



One focus, many solutions.



TEACHERS'
PENSION PLAN

HOW DOES OTPP FIT WITHIN YOUR OVERALL FINANCIAL PLAN?

Presented by: Mike Spohn (Educators) *and* Michael McAllister (OTPP) | **Moderated by:** Bruce Sellery

Meet your moderator

Bruce Sellery



Founder of Moolala (*a personal finance training company*)



How Does **OTPP** Fit Within Your Overall Financial Plan?

Meet the experts

Michael McAllister



Director of Client Services
Ontario Teachers' Pension Plan

Mike Spohn



Financial Planner – BA, BEd, CFP
Educators Financial Group



How Does **OTPP** Fit Within Your Overall Financial Plan?

Our goal for today

To **educate** the education community about **OTPP** as it relates to their *overall* financial plan.

It is our hope that we can shed some light on your top questions concerning **your pension**.



How Does **OTPP** Fit Within Your Overall Financial Plan?

About the webinar



Will I be able to get a copy of the slides after the webinar?



Is this webinar being taped so it can be viewed afterwards?



Tonight`s learning agenda:

- ➔ Introduction
- ➔ Pension 101
- ➔ Decision-making
- ➔ The bigger picture
- ➔ Wrap-up



OTPP: Pension 101

Let`s break down the basics of OTPP:

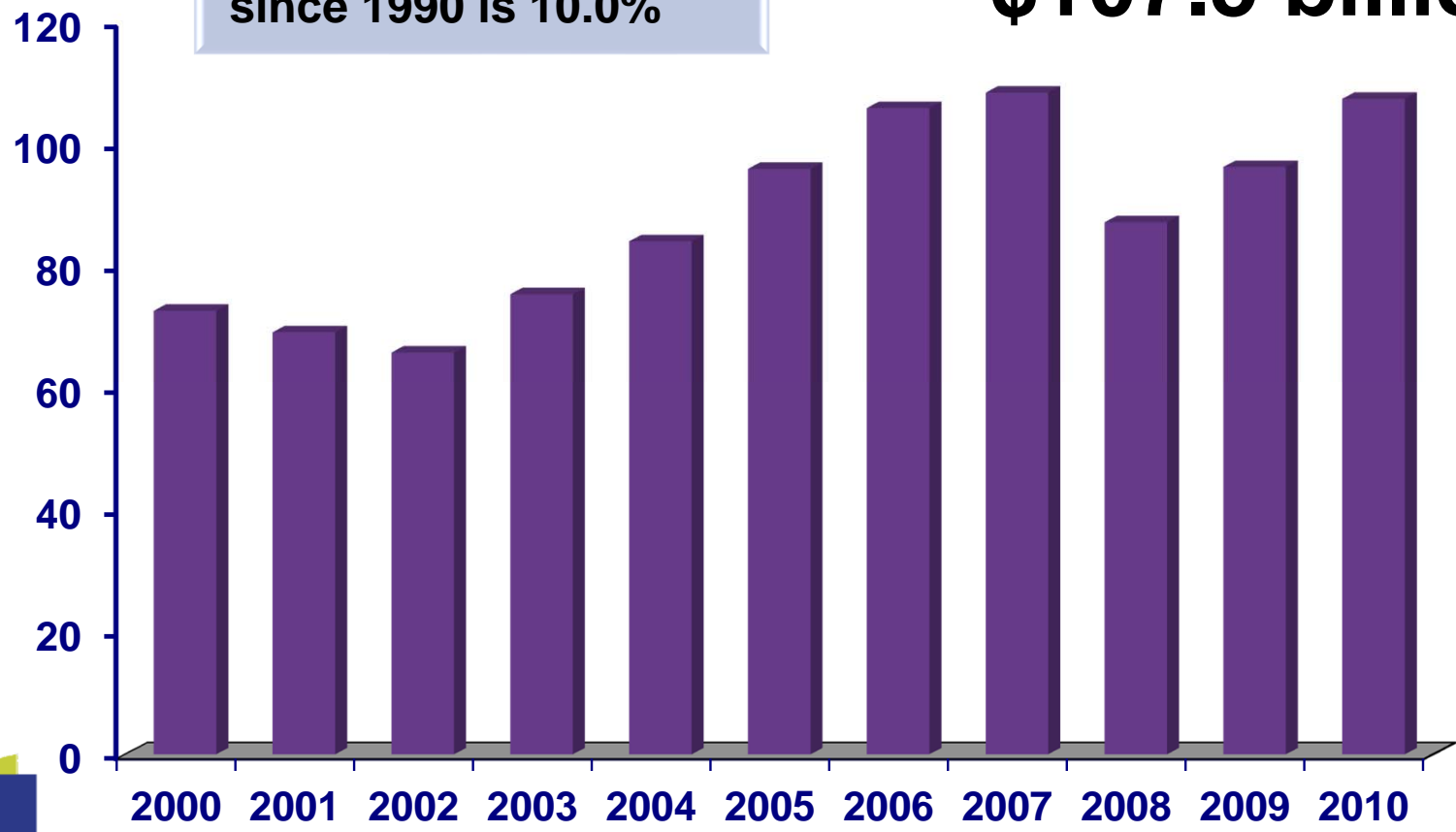
- Administer the plan
- Invest assets
- Pay pensions
- Provide information



Pension 101: net assets

Average rate of return since 1990 is 10.0%

Assets as of 12/31/2010:
\$107.5 billion



Pension 101: 85 factor

Age at retirement

+

Qualifying years

=

Factor



Pension 101: 85 factor

Example: Audrey is a part-time teacher who teaches the equivalent of 50% each school year for 32 years.

Age at retirement	53
	+
Qualifying years	32
	=
Factor	85



Pension 101: Credit

What exactly is 'credit'?:

- Determines amount of pension
- Actual number of years you have contributed to the plan, including buybacks and transfers in



Pension 101: Credit

Example:

Audrey taught on a 50% contract for 32 years

16 years of *credit* used in pension calculation



Pension 101: Calculation

Here is the basic pension formula:

$$\begin{array}{c} \text{Years} \\ \text{of} \\ \text{credit} \end{array} \times 2\% \times \begin{array}{c} \text{Average salary of} \\ \text{your } \underline{\text{best}} \text{ 5 years} \end{array}$$

$$28 \text{ years} \times 2\% \times \$85,000 = \$47,600$$

Pension resources

**Have questions about your pension?
Answers are just a 'click' or call away:**

- **iAccess:** www.otpp.com
- **OTPP:** 1.800.668.0105
- **Educators:** 1.800.263.9541



Pension misconceptions

There are common misconceptions surrounding:

- 85 Factor
- Deferred Salary Plan (*4 over 5*)
- Conditional inflation
- Pension amount
- It's too complex
- Ease to retire



Decision-making: when to retire?



What is my vision
for retirement?

When will my estimated retirement
income support that vision?

Will I be emotionally
ready to retire?



Does **OTPP** Fit Within Your Overall Financial Plan?

Decision-making: responsibility

Q: Should I take on increased or decreased responsibility?

A: Increased (*in this case, **more** is more*)

Why?

The salary you earn during your **best 5 years** has significant impact on the value of your pension.

Decision-making: buybacks - credit

Q: Should I buy back pension credit?

A: It's almost always a good idea to buyback all eligible pension credit.

Why?

Overall, buying back credit helps *maximize* pension value and reach 85 factor as early as possible.



Decision-making: buyback - absence

Buyback for an absence within the last 5 years:

- Part-time absence while still working on a contract (*reduced workload*) not eligible

Transfer credit under reciprocal agreement:

- Major Ontario Plans or Interprovincial
- Deadlines apply



Decision-making: survivor pension

- You and your spouse choose survivor pension % before retirement
- 60% is the default survivor pension
- Can select an option from **50%** to **75%** of your pension, less CPP reduction
- Your pension is reduced for survivor pensions greater than 50%



Decision-making: retire before 50

If you're thinking of leaving teaching **before the age of 50**, there are *various* options available to you:

- Deferred pension
- Disability pension
- Commuted Value Transfer
- Shortened Life Expectancy



The bigger picture

Your pension is an important part of your overall financial plan – but it is just one part.

What are *some* of the things you need to think about in order to bring it all together?



The bigger picture

Education-specific item	Expert advice to...
OTPP / OMERS pension	<ul style="list-style-type: none"> • Minimize potential income gaps • Navigate pension income fluctuations • Manage cash flow challenges
Gratuities	<ul style="list-style-type: none"> • Minimize tax implications
Summer time	<ul style="list-style-type: none"> • Optimize cash flow <i>(i.e. Summer Freedom)</i>
Deferred salary plans	<ul style="list-style-type: none"> • Develop a plan for them while minimizing the income pinch



How Does OTTP Fit Within Your Overall Financial Plan?

The bigger picture

What questions should I ask of whom?:

OTPP	Educators
How much income will I have on retirement?	Will my income be enough for the retirement lifestyle I want?
How does the pension actually work?	How can I best save for other life goals?



How Does OTTP Fit Within Your Overall Financial Plan?

The bigger picture

Impact of post-retirement income:

Income Scenario	Impact
Teaching out of province or abroad	<ul style="list-style-type: none">• No impact to OTPP pension
Teaching in Ontario	<ul style="list-style-type: none">• Limited to 50 days per year <i>(effective Sept. 2012)</i>
Non teaching income	<ul style="list-style-type: none">• No impact to OTPP pension



How Does OTPP Fit Within Your Overall Financial Plan?

Wrap-up: Educators

Increase your financial literacy by:

- Signing up for our exclusive email list
- Call **1.800.263.9541** to book your free one-on-one financial planning session
- Visiting www.educatorsfinancialgroup.ca and signing up for The Learning Centre

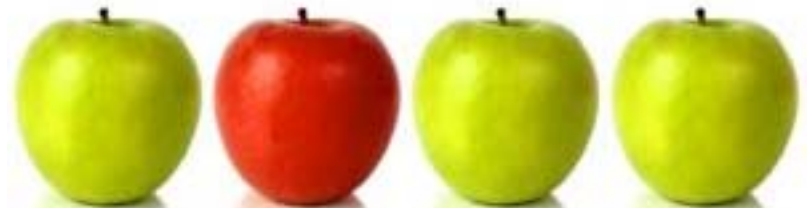


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Wrap-up: OTPP

Increase your understanding of our services by:

- Visiting www.otpp.com
- Registering/signing into iAccess
- Calling **1.800.668.0105**



How Does OTPP Fit Within Your Overall Financial Plan?

Thank you



Bruce Sellery



Michael McAllister



Mike Spohn

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