

YOUR PENSION PLAN GUIDE



YOUR PLAN

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YOUR PLAN

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Retirement may be the last thing on your mind, especially if you are just starting your career.

However, in time, your pension could become your most valuable asset. And that's why it's worth your attention, at every stage in your career. The Ontario Teachers' Pension Plan (Ontario Teachers') will pay you a lifetime pension when you qualify to retire and apply for it online. Benefits may also be provided if you die, become disabled or leave the plan before retirement. Take a few minutes now to learn more about your pension plan and how it can fit into your overall financial plan.

Your rights

As a member of the plan, you are entitled to:

- Receive pension information
- Know when and how often you should receive this information
- Know how to access your pension information
- Appeal decisions made about your pension benefit

To learn more about how you can appeal decisions made by our staff about your entitlement to, or the amount of, a pension benefit, visit our website and read *Your Guide to Benefit Appeals*.

Your obligations

Membership in the plan carries certain obligations, including:

- Informing us of a change in your name, beneficiary designation and spousal relationship
- Informing us of any change in your contact information, including your mailing address, telephone number and e-mail address
- Reviewing the content of your pension statements and notifying us if any information appears incorrect

Your pension will not begin automatically

To receive your pension, you must apply for it online. If you apply after your resignation date, you may lose pension payments.

Understanding your annual pension

The Ontario Teachers' pension plan is a defined benefit pension plan. That means you can expect a predictable income in retirement. And once you apply for and start collecting your pension, you'll receive it for life.

Your salary and years of credit determine the amount of your pension. We measure your service in the plan in two key ways:

CREDIT — This is the actual time (years, months and days) you have contributed to the plan. We use this figure to calculate the amount of your pension.

QUALIFYING YEARS — These are the school years in which you have taught or bought back service for at least a portion of the year. Qualifying years determine when you're eligible to start receiving a pension. Because of changes in the plan, there are different rules for measuring your qualifying years, depending on the years in which you taught.

QUALIFYING YEARS*	
For school years	Working days needed for a qualifying year
After Dec. 31, 1996	More than 10 days
Sept. 1, 1990 — Dec. 31, 1996	More than 20 days
Before Sept. 1, 1990	Any credit

* If the first or last year of your teaching career is a partial year, you will receive service for only the portion of the year worked. For example, if you began your teaching career halfway through the school year, you would receive one-half qualifying year for that first year of teaching.

QUALIFYING FACTOR — Your age plus qualifying years equal your qualifying factor. Your qualifying factor is used to determine when you're eligible for an unreduced retirement pension (85 factor) and to calculate any early retirement reduction.

Example



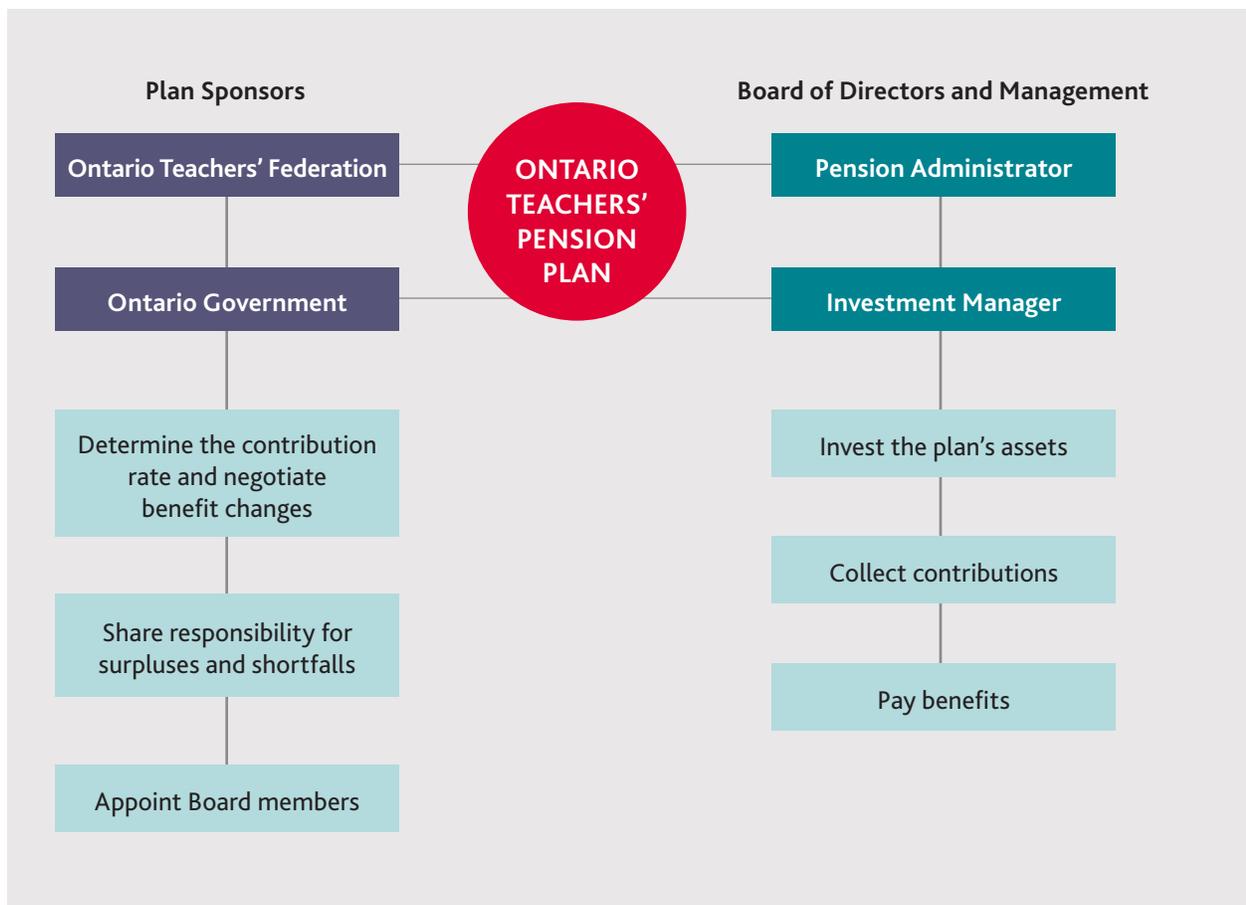
YOUR PLAN

Plan management

Ontario Teachers' is an independent corporation. It invests the plan's assets, collects contributions and pays benefits on behalf of nearly 300,000 working and retired Ontario teachers and their survivors.

Changes to the plan, however, are not the responsibility of pension plan management. Contribution and benefit levels are set by the plan sponsors — the Ontario Teachers' Federation (OTF) and the Ontario government.

The sponsors each appoint four members to the plan's Board of Directors and jointly select a chair. The Board operates independently of management and the sponsors, and is required by law to act in the best interests of the plan's beneficiaries. The Board oversees administration and investment policy and performance.



How we serve you

We're committed to providing you with prompt, reliable pension services and information. Here's how.

Online pension services

Your Ontario Teachers' online account allows you to get personal information and service anytime, anywhere. You can:

- Apply to retire
- Update your address and other personal information
- View your personal pension account
- Calculate the cost to buy back
- Create and compare customized pension estimates
- Retrieve correspondence in your own electronic document centre



To sign up for this service, visit www.otpp.com and complete our registration form.

Detailed information on our investments, organization, corporate governance guidelines, pension benefits, and performance is also available on our website, www.otpp.com.

Other services

We also provide:

- Plan updates and news, for pension news and updates as they happen (www.otpp.com/whatsnew)
- A Facebook page at www.facebook.com/myOTPP
- A Twitter feed featuring investment and corporate news (@OTPPinfo)



THE BASICS

Automatic membership

You automatically become a member of the plan and begin to accrue credit as soon as your employer deducts pension contributions from your pay.

You qualify as a member if you have a valid Certificate of Qualification or current Letter of Permission and work:

- in any capacity for a school board in Ontario;
 - in any capacity for a designated private school or a designated organization, such as a teachers' federation, which participates in the plan under a special agreement;
- or
- as a teacher for an Ontario government ministry, for the Toronto and Region Conservation Authority, or under an authorized exchange program.

Contact your employer right away if you're eligible to join the plan and pension contributions are not being deducted from your pay.

You immediately qualify for a pension when you become a member of the plan.

Contributing to your pension

Every pay day, your employer deducts a percentage of your salary to help finance your future pension. Total member contributions are matched by the Ontario government and designated employers that participate in the plan.

To see what you contribute to the plan, check your pay stub or your T4 slip.

While contributions are important, your pension is based on your years of credit (length of your teaching career) and average salary, not the amount you contribute.

How Ontario Teachers' and CPP work together

Like most major pension plans in the country, the Ontario Teachers' pension plan is designed to work with the Canada Pension Plan (CPP).

Ontario Teachers' provides a bridge benefit, which is intended to supplement your retirement income until age 65 when you are eligible for an unreduced CPP pension. The month after you turn 65, or immediately if you start a CPP disability pension, the bridge benefit ends and your pension payment is adjusted.

THE BASICS

Here's how the two plans work together:

» ***During your working years***

Your Ontario Teachers' contributions are reduced to reflect the contributions you make to, and the benefits you earn under, the CPP during the same period.

» ***During early retirement up to age 65***

If you retire early, Ontario Teachers' provides an additional early retirement bridge benefit over and above your lifetime pension amount until you reach age 65. The additional bridge benefit is intended to supplement your retirement income until age 65 when you are eligible for an unreduced CPP pension.

» ***After age 65***

Once you reach age 65, this early retirement bridge benefit stops.

If you start collecting your CPP pension before age 65, you will notice a decrease in your total pension income at age 65 when the bridge benefit ends.

If you wait until age 65 or later to begin collecting a CPP pension, you will most likely not notice a significant difference in your pension income when the bridge benefit ends.

Calculating contributions

A two-tiered formula is used to calculate your contributions to the plan. Contributions are lower on earnings up to the CPP limit and higher on earnings above it. The CPP limit changes every year to reflect increases in the average wage. You can always find current contribution levels on our website, www.otpp.com.

Transferring service

You may be able to transfer credit to the Ontario Teachers' pension plan from another pension plan registered in Canada. Moving credit into the Ontario Teachers' pension plan may allow you to retire earlier with a larger pension.

For example, your qualifying years of service is one of the key factors used to determine when you can retire with an unreduced pension. By consolidating all of your pension credit in the Ontario Teachers' pension plan, you may be eligible for an unreduced pension sooner.

We participate in two transfer agreements — the Major Ontario Pension Plans (MOPPs) Transfer Agreement and the Interprovincial Transfer Agreement. If you cannot transfer your pension assets under these agreements, you may qualify to buy back credit in the Ontario Teachers' pension plan for the time you belonged to another pension plan registered in Canada.

Contact us if you want to transfer credit.

Major Ontario Pension Plans (MOPPs) Transfer Agreement	Interprovincial Transfer Agreement	Buying credit for "other employment"
<p>Description</p> <p>Covers several Ontario public-sector pension plans, including those serving provincial government, hospital and municipal government employees</p>	<p>Description</p> <p>Covers the Canadian Teachers' Federation and teachers' pension plans in all provinces</p>	<p>Description</p> <p>May allow you to purchase credit in the Ontario Teachers' pension plan for service with another registered Canadian pension plan, if you can't transfer under the MOPPs or interprovincial agreements</p>
<p>Deadlines/Notes</p> <ul style="list-style-type: none"> • No more than 18 months between jobs • Must apply within 6 months of when you start teaching in Ontario 	<p>Deadlines/Notes</p> <ul style="list-style-type: none"> • To qualify, you need 20 days of credit in the Ontario Teachers' pension plan after you terminate from your other plan • Apply any time before you retire 	<p>Deadlines/Notes</p> <ul style="list-style-type: none"> • Apply any time before you retire • You pay the full cost of the expected increase in your pension

Naming a beneficiary

It's a good idea to name a beneficiary for your pension benefits when you join the plan. By doing so, you help ensure your benefits are paid according to your wishes should you die before you start receiving your pension. Detailed information on death benefits is included on page 13 of this guide.



LIFE CHANGES

If your spousal relationship ends

Under the *Family Law Statute Amendment Act*, you are required to complete an application process with us to value your pension for the calculation of net family property. In family law cases, an equalization payment is a payment from one married spouse to another to ensure that both parties receive an equal share of the net family property they accumulated during their marriage.

The division of your pension is neither mandatory nor automatic. Your pension may not be affected if your former spouse has a pension of similar value, or other assets balance out the value of the pension. We encourage you to consult your family lawyer and financial advisor when making the decision to divide your pension to settle an equalization obligation.

If you're signing your separation agreement on or after Jan. 1, 2012, and need to value your pension for the calculation of net family property, apply to us for a *Statement of Family Law Value*. If you're married, either you or your former spouse can apply for this statement. If you're in a common-law relationship, only you, the plan member, can apply. If you are both members of the plan, we will require separate applications for the *Statement of Family Law Value* for each pension.

To apply for the *Statement of Family Law Value*, you will need to fill out prescribed forms and provide us with required documents. Links to the forms, along with step-by-step instructions and common questions and answers, are available on our website, www.otpp.com.

If you take time off

Many members take time off during their careers. If you take an employer-approved leave or period of reduced work due to childcare or disability, you may be eligible to buy back credit for the time you're away. Taking such action allows your pension to grow during your time off. This may allow you to retire sooner with a higher pension.

If your employer approves time off for one day or up to five consecutive school days, you won't have to buy back credit for these short absences. Your employer will report credit, deduct and remit contributions from your salary as they normally would if you were working.

If you take an employer-approved leave that spans more than five consecutive school days, you'll have the option to buy back credit for all or a portion of the leave. For these leaves, your employer will send us the details and we'll update your Buyback Centre. For periods of reduced work due to childcare or disability, you must apply to have these types of arrangements recognized under the plan and meet all eligibility requirements.

LIFE CHANGES

Breaks in service

You may qualify to buy back credit for a break in service if you weren't granted a leave of absence and you resigned from your employer due to a disability. We'll require medical proof of disability to assess your eligibility to buy back a break in service. Please contact us for more information.

How to buy credit

Once you or your employer inform us of your leave, or you've applied and been approved for a period of reduced work due to childcare or disability, we'll update your Buyback Centre. To buy back credit, you can:

» *Pay during your time off*

You can continue to contribute during your employer-approved leave by providing us with postdated cheques or by setting up automatic bank withdrawals. By continuing to contribute while you're on leave, you avoid interest charges and minimize the risk of missing the payment deadline. For periods of reduced work due to childcare or disability, you can only pay at the end of each school year and once we've approved your application.

» *Pay when you return to work*

You have up to five years from the end of your eligible leave or reduced workload to pay for all or part of the credit. Remember that as soon as your leave or reduced workload ends, interest will begin to accrue. If you miss the five-year deadline, you forfeit the opportunity to buy back credit. If you buy back only a portion of it, you'll receive a corresponding amount of credit.

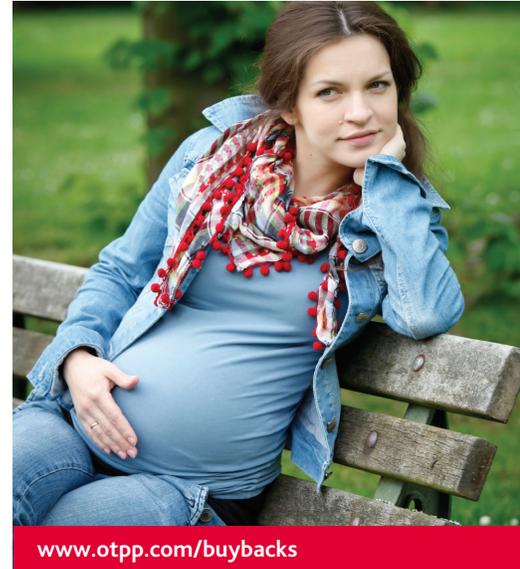
If you stop working in education *

If you stop working in education before you're eligible to collect a pension, you have several options for the benefits you've accumulated in the plan. You can:

- leave your benefits in the plan to collect as a pension when you reach retirement age;
- transfer your pension credit to another major pension plan in Ontario or another teachers' pension plan in Canada; or
- transfer the commuted value of your pension to a locked-in retirement savings arrangement, subject to certain conditions. The commuted value is the lump sum you would need today to replace your future pension. To be eligible for this option, you must stop working in education and notify us of your intention to withdraw the value of your pension no later than the month before you turn age 50.

We'll provide you with more information on your options when you notify us you're no longer working in education.

* Effective July 1, 2012, the plan sponsors have elected to exclude the plan and its members from the grow-in provisions for those who have stopped working in education under section 74 of the *Ontario Pension Benefits Act*. For more information about the grow-in benefits, please visit www.fsrao.ca.



www.otpp.com/buybacks

If you are sick or disabled

You continue to accumulate credit in the plan while you receive sick pay or long-term income protection (LTIP) benefits through your employer. In most cases, this applies even if you are on integrated sick leave or rehabilitative employment.

While receiving LTIP benefits, your pension credit continues to accumulate as if you are still working. In addition, your pensionable salary is adjusted automatically for inflation each subsequent school year at no cost to you. This helps you build the biggest pension possible during your absence from work.

If you leave teaching due to illness, you may be eligible for a disability pension. Please refer to page 18 for more information.

If you face a shortened life expectancy



Before retirement

If illness should leave you with a life expectancy of fewer than two years, you can apply to withdraw the commuted value of your pension without having to sever your employment relationship. The commuted value of your pension is the lump sum you would need today to replace your future pension.

Retirement

After retirement

Pensioners with a life expectancy of fewer than two years can apply to withdraw the present value of four months of pension payments and any spousal benefits if applicable.

LIFE CHANGES

If you die before retirement

The plan provides survivor benefits to help your loved ones maintain financial security when you die.

Order of recipients

Pre-retirement death benefits are paid in the following order to your:

1. Eligible spouse
2. Dependent children
3. Beneficiary (*if you don't have an eligible spouse and there are still benefits to pay after accounting for pensions for any dependent children*)
4. Estate

Living separate and apart

This means you are no longer sharing a spousal relationship (i.e., having joint finances, sharing a conjugal relationship) and intend to terminate your relationship. You can be living separate and apart without a formal separation agreement and/or in the same residence.

Eligible spouse

Your married or common-law partner qualifies for survivor benefits as long as you are not living separate and apart at the time of your death. In addition, a common-law partner must have lived with you in a conjugal relationship for:

- at least three continuous years; or
- a shorter period if you are the parents of a child.

Dependent children

If you do not have an eligible spouse when you die, or if your eligible spouse dies after you, your dependent children will receive a survivor pension provided they are reliant on you for support at the time of your death and are:

- under age 18; or
- 18 to 24 years of age and enrolled in full-time, continuous education since age 18 or since your date of death, whichever occurred later; or
- disabled, having been disabled without interruption since the date of your death.

To be considered disabled, an individual must have a severe and prolonged mental or physical disability. A disability is severe if the person is incapable of regularly pursuing any substantially gainful occupation and it is prolonged if it is likely to be long, continuous, and of indefinite duration, or is likely to result in death.

Survivor pensions are paid for as long as there is someone who is eligible. For example, if your surviving spouse dies after you, the survivor pension transfers to your dependent children.

LIFE CHANGES

If you have more than one dependent child, the survivor pension would be divided equally and paid to each child for as long as he or she remains eligible to receive a survivor pension.

When a dependent child is no longer eligible for a survivor pension, his or her share of the survivor pension would be divided equally and paid to the remaining dependent children.

A child aged 18 or older receives a survivor pension directly, while payments for a minor child are provided to the court-appointed guardian of the child's property. If there is no guardian, benefits are paid to the court until the child reaches age 18.

The rules concerning eligibility for dependent children are complex. For more information, contact our Client Services department.

Beneficiary

You should name a beneficiary for your Ontario Teachers' pension and review your designation whenever your personal circumstances change. You can designate by signing in to your Ontario Teachers' online account or by completing a *Designating a Beneficiary* form, found in the Member Reference Library at www.otpp.com.

Your beneficiary can be one or more people or a corporation, such as a charity.

Many people name their children as beneficiaries to ensure they get the biggest death benefit possible. Although dependent children (see previous section) automatically receive a survivor pension if a member dies before retirement without an eligible spouse, there is often a benefit, in addition to the pension, to pay out. This benefit can be substantial if the children are older and will qualify for a pension for only a few years.

Children who are not dependants qualify for benefits only if named as beneficiaries.

Under normal circumstances, you should not name your spouse as your beneficiary. An eligible spouse has an automatic right to a survivor pension under provincial pension law. A beneficiary can receive benefits only if you die before retirement and you have no eligible spouse when you die. By naming your spouse, you lose an opportunity to decide who should be in line for benefits if your spouse predeceases you and a benefit remains to be paid after dependent children are taken into account.

Estate

If you do not have an eligible spouse, dependent children or designated beneficiary when you die, all benefits payable will go to your estate.



RETIREMENT





RETIREMENT

Preparing to retire

When you're nearing the end of your career, check out our online retirement planning resources and publications. If you sign in to your Ontario Teachers' online account, you can generate and compare pension estimates based on various what-if scenarios. This will help you determine when you can retire and what you will get.

Be sure to review your pension options early. For example, you may want to increase survivor benefits for your eligible spouse in exchange for a reduction in your pension. Of course, you can change your survivor benefit any time before your pension begins.

When you're ready to retire, don't forget to apply! To receive your pension, you must apply for it online. If you apply after your resignation date, you may lose pension payments.

When and how much

You become eligible for an unreduced pension when you reach:

- your 85 factor (age + qualifying years), or
- age 65.

Example

Your basic annual pension equals:

2% x credit x average best-five years' salary

For example, if your average best-five years' salary is \$85,000 and you have 30 years of credit, your basic pension would be:



RETIREMENT

Reduced retirement pension

You're eligible for a reduced pension when you are at least age 50. As you'll see below, your reduced pension is calculated just like your basic pension, and then reduced by the appropriate percentage for your situation.

Immediate reduced pension

If you begin your pension the month after you stop working, your basic annual pension will be reduced by:

- 2.5% for each point you're away from your 85 factor; or
- 5% for each year you're under age 65, whichever is less.

Example

Let's assume you want to start your pension immediately after retiring at age 52 with 30 years of credit.



Since you are three points shy of your 85 factor ($85 - 3 = 82$), your pension is then reduced by 7.5% ($2.5\% \times 3$).



Deferred pension

If you don't begin your pension the month after you stop working, your basic annual pension will be reduced. The amount of the reduction depends on when your last employment occurs, and the age you are when it does.

- **Before January 1, 2018, regardless of age** – 5% for each point you're away from the 85 factor or for each year you're under age 65, whichever is less.
- **On or after January 1, 2018, and under age 50** – 5% for each point you're away from the 85 factor or for each year you're under age 65, whichever is less.
- **On or after January 1, 2018, and age 50 or older** – the lesser of:
 - 2.5% for each point you're away from the 85 factor, or
 - 5% for each year you're under age 65.

Disability pensions

The plan also offers two types of disability pensions — a full disability pension and a partial disability pension — to eligible members with at least 10 qualifying years.

To qualify for a full disability pension, you must be incapable of any employment in any occupation. A full disability pension is based on:

- 2% x credit (years) x average best-five years' salary
- less reductions for such things as higher survivor benefits.

To qualify for a partial disability pension, you must be incapable of employment in education. A partial disability pension is calculated like a full disability pension and then reduced by 2.5% for each point you are under your 85 factor (age plus qualifying years) or age 65, whichever is less.

Example



If you begin collecting disability benefits from the Canada Pension Plan (CPP), the CPP adjustment that normally applies to your Ontario Teachers' pension at age 65 takes effect immediately.

RETIREMENT

Disability pensions are paid for as long as you remain disabled. If you return to work and receive pension payments you were not entitled to, you must return them, with interest. Please review the situations below to see how returning to work may affect your disability pension.

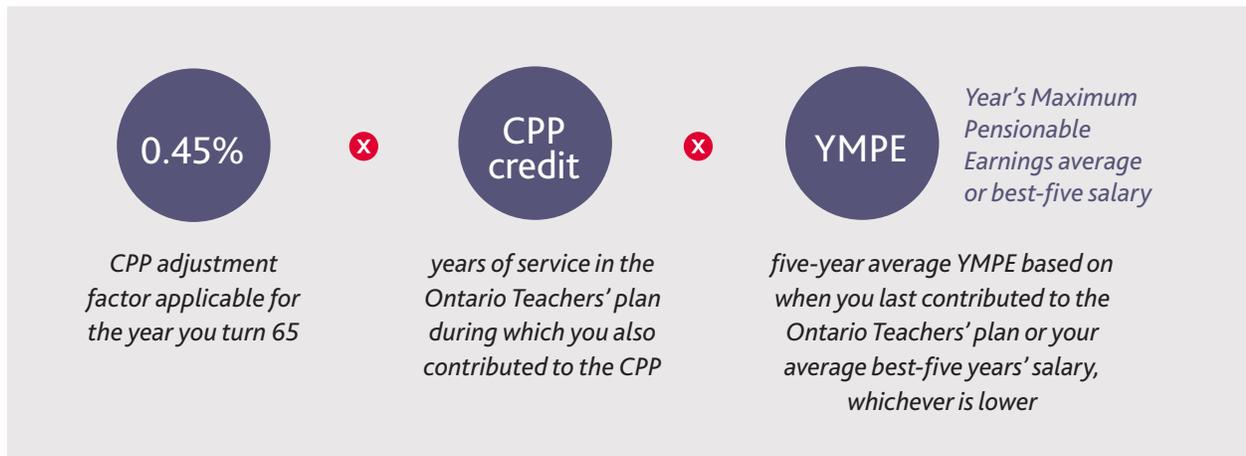
Type of pension	Situation	What happens to your pension?	Do you need to contact us? When?
Full disability	Return to any type of work	Stops	Yes, immediately
Partial disability	Return to work in education	Stops	Yes, immediately
	Return to work outside education	Continues	No

Pension adjustment at age 65

Your Ontario Teachers' pension payment is adjusted at age 65, or immediately when you start a Canada Pension Plan (CPP) disability pension, to reflect its integration with CPP.

Even if you take a reduced CPP pension before 65, your Ontario Teachers' payment won't be adjusted until you're 65. However, if you apply for a CPP disability pension, you must notify us immediately.

Upon your death, the survivor pension is also adjusted. This reduction is not a tax or claw back.



Teachers retiring today with 27 years' credit can expect an annual adjustment in their Ontario Teachers' pension of roughly \$6,000 at age 65. This adjustment is significantly less than the maximum CPP retirement pension payable at age 65.

The adjustment occurs at age 65, even if you choose to begin receiving your CPP retirement pension early (age 60 to 64).

Inflation protection

Annual adjustments

Your Ontario Teachers' pension includes annual cost-of-living increases to help you maintain your purchasing power in retirement.

Cost-of-living adjustments apply to retirement pensions, disability pensions and survivor pensions.

If you defer the start of your pension, your first pension payment will reflect changes in the cost of living from the time you left employment in education to the time you begin to collect your pension. This means your pension maintains its purchasing power until you decide to start your pension.

For more information on current inflation protection provisions, please visit our website, www.otpp.com.

Death after retirement

Your eligible spouse is automatically entitled to a survivor pension equal to 60% of your pension (calculated after the bridge benefit ends) when you die. Before you retire, you can increase your survivor pension up to 75% of your pension or decrease it to 50%. A lifetime reduction applies to survivor pensions greater than 50%. The reduction depends on your age, your spouse's age and the percentage of survivor pension you select.

If you don't have an eligible spouse when you die, dependent children are eligible to receive a survivor pension. A child's default pension is 50% of your pension; however, if you had an eligible spouse at retirement, your child's pension is the amount your spouse was entitled to receive. Review the dependent children section on page 13 for more information on who qualifies as a dependant.

A 10-year pension guarantee is also available for a nominal lifetime reduction to your pension or at no cost if you don't have an eligible spouse when you start receiving your pension. Under the guarantee, if you die before receiving 10 years' worth of pension payments, your survivor will receive a pension (calculated after the bridge benefit ends) for the balance of the 10 years, or a lump sum equivalent amount will be paid to your estate.

Contact information

Ontario Teachers Pension Plan
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www.facebook.com/myOTPP



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This publication is designed for members who are currently employed in education. The information in this publication is based on plan provisions as of June 2012. The information has been simplified for the reader's convenience. For a complete description of plan provisions, please contact us.

Confidentiality: To administer the pension plan properly, we must collect and maintain certain personal information about our members. We use this information only to carry out our responsibilities. We treat all personal information as confidential and protect members' privacy.

Plan registration number: 0345785