

PENSION WISE

A NEWSLETTER FOR ONTARIO TEACHERS

SUMMER 2015

Stepping stones of occasional teaching

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Sedannia D'Amico
Photography by Gerald Allain

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NOT DIVESTMENT

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YOU ASKED US... INVESTMENTS

Check out the answers to some of the top questions you had about our investments following the release of our 2014 results.

Q: Many financial analysts are talking about a more devastating stock market collapse than in 2008. How has Teachers' prepared for this possibility/probability?

A: We have built, and continue to build, an investment portfolio that is diversified by geography and by asset class. We believe that this diversification will help us to mitigate the effects of any economic upheaval. We are a long-term investor and our returns will not be constant over time. We attempt to be flexible and disciplined as we adapt to business cycles and shifting investment environments.

Q: What is the plan to invest more in Europe, and what is the thinking about Africa and other emerging markets?

A: We consider investments in all regions of the world, including Europe, Africa and emerging markets. However, we don't have targets or quotas for investments in any specific region. Our goal is to find good investments that will help pay pensions, without regard for geography.

Q: What is the impact of fluctuating oil prices and declining interest rates on the performance of the plan?

A: The decline in commodity prices had a small negative effect on the pension plan in 2014. Despite that, we had an investment rate of return of 11.8% in 2014, which was above our investment benchmark of 10.1%.

Low interest rates have a significant effect on the plan's liabilities - as interest rates decline, the cost to fund a typical pension grows. For example, it costs \$900,000 to fund a \$48,500 pension with interest rates at 3%. That rises to \$1.2 million if interest rates drop to 1%.

Want More? 

Watch Teachers' President and CEO Ron Mock answer some of your questions in an exclusive interview.

Visit www.otpp.com/PensionNewsOnline to see the video.

THE LONG GAME

Two years ago we met Sedannia D'Amico, an occasional teacher working day-to-day. We caught up with her to see how her career has unfolded and how her pension has affected the decisions she's made along the way.



As an occasional teacher, you're never quite certain what or where your next teaching job will be. For Sedannia, the opportunity to teach grade 8 for a full year presented a learning experience that she was happy to take on.

After we met Sedannia in 2012, she landed a few short-term leave placements, and last year she took on a long-term occasional (LTO) position. Being in the same classroom for a full year was a milestone she worked hard to hit. This year she's got another LTO, and she hopes that a permanent full-time position is around the corner.

"I'm so busy right now, I don't have a lot of time to pay attention to my pension. But I know it's there, and that my credit is adding up, especially now with my LTO."

"Occasional teaching for six years can really test your patience," Sedannia said. "There were so many times I thought about giving up. The uncertainty of the situation almost holds you back from life - you hesitate to buy a house or to start a family."

But she knows that every day she works, and every placement she takes, moves her closer to that permanent position, and she's determined to stick with it.

The one certainty she can bank on is her pension, she added. "I'm so busy right now, I don't have a lot of time to pay attention to my pension. But I know it's there, and that my credit is adding up, especially now with my LTO."

The security of a defined benefit is one of the factors that kept her in the profession. "I know now that I am going to stick with this career. I know that this is a great pension. It's probably going to be my biggest investment for my retirement."

3 THINGS occasional teachers need to do:



Download Classtime, our app for occasional teachers



Like us on Facebook.com/myOTPP and follow us on Twitter (@OTPPinfo) to keep up-to-date on your pension plan



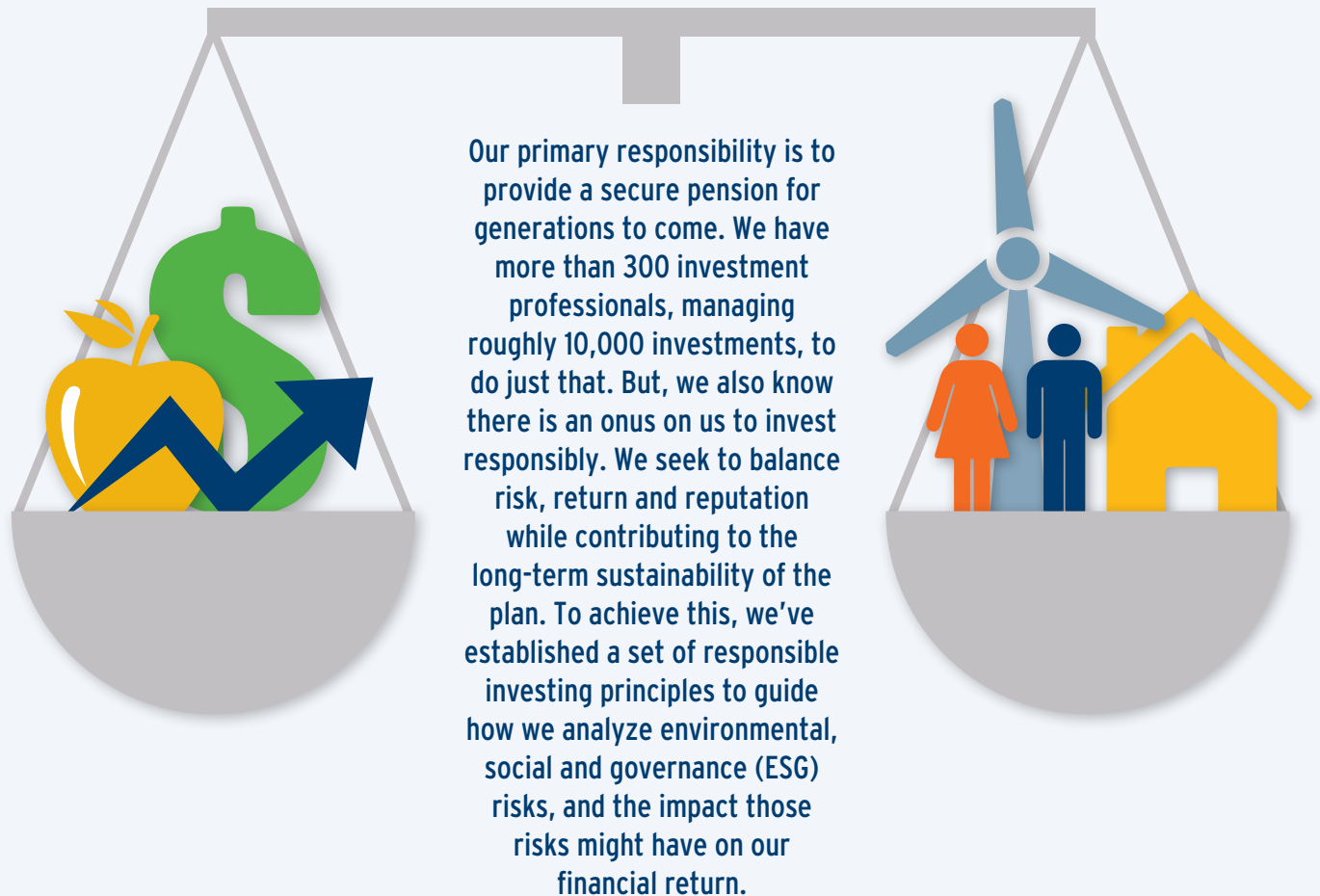
Register for a secure Teachers' account to learn how to optimize your pension

Want More?



Read Sedannia's first interview at
www.otpp.com/PensionNewsOnline/OccasionalTeachers

PRINCIPLES PUT INTO PRACTICE



Check out these examples of how we're putting our principles into practice.

Integrate ESG

We consider risks and the expected financial return when deciding whether or not to invest.

We considered investing in a U.S. healthcare provider. When we dug deeper, we weren't satisfied with the quality of care or the internal controls, so we walked away.

Our portfolio of wind and solar assets are attractive from a climate change perspective, but we still scrutinize its impact on water usage, surrounding communities and worker health and safety.

Engaged Ownership

We have long believed that good governance is good business. We also think it's necessary for sound management of environmental and social risks.

We vote 100% of the shares we own.

We speak with management of investee companies as needed.

We voted at nearly 2,000 company meetings in 2014.

When we initially invested in Hitachi, we worked with management to address a number of governance issues within the organization. As a result, the company completely overhauled its operations and strategy, reviewed its asset portfolio and rejuvenated its board of directors. When we sold our stake, we saw a 300% gain on our investment.

Turn the page
to learn why we
don't believe
divestment is
the answer to
climate change.

Continuous Learning

ESG risks are constantly evolving. To stay current, we've established an in-house education series featuring experts from around the world. We also review research and share knowledge across our team.

Michael Morell, the Central Intelligence Agency's former acting director and deputy director, shared his thoughts on terrorism, cybercrime and international hotspots with members of our investment team.

Jeff Gravenhorst, the CEO of ISS, one of our portfolio companies, shared how the facilities management company with more than 500,000 employees made gains through employee engagement. He explained how simple changes like new microfibre mops and water nozzles in its plants have reduced water usage by 22% and energy use by 15%.

Seeking Disclosure

Integrating ESG can only be done if you have the right information about the ESG risks faced by companies and how they manage them. ESG metrics are not part of the current standard of financial reporting in public companies. It's up to investors like us to ask these companies for the information. With our private companies, we have a lot more access to this information.

We conducted a thorough ESG analysis with a number of our portfolio companies, including Brussels Airport. The result? The airport now regularly reaches out to its surrounding community, improved employee engagement to help increase productivity and added corporate responsibility as a regular agenda item for the board committee.

Collaboration

We're a member of more than a dozen groups, all working to promote good governance, disclosure and responsible investing through education and advocacy. We also contribute to committees and research initiatives and exchange information about ever-changing best practices.

We collaborated with the UN and other institutional investors to craft a statement calling for support of investing in climate-resilient infrastructure projects. Pension funds representing \$1.3 trillion in assets signed on and the letter was presented to the United Nations Secretary General Ban Ki-moon.

Want More?

Visit www.otpp.com/responsible to read our Responsible Investing Principles in Practice report.

When disaster strikes the communities in which we invest, we are there.

In April 2014 a fire tore through the Chilean city of Valparaiso destroying more than

**2,500
HOUSES**

**KILLING 15 PEOPLE
AND INJURING HUNDREDS MORE.**

The affected area is a series of steep hills with narrow roads and no fire hydrants.



Teachers'-owned
Esval S.A., a water utility in Chile,
provided water at 120% capacity
for three days, or a total of

**150
Million
LITRES**

**OF WATER, TO HELP
COMBAT THE BLAZE.**

Esval also forgave all debts owed by those who lost their homes and pledged to replace their water metres when they rebuild.

ENGAGEMENT, NOT DIVESTMENT, KEY TO DEALING WITH CLIMATE CHANGE

Pension plans and institutional investors are being called on to divest from organizations that have significant exposure to climate change risks, in particular, fossil fuel companies.



Our first and foremost responsibility is to provide you, and future generations of teachers, with a secure pension.

As an investor, climate change poses a risk to all of our assets and our ability to earn sufficient returns over the long-run.

But, the divestment of fossil fuel companies is not the answer to dealing with these risks. Rather, engagement is.

Talking to companies about our concerns can encourage them to make changes that reduce or eliminate greenhouse gas emissions and contribute to a more sustainable future.

Extreme weather and changes in weather patterns can physically damage our assets and their supply chains. Climate change also poses a regulatory risk to our portfolio companies. Stringent or abrupt carbon taxes and new cap and

trade systems, for example, can have a negative impact on the valuation of a company.

"We believe we can be most effective by using our influence and engaging with companies and governments."

"Some members have called for us to divest from fossil fuel companies to make a point," said Ron Mock, Teachers' President and CEO, during our 2015 annual meeting. "We believe we can be most effective by using our influence and engaging with companies and governments."

By maintaining our voice at the table, we are able to sit on boards in those cases where we have a majority stake, speak with management, and vote our shares. We also work with governments to shape policy to address the risks that climate change presents.

While we continue to influence policy makers and organizations in the fossil fuel and energy sector, we will also continue to invest in clean energy.

New clean energy technologies will not replace fossil fuels overnight. The transition is underway but will take some time. Regardless of the sector, we will evaluate each and every investment on whether or not they will help us to meet our responsibility to provide you with a secure pension.

Want More?



Watch Ron Mock discuss our stance on climate change at www.otpp.com/webcast

SOCIAL MEDIA ROUND-UP

WHAT PIECE OF ADVICE WOULD YOU GIVE SOMEONE JUST STARTING THEIR RETIREMENT?

35 comments, including:



"Have fun -
**throw your
watch away!**"



"Remember to spend time on three things –
your mind, your body and your community!
Keeping those three in balance will help
you stay **healthy and happy!**"

"Breathe. Relax.
Be guilty of sleeping in.
**Go outdoors on
every sunny day.**"



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Check out some of our most
popular posts. Don't forget to visit
www.otpp.com/PensionNewsOnline
for exclusive news about your plan.



Keep up-to-date
with the plan and
your colleagues.



We throw back every Thursday to celebrate milestones from our past 25 years.

Help us celebrate our 25th anniversary and tell us what being a member of this plan means to you.

Send your story and photos to
member_communications@otpp.com.

Post them to our Facebook page or tweet them using #myOTPP.



DID YOU KNOW... ?

What's the connection
between **Beyoncé** and
your pension?

'Queen B' took home a Grammy for Best R&B song

Our portfolio company, ole, owns the rights to the song (as well as recordings by Justin Timberlake, Kelly Clarkson and Taylor Swift, to name a few). Now that's worth singing about!

113 Like + 37 shares 15 comments

NEWS BRIEFS

RETIRING IN JULY? Before we can pay your pension, you need to:

1

apply for your pension in your
secure Teachers' account;

2

submit your letter of resignation
to your employer before your intended
retirement date; and

3

ensure that we have all of
your documents, including
birth certificates, proof of marital or
common-law status, divorce or separation
agreements, and CPP Notice
of Entitlement or Notice of Denial.

Pensionwise™ is published for members of the Ontario
Teachers' Pension Plan.

We appreciate your comments about anything you
read in *Pensionwise*.

Please email: member_communications@otpp.com

This newsletter does not create any right to benefits.
Your entitlements and those of your survivors are and will
be governed by the language of the pension plan text.
The information contained in this newsletter is not
intended to be relied upon in relation to any particular
circumstance.

Ce bulletin est disponible également en français.

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Strikes and your pension

What impact, if any, does a legal work
stoppage have on your Teachers' pension?
Your pension credit is not affected during
a legal strike - your employer reports
a loss of salary only. The loss of salary
affects your future pension only if:

- it occurs within your best five years of
salary (these are typically your last five
years before retirement); or
- you are applying for a lump sum from
the Plan (e.g., termination option).

In most cases, your affiliate will top-up
contributions on your behalf. You can
top up the loss of salary by paying the
required contributions plus interest.

If you've applied for your pension, or
plan to apply, there is no impact on
your application or on your pension.

Chief Investment Officer retires

Neil Petroff, Executive Vice President
and Chief Investment Officer, has
retired as of June 1.

Neil has worked in various areas of
the Investment Division and taken on
progressively senior level positions,
leading up to his current role.

"I have been lucky enough to hold the
best job in Canada for the past six years,"
he said. "I've been working closely with
our President and CEO Ron Mock and the
investment team on the development
of a new investment strategy over the
past several months. This is the ideal
time for my retirement, and for the next
generation of investment professionals
to move our new strategy forward."

An internal and external search is being
undertaken for Neil's successor.

Reminder!

Make sure your contact information
is up to date. Sign into your secure
Teachers' account and review your
mailing and email addresses. Be sure
to update your email to your personal
account if you have your school board
email address listed.

Return undeliverable Canadian addresses to:

PM# 40062973

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