



Ontario Teachers' Pension Plan
Annual Meeting

Friday, April 9, 2010
The Carlu
Toronto, Ontario

Eileen Mercier, Chair:

Good afternoon. My name is Eileen Mercier and as Chair of the Board it is my pleasure to welcome you to the Ontario Teachers' Pension Plan Annual Meeting. I would also like to welcome those members joining our live webcast today. C'est avec grand plaisir que nous nous présentons devant vous pour ce dialogue annuel.

I am joined at the podium today by:

- CEO Jim Leech,
- Executive Vice-President, Investments, Neil Petroff, and
- Tracy Abel, Director of Business Solutions, Member Services, representing Senior Vice-President Rosemarie McClean.

A number of my fellow board members also are joining us today. First, please welcome the newest members, and I'll ask them all to stand: David Smith, who joined us last fall, and Rod Albert, who officially came on board January 1 of this year. Our returning board members are: Jill Denham, Helen Kearns, Hugh Mackenzie, Louis Martel, Sharon Sallows, and Jean Turmel. Please join me in thanking them for all they have done this year on your behalf.

If you joined us last year, you may recall that we did a survey asking for your feedback on the meeting. Most of that feedback told us that the meeting ran too long. So in response to member feedback, we have shortened our speeches somewhat. And with some changes to our approach, our question and answer session should also take less time.

Last year's annual meeting was largely devoted to helping you understand the impact of the financial crisis on our fund. With 2009 earnings of \$10.9 billion – which represents a rate of return of 13% - we have a much brighter picture to report to you this year.

As solid and positive as those returns are, however, our preliminary funding valuation shows a \$17 billion shortfall. I will address the reasons for this shortly.

Board members focused on two equally important priorities in 2009:

- Overseeing management's application of the lessons learned from the recent global financial crisis; and
- Addressing the serious funding challenges the plan continues to face.

I am glad to have the opportunity to discuss both with you today. Jim, Neil and Tracy will then discuss the details of management's progress in 2009.

First, the lessons learned.

2009 was a year of market resilience, but not major economic growth. You can credit Jim, Neil and the teams for harnessing that resilience, and positioning us well for true economic growth, as and when it occurs.

A great deal of value disappeared from markets in 2008 and early 2009, as some investors were forced to sell good assets at discounted prices to raise needed cash to meet their obligations. I am pleased to report that we did not have a liquidity issue. Furthermore, thanks to our nimble investment team, we were able to take advantage of opportunities unavailable to less liquid investors.

As a result, our 13% return beat our benchmark. It is important to note that our benchmark is not the returns realized by other pension funds. Rather, it is a composite of equity, fixed income and inflation-sensitive indices in the same proportions as our “policy” portfolio.

I want to take a moment to explain that we purposely do not measure ourselves against other pension funds because our needs are different. We have a lower percentage of equities in our asset mix policy, for example. This is because, as a mature plan, we have a lower proportion of working members per pensioner, compared to other plans. We have 1.5 working members for every pensioner.

Why is this relevant?

It’s relevant because when we face a shortfall situation that is when the projected cost of future pensions outweighs the market value of our assets, as it does now ... we have fewer contributing members whose benefits or contribution rates can be adjusted to close the gap. Therefore, the impact of a shortfall on each of our active members is higher. In other words, our plan is more vulnerable than less mature plans, which can spread the impact across a large number of active members.

And that forces us to be more risk averse.

As a result, we have a much different asset mix – only 40% equities compared to some plans at 60% - and so we cannot meaningfully compare our returns to those of other plans. And that is why our earnings assumptions are generally lower. Your board takes this responsibility very seriously, and is acting in members’ best interests in working with the actuary to determine the appropriate rate of return assumption.

You will recall that in 2008, the theory of market diversification did not work. All asset classes suffered together. Although it was a year that was impossible to predict, we took lessons from

it and are doing everything we can to manage our risk, including reviewing all of our processes and systems.

Risk is really at the heart of our funding assumptions and resulting investment policy. From an investment perspective, we believe that risk management begins at the top. It was our board members' major focus in 2009. We oversaw the strengthening of the plan's enterprise risk management system. An international investment risk management firm reviewed all of our investment risk reporting processes and systems and confirmed that we are among the pension fund world's risk budgeting leaders. Opportunities for improvement were identified, however, and already have been or are being implemented.

Now, to funding.

A balanced funding valuation was filed last year as at January 1, 2009. Small adjustments to the assumptions allowed the plan sponsors to resolve the preliminary \$2.5 billion funding shortfall.

The sponsors decided to file this valuation earlier than required because it gives them an extra year, until 2012, to deal with this year's preliminary shortfall ... and with expected shortfalls to come. For instance, we know that we must continue to recognize 2008's losses over another three years.

In addition to the 2009 filing, the sponsors decided to form a Sustainability Working Group to deal with the issue of recurring shortfalls. I want to commend them for this. The tripartite group comprises representatives from the OTF and the Ontario government, as well as plan management. It is facilitated by Dr. Harry Arthurs, who chaired the recent Ontario Expert Commission on Pensions. Together, they are considering all possible changes to the plan to safeguard its long-term viability and affordability. They will report with an action plan by this summer.

Their task is not an easy one. They are looking for solutions in an environment that is very different from the 1990s and early 2000s – when markets were flourishing and their potential seemed limitless. The thought of being retired for longer than you worked has only recently begun to sound alarm bells.

But as we have learned in recent years, concepts of unlimited growth are illusory. Markets crash, taking growth with them. Witness 2008: three years of good growth was erased from our fund. Expectations need to be re-set.

As former Bank of Canada Chairman David Dodge and his co-authors state in their recently released paper:

“The longer the post-retirement period, and the fewer earning years over which savings accumulate, the higher the fraction of earnings that must be saved.”

They go on to say that Canadians generally must decide to save more or save longer, or both, and on the other side of the ledger, decide to accept less, if they do not.

Dodge’s assumptions were based on 30 to 37 contributing years. Our members, however, retire with an average of only 26 years of pension credit and are expected to receive a pension for 30 years, plus survivor benefits. This is the conundrum facing the members of the Sustainability Working Group. They understand that our investment team cannot close this gap alone and are studying the plan realistically and in its entirety.

In conclusion, while challenges remain, 2009 was a year of recovery and opportunity. Significant value was *recovered*, and valuable opportunities were *uncovered*, both from an investment and administrative perspective. Management is to be congratulated for their diligence and success.

On behalf of all board members, I also want to congratulate the plan’s bargaining unit and management on a new collective agreement, which will be in effect until December 31, 2013.

Further congratulations go to the whole employee population, who has proven their good citizenship once again. Their 2009 United Way campaign raised \$375,000, for a 3-year total of more than \$1 million. And more recently, they have reached out to their sister employees at our portfolio companies in Chile, which were badly hit by the earthquake. Teachers’ employees recently delivered 1,400 pounds of winter coats and clothing from an employee drive.

Just before I turn the mike over to Jim, let me conclude by saying that I hope I have helped you understand the complex issues that board members confront on your behalf. I can assure you that each of us does so with every member’s best interests in mind.

And now it is my pleasure to introduce the leader of Teachers’ management team.

Ladies and gentlemen please welcome Jim Leech.

Jim Leech, President & CEO:

Thank you, Eileen, and good evening, everyone. Bonjour et bienvenue a toutes et a tous. 2009 was an invigorating time for management at Teachers'. We spent the year taking care of the business of the plan through the tail end of the financial market crash and its aftermath, while also fortifying the plan for the future. And that is the context for my remarks tonight.

I would like to start my address by thanking Eileen and our board members for their thoroughness and support during one of the most trying periods in economic history. The wisdom of the decision, made two decades ago, to install a professional board of investment, economics, actuarial, accounting and business experts was clearly demonstrated. Calm heads have prevailed since the start of the recent economic chaos. You have been open to management strategies for improving investment returns and augmenting our risk management structure. You asked the right questions when they needed to be asked. You encouraged us to continue to focus on our plan's circumstances and opportunities for success and not be distracted by the plight of others. And you backed several new investment ideas that have already started to pay off. Your confidence and encouragement have been invaluable and are benefitting the teachers and taxpayers of Ontario.

With retirements and appointments, we have some new members on our executive team. I hope you will have a chance to meet them during our reception.

You know Neil, of course. Eileen mentioned that Tracy is representing Rosemarie McClean today – Rosemarie is actually at home with her newborn twins ... I'm not sure if that is double trouble or twice as nice ...

Please welcome the rest of the Executive Team. They are:

- David McGraw, Senior Vice-President and Chief Financial Officer
- Melissa Kennedy, General Counsel , Corporate Secretary and Senior Vice-President, Corporate Affairs
- Barbara Zvan, Senior Vice-President, Asset Mix & Risk and Chief Investment Risk Officer
- Russ Bruch, Vice-President and Chief Information Officer
- Peter Maher, Vice-President, Audit Services
- Marcia Mendes-d'Abreu, Vice-President, Human Resources
- Madhav Murti, Vice-President, Business Process Management

Melissa and Madhav joined us during the past year, and Marcia joined in mid-2008. Now, it's said there is nothing like a crisis to help a team to bond, and I think we can all attest to that!

I mentioned the tail end of the financial markets crash. Many forget that the financial crisis was not confined just to 2008. It spilled over through the first quarter of 2009, carrying with it continuing economic carnage. In fact, exactly one year and one month ago today ... March 9, 2009... was the day the markets hit their lowest point. The Toronto Stock Exchange index. Dow Jones. S&P. Nasdaq. They all hit their troughs that very day.

So our fund's results - \$10.9 billion in earnings, 13% rate of return, 4.2% above benchmark - are all the more remarkable, occurring in just the last nine months of the year.

Both sides of our business turned in stellar results. Our Member Services Division earned 9.1 out of 10 in our quality service index, which is a rating from our members. And they remain among the leading service providers of their kind in the world.

Last year I stood in front of you and recounted how humbling 2008 had been. Fortunately, 2009 marked a strong return to the black. But it was a confusing year for many people viewing our funding position. Although we turned in one of our best years of value added investment returns ever, the preliminary funding valuation shows a shortfall that is seven times the size of what we reported last year when we suffered an 18% loss. It seems to defy logic. Great returns on one hand, but a worsened shortfall on the other.

I will try to help you understand how that can be.

The reasons for the shortfall are three-fold:

- First, is our sensitivity to real interest rates, which continued their decline last year. Each 1% drop in the real rate impacts our projected cost of future pensions by more than \$25 billion. The 2008 year-end interest rate was 2.1%, whereas the 2009 year-end rate was 1.5%. That 0.6% difference accounts for just over \$15 billion of our deficit.
- The second reason for the shortfall is the continuing smoothing-in of last year's losses. Pension plans invest and pay benefits over many decades. That is why we, like other pension plans, "smooth" some investment results over five-year periods. We literally flatten out the peaks and valleys of investment returns to reduce volatility and the benefit and contribution rate increases or decreases that would result. During 2009 we recognized \$6.8 billion of net losses from previous years. As we enter 2010, unamortized net losses still total \$12.7 billion, and they must be absorbed in future years.
- The third factor is our \$1.7 billion cash flow deficit, which is the difference between the \$4.4 billion we paid out last year in pension benefits and the \$2.7 billion we received in contributions.

So, while we earned nearly \$11 billion, that total was outweighed by the impact of higher projected pension costs, unrealized losses from 2008 and annual net cash outflows.

That is the simultaneous, double-barreled “strong earnings-but-recurring shortfall” phenomenon that has preoccupied all of us at the plan this past year.

With that backdrop, let me explain how we approached 2009.

First, I must stress that the tough decisions we made in 2008 allowed us to enter 2009 with good assets and a strengthened investment team. Neil and his team were brilliant in executing to their investment plan.

They returned the fund to the black, by rolling up their sleeves and:

- repositioning our Fixed Income portfolio;
- continuing to look for investment opportunities while others remained frozen in their tracks;
- reinforcing our total fund management value-add approach; and
- starting the overhaul of our risk and data systems.

And on the funding front: as Eileen noted, a valuation was filed as at January 1, 2009 to provide our sponsors with more time to address anticipated further shortfalls, which they are doing through the Sustainability Working Group. This group has been active since October last year and, speaking for plan management, we are most encouraged by the spirit of engagement at the table. You will see a display in the lobby today, featuring the new website, FundingYourPension.com, that has been launched by this group’s Education and Communications Committee. I know that pension funding is a complex subject, and I think you will find it most useful in understanding the various pieces of the puzzle and their impact on our funding position – from interest rates to assumptions to demographics. I hope you’ll tune in to one of the upcoming webcasts, too.

At Teachers’ we view all of our work through a lens of risk management. I echo Eileen’s comment that risk management must begin at the top. If risk consciousness is to be part of our culture, all of us on the executive team, and in turn all employees, must be committed to successful risk management. We had this top of mind last year, when we decided to update our Mission Vision and Values statements, through a grassroots effort, involving employees from across the organization at all levels.

In addition to our new Mission Statement: *Outstanding service and retirement security for our members – today and tomorrow*, a new aspirational Vision statement was adopted: *To become the world’s leading pension plan organization*.

And our Values were refreshed. Perhaps most significant among these is the addition of a new value: *We champion accountability and risk consciousness.*

As we launched our revitalized Mission Vision Values internally, we went out to members and to our employees, and asked them about their impressions of RISK at Teachers'. We showed these video clips in a recent employee Townhall and thought you might find them interesting as well.

So, as you can see, we take your financial interest to heart.

It is this same risk consciousness that drives both our investment philosophy and our approach to plan valuation. Given our demographics, we must be more risk averse than other pension plans. It would not be fair to members to be otherwise, because it is working members' benefits and contribution rates that would have to be adjusted to make up for shortfalls. As a result, the same risk consciousness carries over to our assumption of what our long term rate of return is projected to be. We know it is too risky to have a high proportion of our assets in equities, because we could lose as much as we gain. That is why we must project a lower rate of return than other pension plans.

Economic projections are a planning tool. Nothing more. Nothing less. When our internal and external actuaries project the plan's future cost of pensions and rates of return, they are trying to equip us with the tools we need to plan our investment approach to funding your pension. As part of a "sanity test", we recently accessed data from three of the top consulting firms in the country to compare plan maturities and rate of return assumptions. As you can see on this slide, Teachers' is in the *top decile* of maturity, compared to other plans in Canada. That means that less than 10% of all plans have a maturity level similar to ours.

On the other hand, as you see in this slide, 25% of all plans have lower rate of return assumptions.

Our comparative plan maturity is why our assumptions must be more conservative than many others. To do otherwise would not be prudent, as it would expose working and future teachers to undue risk of loss. As someone once said, the root of *conservative* is *conserve* .

Given the funding challenges that we face, and the retirement financing role we play in this country, we need our elected officials to do what they can to ensure we can compete on a level playing field. With that in mind, I want to thank the provincial government for signaling in its recent budget its willingness to consider eliminating two arcane pension rules:

- the maximum 30% ownership rule, and
- the requirement for jointly sponsored pension plans to fund under the solvency test.

I want to acknowledge the support of the Ontario Teachers' Federation in helping us advance the case for eliminating the solvency test requirements. I hope that we can count on your support for the elimination of the 30% rule as well.

It is noteworthy that the Arthurs Commission recommended both of these rules be dropped. They recognized that they harm our competitiveness, add extra costs and serve only obsolete policy considerations.

In the case of the 30% rule, for example a US or German or Asian pension fund could come into Canada and buy 100% of a local corporation, But, because of this outdated rule, we have to either bow out of the race, or construct costly, complex, time-consuming structures that eat into our rate of return. This is not a theory. This is a day to day reality that we live with that does nothing but cost teachers money.

So, as you can see, some areas affecting the plan are completely out of management's control. We cannot change the reality of plan demographics or interest rates. We cannot change legislation. What we can do, is respond to these factors as effectively as possible in all of the areas we do control, by, for example:

- adapting our investment program to do all we can to reduce the gap between assets and liabilities;
- managing our costs;
- attracting and retaining the best talent; and
- providing the OTF and the government with the best possible advice.

We are committed to delivering nothing less than excellence in all of these areas, because we are committed to delivering pension stability to our members.

It is now my pleasure to welcome Neil Petroff, our Chief Investment Officer, to provide details on your fund's investment performance.

Neil?

Neil Petroff, Executive Vice-President, Investments & Chief Investment Officer:

Thank you, Jim, and good evening everyone.

It's a pleasure to be here this evening ... And I mean that sincerely, because I have much better news to share this year than I did last year.

2009 truly was a difficult and challenging year at Teachers'. As Jim has noted, the market downturn did not end until March 2009, so we continued to play investment defence for the first quarter and then offence for the remaining 3 quarters of 2009.

And the results are clear: the fund earned \$10.9 billion. The markets regained confidence and value returned to many investments. But our team's success goes beyond that. Merely matching the benchmark would only have earned \$7.5 billion. We outperformed the market - adding \$3.4 billion - or 4.2% -- above benchmark. Our rate of return was 13%, compared to our composite benchmark return of 8.8%. To give you some perspective on these results, \$3.4 billion is the equivalent to \$11,800 for every one of the 289,000 active and retired members of the pension plan.

We're very proud of the teams responsible for that success. You can see the pictures of the leaders who head up each area on the screen:

- Stephen Dowd, Infrastructure and Timberland
- Wayne Kozun, Public Equities
- Ron Mock, Fixed Income and Alternative Investments
- Peter Sharpe, Cadillac Fairview, our real estate subsidiary
- Erol Uzumeri, Teachers' Private Capital
- Michael Wissell, Tactical Asset Allocation
- Barbara Zvan, Asset Mix & Risk & Chief Investment Risk Officer and
- Dan Houle, Investment Operations

Together, we followed our fund's three fundamental investment principles, which are to:

- take the long-term view.
- take appropriate risks to earn returns, and
- to use diversification to reduce our risk.

2008 was a year in which all asset classes fell and the credit markets froze.

2009, however, saw most markets begin to regain considerable value. The benefits of portfolio diversification returned. Something that didn't change was our investment team's thoughtful,

intelligent and extremely hard work, as they rebuilt value, researched the markets, raised liquidity, re-negotiated terms, and kept a steady focus on the fund's needs.

I'd like to go over the highlights of our 2009 investment performance with you now.

First, let me remind you of our 2009 asset mix., Our actual asset mix at the end of the year was:

- 49% Inflation-sensitive investments
- 44% Equities, and
- 7% Fixed Income

I will start with our largest asset class, Inflation-sensitive, which accounts for 49% of our asset mix.

This asset class plays a critical role in allowing us to decrease risk and meet our long-term pension costs. Inflation-sensitive investment performance tends to correlate closely with changes in inflation, which is important for a fund that pays inflation-protected pensions.

This portfolio includes the assets you see on this slide. Holdings totaled \$45.9 billion at 2009 year end - up \$1 billion from 2008. Our real estate portfolio is managed directly by our wholly owned subsidiary Cadillac Fairview. It climbed \$1 billion in value in 2009, closing the year at \$17.2 billion. The increase is largely attributable to stock market gains, reflected in our publicly listed real estate holdings in Brazil and the UK. Gains in those markets were partially offset by valuation losses in our North American property portfolio, which continues to feel the recession's economic sting.

While valuations may be feeling the economic pinch, lease income is strong. Retail and office lease net income totaled \$1 billion for the year.

Real return bonds also form part of the inflation-sensitive asset class. These holdings totaled \$18.9 billion at the end of 2009, up \$1.5 billion from 2008. Included in these holdings are Canadian, U.S., Ontario and Quebec government-issued bonds, and Highway 407 bonds. We also hold some inflation-linked mortgages guaranteed by the Canada Mortgage and Housing Corporation.

Our infrastructure and timberland investments, which are largely direct investments, totaled \$7.9 billion at the end of 2009, down from \$10 billion, largely because of dispositions and the impact of the rising Canadian dollar on foreign investments.

The smallest slice of our Inflation Sensitive assets is commodities. Investments here totaled \$1.9 billion at the end of 2009.

Our second largest asset class is Equities, representing 44% of our year-end holdings.

At year-end, our combined public and private equity holdings totaled \$41.2 billion, up by over \$6 billion from a year earlier. Canadian holdings totaling \$8.4 billion, and non-Canadian equities accounted for \$32.8 billion.

Direct investment is a hallmark of our fund. We believe that our employees can often find and manage investment opportunities just as successfully as external managers, and at a fraction of the cost. We have dedicated considerable resources over the years to build that in-house expertise – an investment that’s paying considerable dividends.

I’ve mentioned that infrastructure and real estate are two of our significant direct investors. Our other largest direct programs reside within the Equities asset class. Teachers’ Private Capital is one of the largest pools of investment capital for private companies. Our public equities’ Relationship Investing program is unique. And our newest direct portfolio, Long-Term Equities, announced its first major acquisition last month. Together, these teams are building an international reputation for their direct investment expertise.

The Relationship Investing team has a specialized strategy within the Public Equities group. They take large, strategic positions in companies in Canada and elsewhere and work with the companies’ boards to increase value. Our investments in two Brazilian companies reside in their portfolio. And they were the main drivers in our equities market outperformance in 2009. Brazil was the world’s strongest stock market performer last year and is now the world’s 10th largest economy. We are glad to be in this market.

The 2009 rebound in public equities markets was almost as spectacular as the 2008 decline. Because this rebound was largely the result of stock market recovery and not true economic growth, we don’t expect market returns to maintain this pace going forward.

Private equity markets remained flat in 2009. Our Teachers’ Private Capital team continued to adjust for weakness in the private markets; but the rising Canadian dollar negatively impacted the value of our foreign investments. We closed the year with \$10 billion in private equity assets. The team’s consumer and retail group announced their acquisition of Simmons Bedding late in the year, with partner Ares Management. Last week they announced their acquisition of Exal Group, the world’s largest specialty manufacturer of aluminum containers.

This brings me to our smallest, but important, Fixed Income asset class, with 7% of our portfolio. You may recall that we promised last year to put the “Fixed” back in “Fixed Income.” I’m pleased to say that we have done just that.

Our Fixed Income assets, net of related liabilities, totaled \$6.4 billion at 2009 year-end, compared to \$5.3 billion in 2008. This asset class includes the traditional government bonds and treasury bills that you would expect to find here. It also includes corporate bonds, external hedge funds, money-market securities, and absolute return strategies. It also provides funding for new investments in other asset classes, equivalent to a corporation's treasury department.

As promised, we continued our strategy of returning to a more traditional fixed income investment program. This demanded a great deal of effort in strategic, structural, and process foundation building. We also reduced the use of externally managed hedge funds, repatriating that work internally.

After a turbulent year in 2008, the Fixed Income department re-focused. They ended the year strategically on course, contributing \$2.6 billion in value added.

Looking back at 2009 I would have to say that there were many temptations to waver from our principles, especially when the markets plummeted in the first quarter, but I'm pleased to say that our team stayed focused and disciplined on our fundamental investment principles.

Before I turn the floor over to Tracy for the Member Services update, I have a suggestion. We have 289,000 members in this plan. That's a lot of potential customers for the companies your fund owns. So, next time you're going shopping, why not head to the Eaton Centre, Fairview Mall or Sherway Gardens? If you need vitamins, look for a GNC store near you. For groceries, there's Maple Leaf Foods. Sporting events or a concert? We'd love to see you at the Air Canada Centre, BMO Field or the Ricoh Centre. And if you're in the market for sporting goods, look for such Easton Bell products as hockey sticks, helmets, and baseball equipment. Or if you're staying home, tune in to CTV while you read the Globe and Mail. And if you're looking for a good night's sleep, you have two great mattress choices: Serta and Simmons . . . And don't forget to tell your friends, too.....

Thank you, and now it's my pleasure to turn the floor over to Tracy Abel, Director of Business Solutions, for the annual update on Member Services.

Tracy?

Tracy Abel, Director, Business Solutions:

Thank you, Neil.

It is my privilege to report to you on behalf of Member Services.

As the face of the Pension Plan, we work for some 289,000 members – working members, retirees and their survivors.

We're one of Canada's largest pension service organizations and we manage one of nation's largest payrolls. In fact, we process billions of dollars in contributions and millions of pieces of personal information every year.

We do all this with great sensitivity to the individual needs of our customers.

Last year, 4,100 retirees started to receive a pension. The average age at retirement in 2009 was 58 and the average pension for a teacher retiring at the 85 factor, was \$42,900.

We expect over 50,000 members to retire in the next decade. And, by 2020, more than 140,000 former teachers and their dependents will be drawing benefits from the plan.

Paying pensions on time is just one of the many things we do. What makes us stand out in the pension industry is our attention to personal service and maintaining high quality.

Let's take a look at our commitment to personal service. This is a direct reflection of our $e=(mc)^3$ strategy. You may recall we reported on this last year.

"E" is for excellence in everything we do for our members. "M" is for more of the three "c's", which stand for: Customization, Counseling and Choice

This strategy creates exciting opportunities. We know that throughout their careers, teachers have vastly differing needs. Therefore, we segment our membership according to where they are in their lives, in order to help us tailor a *customized* experience.

A new teacher, who is just entering the plan, may be guided through the mechanics of naming a beneficiary or setting up a personal profile. But, for teachers nearing retirement, we might focus on helping them understand the implications of their survivor benefit choice.

Regardless of their life stage, we constantly strive to provide members with sound guidance. To enhance our counseling focus in 2009, we gave our specialists the training and tools to discuss certain benefit options in more detail in order to help members make informed choices. We also continue to integrate counseling into our online presence, our secure members-only website, *iAccess Web*.

In addition to our focus on personal service, our emphasis on quality can take us in many directions.

Last year, we began tracking daily performance indicators. These indicators monitor how service is being delivered and enable us to identify real time improvements. We're already seeing results. For example, the percentage of member requests being completed in the same day improved from 51 percent in 2008, to 63 percent in 2009.

Pension service buybacks offer another illustration. Buying back an absence in education typically ranks last in our member satisfaction surveys because it is complex and time-consuming. We have worked with the plan sponsors to make significant changes that will streamline and simplify buybacks.

These changes will create real benefits for members by saving them time and providing additional payment options, making it easier for them to budget their absence. All of these buyback improvements will eventually lead to a new and enhanced online experience.

A quality focus with employers is also important. Every day we work with 193 school boards and designated employers. Each has varying administrative systems. Six years ago, we began asking boards to certify the accuracy of contributions and personal information they send us.

For them, this is simply one payroll deduction. For us, it is so much more. Maintaining a certification process ensures that we have correct information about our members. This is essential for making sure they are credited with the full benefits to which they are entitled.

What I have shared with you today underscores the attention we pay to delivering quality service. By investing in our people and technology, we achieve efficiencies and continue to deliver new and innovative services to members.

Our cost-per-member is a calculation we use to monitor this investment. Over the past decade, it has ranged from \$118 to \$139. In 2009 it was \$130.

This investment continues to yield results. We are pleased to report that our members gave us one of our highest ratings ever last year, at 9.1 out of 10.

So where do we go from here?

Our agenda this year will be dominated by pending legislation.

One such change will affect members going through a marriage break-up. By shifting the responsibility for valuing pension assets onto pension plans, this legislation will have significant implications for us. But it will also enable us to better serve those members who are in the midst of a divorce.

Additionally, changes to the Pension Benefits Act, as a result of recommendations by the Arthurs commission, will impact our work this year. These are captured in Bill 236, which will increase communication requirements, such as providing annual statements to retired members. It will also affect certain benefit provisions like immediate vesting of benefits and increases to the small pension payout threshold.

As you can see, we have a full year ahead of us as we continue to find new and better ways to provide quality service. By listening attentively to the membership, employers, and the sponsors, ... by digging deep into the complexities of the plan itself ... we can always find something that can be done better.

Just before I turn the podium back to our Chair, let me remind everyone that we have a team of Pension Benefit Specialists in the foyer, who are ready and willing to help you with any questions you might have about your pensions.

Thank you.

Eileen?