

**CPP CATCHES WIND**  
U.S. investment seen  
as diversification  
PAGE B4

# BUSINESS



## MARKET WATCH

**S&P/TSX composite**  
▲ 90.59 to 13,440.72  
+0.68%

**Dow Jones industrials**  
▲ 391.47 to 12,654.36  
+3.19%

**Canadian dollar**  
▲ 0.46¢ U.S. to 97.88¢  
\$1 U.S.=\$1.0217 Cdn.

**Oil**  
▼ 60¢ U.S. a barrel  
to \$100.98

**THE CABLE DEBATE**  
Should carriers pay  
to carry TV channels?  
PAGE B5

# Teachers' tussles with shortfall

Pension fund manager must file a plan by autumn  
dealing with \$12.7 billion assets and liabilities gap

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BUSINESS COLUMNIST

Ontario teachers are facing a \$12.7 billion pension shortfall and must decide what to do about it before the fall.

The Ontario Teachers' Pension Plan Board said yesterday the \$108.5 billion pension fund is about 11 per cent short of meeting current pension obligations.

By law, a deal must be struck with the provincial regulator before October to close that gaping hole in an age of low investment returns and longer lifespans.

The plan was among the top performers last year, but earned

only 4.3 per cent compared with a 10-year average of about 9.7 per cent.

"A typical new retiree in 2007 will have worked for 26 years, and is expected to collect a pension for 36 years (including the pension paid to a survivor)," notes the plan's latest annual report.

A \$40,000 pension paid from age 58 is valued at about \$855,000 in the report, assuming bonds pay a return of 2 percentage points more than inflation.

Neither the recently appointed plan president, James Leech, nor Ontario Teacher Federation president Maureen Davis would spec-

ulate where pension talks would lead.

It's quite possible young teachers will collect a less-generous pension than today's retirees, although a mix of solutions may be tried to balance the books.

"It is a reality that we are well aware of and it needs to be dealt with," Davis said in an interview.

Teachers have said they would rather accept fewer benefits than pay much more. A poll found most would prefer to gamble on having less inflation protection than see pensions cut 10 per cent from the start, or retire 2½ years later.

"The good news is teachers are living longer," Davis says she tells student teachers to explain the predicament of the plan, which does have enough money to pay pensions for

many years to come. "The bad news is teachers are living longer."

Some 108,000 retirees were paid about twice as much in 2007 as the 170,000 active members and provincial taxpayers contributed. That puts a strain on pension reserves, and requires managers to take fewer risks.

Leech noted the average pension plan with a similar mix of assets would have earned only 2.3 per cent last year, while a plan like the one for Ontario's municipal employees could have earned 5.6 per cent with its much higher ratio of company shares to interest-bearing bonds.

Things have improved since three years ago, when the estimated shortfall was nearly \$19 billion.



Teachers' chief James Leech says any plan must strike right balance.

PENSIONS continued on B4