

COMMUNIQUE

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PENSION UPDATE

Why Your Pension is Worth Paying For

You may be surprised to know that your Ontario Teachers' Pension Plan is probably your greatest financial asset. Likely, it is even more significant than the value of your home.

The current average pension for a teacher is \$40,000 a year. In order for the Plan to be able to pay that pension for the rest of the teacher's life requires \$860,000 in assets.

Defined Benefits

We are fortunate to be part of a defined benefits plan. Our pensions are determined by how many years we teach and the average of our best five years salaries. Upon retirement, a teacher's pension benefits are guaranteed. The name says what it means—the benefits are defined.

What We Get

We have a plan that allows us to retire when our years of teaching and our age adds up to 85. This is our 85-factor.

Once we start collecting our pensions, our income is protected against inflation to a maximum increase of 8% each year.

We have good protection for our spouses and our children if we die either before we start collecting our pensions or after.

We have a pension plan that is well-managed and leads the industry on investment returns.

What It Costs

The contribution rates were set for our Pension Plan in 1989. There has been no change since then. Contributions are your investment in your own future. They are matched by the Government. Your portion of the contributions are tax deductible.

Why Costs Are Going Up

For many economic reasons including a longer life span and a growing number of retirees, defined benefit plans like ours are experiencing some pressure.

One of the tools used to measure the value of our Plan is the real interest rate. The real interest rate is the best estimate of experts of what future interest rates will be after future inflation is taken into account.

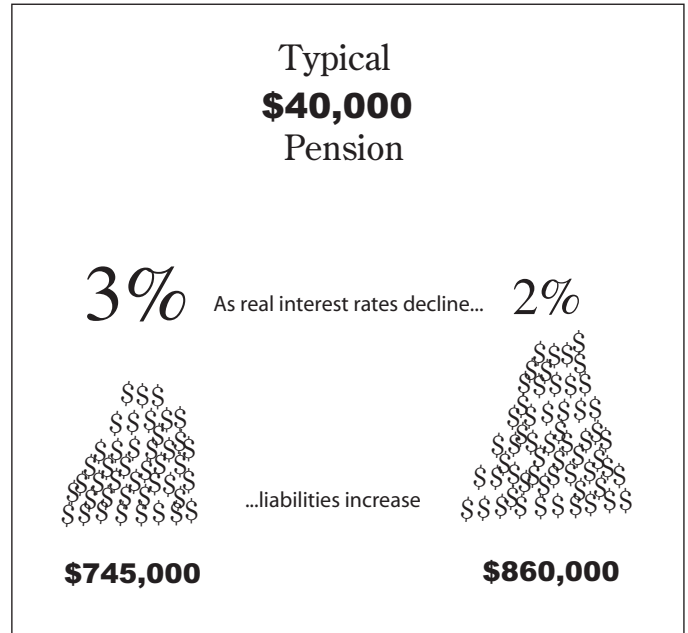
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In the last while, the real interest rate has been on a steady downward trend. As the rate goes down, the amount that the Plan must have to pay pensions goes up.

For a drop of one percent in real interest rates, the OTPP must have an additional \$115,000 to pay your pension.



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