

interaction



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A message from the President

Julie Pauletig, OTF President

Thinking back to 2003, when the Ontario Teachers' Pension Plan (OTPP) first reported a pension shortfall, many viewed it as a unique circumstance. However, in the following years, factors such as longer life expectancies, the 2008 economic crisis and the ever decreasing interest rates saw pension shortfalls become a stark reality.

OTPP's investment in 2013 surpassed the 10 percent rate of return. Its assets now total \$140.9 billion and generate a fully funded pension.

In 2013, for the first time in 10 years, OTPP reported a pension surplus of over \$five billion.

This rise in the level of pension funding was not unique to OTPP. As a result of interest rate increases and the double digit returns in investments reported by many Canadian pension plans, the 2013 results were favourable and forecasts by economists for 2014 are encouraging. For years, many

Canadian pension plans faced excessive losses and decreased funding levels in comparison to OTPP. These have bounced back to funding levels of 80 percent or better. For example, the Ontario Municipal Employees Retirement System (OMERS), which reported a funding deficit of \$9.9 billion in 2012, has reached a pension funding level of 88 percent. This is the result of improved interest rates in 2013 and a 6.53 percent return on investments.

Even with this positive news, pension plans and the benefits of retirement security continue to be tainted by the right wing agenda. C.D. Howe recently released a report entitled "Evaluating Public-Sector Pensions: How Much Do They Really Cost?" in which Malcolm Hamilton claimed that pension guarantees are expensive, though he failed to report on the long-term economic benefits. This report applies concepts based on its analysis of the federal public sector pensions plans, and makes biased statements attacking all public sector pension plans. It dissuades management, in both the private and public sectors, from enhancing retirement benefits for workers. Fortunately, some forward thinking economists are countering the

opinions of their counterparts at C. D. Howe. Many Canadians understand the long-term benefits of secure pension plans as they relate to the Canadian economy, particularly as the baby boomers live out their golden years.

In terms of the road ahead, OTPP sponsors continue to focus on long-term plan sustainability and exceptional service to their members. The right decisions have led OTPP to become the most successful defined benefit plan in Canada. It is the model to follow.



Defined Benefit (DB) Plans



What is a Defined Benefit Pension Plan?

A Defined Benefit Pension Plan (DB Plan) offers its members security. They know what to expect in terms of a pension when they retire. The funds for all pension plan members are pooled into one investment plan and controlled by a plan administrator; in the case of OTF members, the Ontario Teachers' Pension Plan (OTPP). The income that a retiree will receive is based on the set formula, usually dependent on years of service and income.

The OTPP is a defined benefit pension plan, based on a formula: $2\% \times \text{your years of service} \times \text{your best five years' average salary}$.

Media and many public organizations focus on defined benefit pension plans, often in a negative way. This brings many questions for those of us who are not familiar with pension terminology.

Who has a DB Plan?

There are about 4.5 million members and 3.5 million beneficiaries across Canada. The total membership has remained stable over the past decade; however, it has declined as a percentage of the total population.

How do DB Plans help everyone?

Defined Benefit Pension Plans: Strengthening the Canadian Economy, an analysis conducted by the Boston Consulting Group study, was commissioned by several members of the top ten public sector pension funds in Canada, including Ontario Municipal Employees Retirement System (OMERS), Ontario Teachers' Pension Plan (OTPP), Healthcare of Ontario Pension Plan (HOOPP) and OPSEU Pension Trust (OPTrust).

The study found that, yes, DB Plans help everyone in Canada's society. The benefits paid out to DB pension plan members ultimately flow back into the Canadian economy in the form of consumer spending and taxes, generating

business growth and employment and revenues for all levels of government.

- In 2011 and 2012, it is estimated that beneficiaries spent \$56 to 63 billion annually on consumable goods, shelter, durable goods, recreation, services, and sales and property taxes.
- Beneficiaries paid an additional \$7 to 9 billion in income taxes, while a further \$2 to 3 billion flowed back into their savings.
- Annual spending by DB plan beneficiaries on durable and consumable goods is estimated at \$56-63 billion and is widespread across the economic spectrum.
- Beneficiaries of DB pension plans pay an estimated \$14 to 16 billion annually in taxes.
- In Ontario, beneficiaries of DB plan payouts generate an estimated \$3 billion in federal and provincial income tax, \$2 billion in federal and provincial sales tax and \$1 billion in property tax on an annual basis.
- Canada's top ten defined benefits pension funds have invested about \$400 billion in various Canadian assets.

responsible inve\$ting

The UN-supported Millennium Ecosystem Assessment 2005 found that "approximately 60 percent (15 out of 24) of the ecosystem services it examined are being degraded or used unsustainably, including fresh water, capture fisheries, air and water purification, and the regulation of regional and local climate, natural hazards, and pests."

Richard Mattison, **Trucost Plc**, in his session on "Climate change: Why is it important for investors," also stated that the **World Economic Forum Global Risks Report** found that six out of 10 highest risks are linked to climate change. He followed up with

Focus of OTF Pension Forum

five actions investors can take. Check out the [website](#).

Thus was some of the focus of the OTF Pension Forum held on April 10, 2014. Included in the sessions were several speakers from the Ontario Teachers' Pension Plan (OTPP) who focused on such topics as OTPP management of responsible investing both on a daily level and for the long term.

As well, Kevin Thomas, **Shareholder Association for Research and Education (SHARE)** (www.share.ca) and Robert Chant, Loblaw Companies Limited, presented a session on one year after Bangladesh with proposals for how companies and investors can improve supply chain working conditions.

For OTPP's policy on responsible investing, go to [Responsible Investing](#).

Pensions... so much to know and so little time

When I began teaching, the last thing on my mind was my pension. My first worry was preparing lesson plans and catching up on marking. My retirement took a back seat. I expect that remains the same for those new to the profession today. But, just like me, teachers will likely pay a little more attention to news about their pension as they hit mid-career and more so as they near retirement. But, it is never too soon to start understanding your pension and what you can expect when you retire.

Here are some of my thoughts on the Ontario Teachers' Pension Plan (OTPP).

My first thought is gratitude to past generations of teachers who fought hard to establish the jointly-sponsored pension plan model we have today. It wasn't just handed to us—it was achieved through strong, collective action. Over 20 years ago, the Government of Ontario and the Ontario Teachers' Federation established the stellar governance model we have today. It took an all teacher walkout to achieve and is a much longer and more interesting story than permitted here.

My second thought is about security. Our Plan is a defined benefit plan so I can prepare for my future with certain known facts. Through the OTPP calculator, I can even determine what my starting pension will look like at various retirement dates. Although my retirement is still years away, the

daydreaming afforded through the calculator is helpful; for example, during this past winter which seemed to have no end.

My third thought is about service. A consistent refrain at OTPP annual meetings is the level of satisfaction of Plan members in the service they receive from the OTPP. It is true; service is second to none.

The final thought that comes to mind is pride. When the Plan posts excellent results, as it has again this year, I feel a sense of pride in the OTPP accomplishments on behalf of all Plan members—active and retired. This instills confidence in the way the Plan is governed and managed.

Not all members look at the Plan the way I do and that, too, is healthy. We hear concerns from members about particular investments which do not align with

A message from Rhonda Kimberley-Young



their values. We take these concerns seriously and raise them with Plan management.

We also hear from the public or the media that public sector pension plans are too rich. This entirely ignores the proven positive economic and social impacts of defined benefit plans.

As well, the results of recent OTPP member focus groups confirmed that Plan members have very different levels of understanding of their own pension. OTF and the Affiliates have staff who offer information and/or workshops on pensions. OTPP has a wealth of information to help each member understand pension matters.

Even though you may not be thinking of retirement for years to come, taking a break to check out these sources of information is important and... it's never too soon.

OTPP has \$5.1 billion surplus

Snippets from the Ontario Teachers' Pension Plan annual meeting, Thursday, April 10

- Yes, OTPP has a surplus of \$5.1 billion.
- The pension plan earned a 10.9 percent return in investments in 2013.
- The outcome is that the current plan is 103 percent funded as of January 1, 2014.
- The average unreduced pension for teachers who retired in 2013 was \$49,300. The average retirement age was 59.
- In 2013, there were 4,600 new retirements—a decrease of 13 percent from 2012.
- 6,700 entered or returned to the teaching profession—a slight increase over 2012.
- The average number of years that retirees are expected to collect pensions is 31.
- 56 percent of pensioners are under age 70.
- The Plan currently has direct investments in 50 countries.
- 126 pensioners are aged 100 or more at end of 2013.



For a copy of the OTPP annual report, visit www.otpp.com/corporate/annual-reporting. As well, the archived webinar of the annual meeting will be posted.

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Ontario Teachers'
Federation - OTF



Good news!

The Ontario Teachers' Federation, with the support of the Ministry of Education, is able to commit resources to professional learning experiences for teachers in the summer of 2014. These intensive workshops, each running for three consecutive days, will take place in different geographical areas across the province during July and August of 2014. OTF Summer Institutes will be held in Toronto, Sudbury, Ottawa and London.

Registration opens mid-May!

Watch the [OTF website](#)
for more exciting details!

Spring forward with your professional learning!

OTF Connects: bringing teachers together for rich, relevant PD at home

"These webinars are a great way to expand teacher learning and connect with teachers from other boards." OTF Connects provides live, self-directed professional learning opportunities that bring colleagues together from across the province to learn, share and collaborate.

Upcoming OTF Connects webinars

- May 1** Elementary Financial Literacy, Chris Allum, IEF
- May 6** Connecting with the Natural World: Grades 4 - 6, Sheila Rhodes, STAO
- May 8** Sharing Classroom Ideas for BYOD: Part 2, Jaclyn Calder
- May 14** Twitter 101, Peter Skillen & Brenda Sherry

Questions? Contact us at
otfongoingsupport@otffeo.on.ca.

- May 15** Safe@School's Parents and Guardians: Partners in Prevention, Mohini Athia & Tuval Dinner, COPA
- May 21** Domestic Violence in the Workplace: recognize, respond and refer, Barbara MacQuarrie, Centre for Education & Research on Violence Against Women and Children
- May 22** Technology in K-3 Literacy, Danuta Woloszynowicz
- May 27** Popular Culture Resources for Teaching the Digital Teen, Katie Cole
- May 28** Critical Thinking - here, there and everywhere!, Usha James, TC2
- June 5** Coming of Age in the Digital Era, Shanna Burns and Ryan Broll, Fourth R

See the [full calendar](#) for additional details on the OTF website. Unable to participate in live sessions? Be sure to visit [Past Webinars](#) for the full list of archived recordings, available for viewing at your convenience.