the pension fund. These management strategies must follow a legal obligation of fiduciary responsibility.

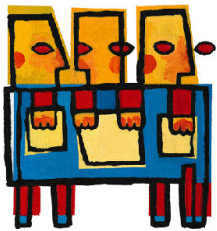
The Board of Directors also determines the actuarial assumptions the Plan uses to value the Plan.



Assumptions

The Board determines issues such as:

- How long will members teach before retiring?
- What will future salaries be?
- How long will teachers live after retirement?
- What will the rate of return be in the future on Plan investments?



Partners' Committee

The Partners' Committee is the means by which the Partners - OTF and the Government - meet to fulfill their responsibilities to the Plan.

Each partner names three representatives to the Partners' Committee.

The teachers' representatives are officers of OTF - the President, the First Vice-President and the Past President. The remaining OTF Table Office is an observer at the meetings. The teacher members of the Committee change yearly as new members take office. The Government names its own representatives to the Partners' Committee.

The role of the Partners' Committee is outlined in the Partners' Agreement, which was signed by OTF and the Government of Ontario in 1992.

What Does It Do?

The role of the Partners' Committee includes

- designing the Plan structure
- setting the benefits of the Plan
- developing new policymaking changes to the Plan, or the Partners' Agreement
- deciding when the Plan will be valued and when that valuation will be filed with the appropriate authority

It is the Partners Committee which decides what the benefits of the Plan will be and sets the contribution rates for members.



OTF Pension Committee

The OTF Pension Committee is a committee of staff officers.

OTF and its four Affiliates - AEFO, ETFO, OECTA and OSSTF - each name representatives to the Committee.

The Retired Teachers of Ontario (RTO) also has a representative on the OTF Pension Committee.



What Does It Do?

The OTF Pension Committee studies pension issues referred to it by the OTF Executive.

The members of the Committee conduct research and make recommendations concerning policy to the OTF Executive and the OTF members of the Partners' Committee.

Two New Committees for 2008-09

As a result of the 2008 Valuation, two new committees will begin work soon.

The first will be a working group to develop the technical details of Conditional Indexation including a mechanism that will allow the Ontario Government to match any future reduction in cost of living adjustments for retirees with a special payment. The working group is to report by March 21, 2009.

The second is a long term Partners' Consultative Committee that will maintain an awareness of the Plan's funded status as well as any trends or issues that may affect that status.



How Does This All Work?

The recent discussion of how to deal with the shortfall is a clear demonstration of how this works.

It was clear that the Partners – the Government and OTF — share the responsibility to ensure that the Plan is fully funded. The Partners had to decide how to address the shortfall.

Throughout the process, the OTF representatives on the Partners' Committee consulted the OTF Executive and the Pension Committee.

The OTF representatives were clear in OTF's position that benefits would not be changed. The Government agreed to a phased-in contribution rate increase.

The Partners approached the Board of Directors who agreed to make modification to some of the assumptions used in valuation of the Plan.

All those responsible for teachers' pensions worked together in the best interests of Plan members.