Annual Meeting Speeches 2006

The Carlu, Concert Hall
April 7, 2006
5:00 p.m.
CHAIR’S SPEECH

Good afternoon everyone and welcome to the 14th annual meeting of the Ontario Teachers’ Pension Plan. I hope you enjoyed that invigorating video – we thought you would appreciate seeing a showcase of some of our key equity investments, and you know what they say about “pictures and thousands of words!”

Bonjour et bienvenue à notre assemblée générale annuelle. J’espère que vous avez reconnu quelques unes des compagnies présentées dans ce video.

My name is Robin Korthals and I am the Chair of the Plan’s Board of Directors and chair of today’s meeting. With me at the front table today are:

- Rosemarie McClean, Senior Vice President, Member Services
- Bob Bertram, Executive Vice President Investments; and
- Claude Lamoureux, President and Chief Executive Officer.

All of them will be speaking to you today on our annual meeting theme “Meeting our Obligations.”
We also have a few special guests with us today. Please join me in welcoming:

- From the Ontario Teachers’ Federation, President Marilies Rettig and Secretary-General Ruth Baumann and Ross Peebles, the lead government representative on the partners’ committee.

It is a special pleasure to welcome so many members of the plan – active teachers and pensioners – to your Annual General Meeting this year so that we can report to you in person. We have nearly 250 members with us in the room, which is why we moved our meeting here to the Carlu this year, a considerably larger venue. I look forward to speaking with as many of you as possible during our reception.

In addition to our audience here today, we have a “virtual audience” listening in on the Internet and I’d like to welcome all of you, as well.

As this is an annual meeting, our focus is on reporting on the performance and health of your pension plan. And let me say that the Ontario Teachers’ Pension Plan achieved another outstanding year for its members in 2005.
Investments, as I’m sure you have seen in the news, beat the benchmarks by 4.5%, with a 17.2% rate of return.

And Member Services managed to retain their 9.2-out-of-10 service rating, even though it was a year of considerable operational change.

Today, your plan is at somewhat of a crossroads. It remains in a shortfall position, with expected demands on its resources greater than the funds estimated to be available in the future. Your plan sponsors are currently considering remedies for this shortfall.

Clearly this is a serious matter for fund members. So, today, in addition to reports on the fund’s progress over the past year, we will try to provide some perspective on the funding situation. CEO Claude Lamoureux will give that overview in his remarks.

Before we begin, I’d like to introduce the members of the plan’s board of directors who are here today. I will ask each of them to stand and remain standing until the whole board has been introduced.
First, let me say how pleased I am to be able to announce that the Ontario Government has just – as recently as Tuesday, in fact – appointed a new member to our board, filling the last remaining vacancy. Although she cannot be with us today, Jill Denham, former Vice-Chair of CIBC Retail Markets, is our newest member of the board. She held a number of senior executive positions in corporate finance and merchant banking during her more than 20 years at CIBC. Jill will join us at our next board meeting.

Raymond Koskie is the second of three members who are new to our board since last year. He is founding partner of the law firm Koskie Minsky and a former member of the Economic Council of Canada. He became a director this past January.

Guy Matte est l’Ancien Directeur Générale de la AEFO et un enseignant retraité.

Eileen Mercier is former Senior Vice President and CFO of Abitibi-Price and a Fellow of the Institute of Canadian Bankers.
Carol Stephenson is Dean of the Richard Ivey School of Business at the University of Western Ontario and former President of Stentor and Lucent Technologies Canada.

Our third new member, Helen Kearns, is unable to join us today as she is traveling in China. Helen is Principal at R.S. Bell and Associates Limited, and is a former President of Nasdaq Canada. She joined the board last June.

Thomas O’Neill, Chair of the Audit committee, is a former Chairman of PwC Consulting and a Fellow of the Institute of Chartered Accountants of Ontario. Douglas Grant is the former CEO of Sceptre Investment Counsel, a Fellow of the Institute of Chartered Accountants of Ontario and a Chartered Financial Analyst. Unfortunately neither Tom nor Doug can join us today, as they also are travelling.

Ladies and gentlemen: your board

I also would like to recognize two of our former board members, who retired last year.
As Chair of the Investment Committee and a member of the Audit and Actuarial Committee, Gary Porter was an important and respected contributor to the business of the Board for 15 years – since its inception, in fact.

Ralph Lean, senior partner with the law firm Cassels Brock, also stepped down last year after seven years of dedicated service to the board. Ralph most recently had served as Chair of the Benefits Adjudication Committee and member of the Governance and Audit & Actuarial Committees. We thank them both for their service.

I’m proud to say that, in 2005, overall board and committee attendance was 89%. Directors must prepare extensively for these meetings, which can take up most of a day. We are fortunate to have a board of such highly-qualified individuals, with a real dedication to the welfare of the fund.

Investing your pension assets wisely and managing the plan efficiently are two of the critical obligations overseen by the board. And having a high quality board like ours, whose members understand the issues at hand, is very important to the success of this organization.
Teachers’ is a pioneer in using new investment instruments, and it is the board’s job to judge if the expected returns are well aligned with the risk associated with the investment.

Given the plan’s current shortfall status, I’d like to say a word about our third obligation to members – providing guidance to the plan sponsors on funding issues. I want to stress that we do not decide these issues; the partners do. Claude will discuss this in some detail, but I do want to say this: Your board has spent a great deal of time on this issue, in recent months especially, as well as on other matters related to the funding of the plan, and we are strongly supportive of management’s efforts in this regard.

We also need to remember that we at Ontario Teachers’ Pension Plan are not alone in facing these issues. Private and public sector defined benefit plans around the world, in all countries in which defined pension plans exist, face similar dilemmas. While the challenges may be global, the Ontario Teachers’ Pension Plan solution will be made in Ontario and will be unique to this plan.
In closing, please rest assured that the board is vigilant on members’ behalf, and we are pleased to see that you appreciate the service that staff provide, as well as the investment returns they achieve for the fund.

I look forward to discussing our responsibilities with as many of you as possible during our reception at the end of today’s formal proceedings. But now we must move on to the business at hand for this annual meeting. First, I will call on CEO Claude Lamoureux for an overview of Ontario Teachers’ Pension Plan in 2005. Claude? ……….
CLAUDE’S REMARKS

Thank you, Robin, and good afternoon everyone.

The annual meeting is always a pleasure for me, to be able talk to our members and answer their questions. And it’s a special pleasure to see so many members with us this year. We made a conscious decision this year to open the meeting to more members. We wanted you to have the opportunity to hear firsthand about your plan’s performance and the successes and challenges we have dealt with on your behalf over the past year … In other words, how we have met our obligations to you.

Bonne après-midi à tous. C’est avec grand plaisir que nous nous présentons devant vous pour ce dialogue annuel.

In a few moments you will be able to listen to Bob and Rosemarie report on our investment performance and member service record for the past year. I know some of the hard work that goes in to achieving these results, so I truly appreciate what has been accomplished.
Our employees have worked hard to meet the fund’s obligations to members by focusing on strong results and taking the steps necessary to achieve them.

This kind of discipline is what is now necessary as plan members and their representatives consider options to address the funding shortfall.

As our Chair, Robin Korthals, has noted, despite superior investment performance, the plan has registered funding shortfalls for each of the past three years, largely due to interest rate trends. And this shortfall has been increasing.

Estimating funding requirements is a delicate process, and for Teachers’, it has become even more difficult as our membership matures. We now estimate that most teachers will collect retirement benefits for approximately as long as they work as teachers. And unlike in the 1970s and 1980s, our membership balance has shifted dramatically from working teachers to retired teachers. The result is that, relatively speaking, more teachers are collecting benefits and there are fewer working teachers contributing to the fund.
In 1970 there were more than 10 working teachers for every retired member. By 1990 that had changed to four working teachers for every retiree. Today the ratio is 1.6 to 1 and it is continuing to tighten, with a 1:1 ratio anticipated within the next 15 years or so. That gives us less leeway to make up for mistakes in the funding equation, should we make them – and will give us much more difficulty later on if we are too liberal in our assumptions today.

Let’s step back a little and look at the three factors in the funding equation. They are: (1) level of benefits (2) rates of contribution and (3) the rate of return we assume we will earn on our assets into the future.

The first two are more straightforward. If you take too much money out of the plan or pay in too little, it’s not going to work. Contribution rate and pension benefit decisions are very difficult. Although these are not management’s decision, but rather are the decisions of the Partners – the Ontario Teachers’ Federation and the provincial government – my colleagues and I remain committed to supporting the sponsors as they grapple with their decisions.
The third factor in the funding equation – the valuation assumptions – is complex. And it is our responsibility.

The single most important assumption is what we will earn on our assets – after taking into account inflation – well into the future. It’s a difficult forecast to make because it depends on so many variables – far more, for example, than are involved in forecasting economic growth.

At the end of 2005, we expected a long-term average rate of return of 5.10%, minus long-term average inflation of 2.60%, which yields a real return of 2.50%.

This 2.50% long-term real rate is at the low end of the assumptions being adopted by major Canadian pension funds. Many other large funds have been assuming long-term real returns in the high-three-percent to low-four-percent range. These assumptions make a significant difference in determining funding surpluses or shortfalls. In Teachers’ case, a presumed long-term real rate of 4.10% -- as opposed to 2.50% -- would eliminate almost all the $31.9 billion funding deficit as shown at 2005 year-end.
The problem is it takes time – decades, in fact -- to tell whether the investment return assumptions are too high or too low. If the assumptions are too low, then the plan will collect more contributions than required from a generation of teachers, and there will be surplus in the plan to distribute in the future. If the assumptions are too high, the plan will not collect as much as required, and the plan will be in a deficit position.

While the small single-digit investment returns that we use to determine future returns may seem conservative, experience has shown that achieving high real returns consistently is just not possible. Let me explain:

Most of the studies we have done on return expectations are based on U.S. data. Why? Simply because the U.S. represents 50% of the world’s equity capitalization. To put that in perspective, Canada represents about 2%. If you had invested in the U.S. stock market over the past five years, your return would have been only 0.5%. And that’s in U.S. dollars. In Canadian dollars, you actually would have *lost* 4.4%. If you had invested in France, the loss would have been 4.9%, in the U.K., 4.2%. Canada’s returns have been the exception at 4.8%, because of the heavy energy weighting.
You can see that our Teachers’ investment team has been very shrewd to be able to produce a return of 8.7% over this period.

Shrewd or not, as the world’s markets tell us, we cannot realistically expect real returns of more 5%. At least we should not count on such returns today.

But don’t just look at the last few years to accept that conclusion. There is a great example in the book The Triumph of the Optimists, which Robin quotes in his message in our annual report. There, the author studies the rate of return obtained in 16 countries for the period 1900 to 2000. And here’s the punch line: for an investor with a traditional asset mix of 60% equity and 40% fixed income, only one of those 16 countries enjoyed a rate of return of more than 5%. And only seven of them came in over 4%.

Let me assure plan members that your pensions are secure today. It’s not unusual for pension plans to have shortfalls in some decades and surpluses in others. What’s important is that action is taken from time to time to protect your valuable pension benefits. And that’s why we feel that a 2.5% rate of return assumption is prudent……and realistic.
Now, I will turn back to our management obligations at Teachers’ and take a few minutes to highlight how we have been instrumental in bringing about change within public companies … changes that help ensure they properly meet their obligations to you as plan members, and therefore as shareholders.

At Teachers’, we have always given attention to shareholder rights and corporate governance issues. Over the past few years, as a key member of the Canadian Coalition for Good Governance, we have been instrumental in raising corporate governance standards in Canada.

There’s an old joke that “you know it’s going to be a bad day if you get to the office and the crew from 60 Minutes is waiting for you in your lobby.” Well, that’s kind of how some companies feel, if they haven’t been paying proper attention to corporate governance, and they get a call from Teachers’ saying we’d like to come in for a serious talk.

At Teachers’, the idea of “Meeting our Obligations” is not just a phrase or a slogan, but a day-to-day reality in the way we think about doing our work.
With more than a quarter of a million members and one of the largest payrolls in Canada, we take our obligations seriously.

I am very proud of our investment performance and member services performance. Just as we expect the companies in which we invest to be experts in their fields and meet their obligations to their stakeholders, so too, should our members expect all of us at Ontario Teachers’ to be experts in our field and to do what is in the best interest of our stakeholders. I hope we will illustrate to you today that we have indeed met those obligations, and that we remain committed to continuing to do so.

Le régime a connu une très bonne année au point de vue rendement : 17,2 %. Cela est due en partie au bas taux d’intérêt que nous avons connu. Cette situation affecte notre passif beaucoup plus qu’elle aide nos actifs, donc la nécessité pour les partenaires de prendre des décisions dans les domaines qui leurs sont réservés – c’est à dire, le niveau des bénéfices et des contributions.

The board of directors has again been both vigilant and supportive of management over the past year. This makes us a stronger group and ensures our planning processes are thorough. I’d also like to thank the membership
for its interest and support and everyone here for taking the time to join us here today. I can assure you that our team at Teachers’ will continue to meet our obligations, both with respect to investment performance and the delivery of member services.

Now I’ll turn the podium over to Bob Bertram, for a review of our investment environment and an explanation of how his team achieved such a great performance in 2005 ……. Bob?
BOB’S REMARKS

Thank you, Claude, and good afternoon everyone.

I’d like to touch on three topics in the time I have today:

• First, I’d like to describe the general investment climate we find ourselves in today and the challenges it presents to the Ontario Teachers’ Pension Plan.

• Second, I’m going to spend some time talking about the strategies we are using to reach our investment goals, and how they have been evolving over the past few years.

• And, third, I will also explain our investment performance in 2005. We had another very strong year, as Robin mentioned, and I will outline where that strength has come from.

When talking about the plan’s investment performance, it probably makes sense to put our activities into context, and start with our fundamental
obligations here at Teachers’. Our responsibility is to provide Ontario’s retiring teachers with the full benefits they are promised under the plan. In the simplest terms, meeting that obligation requires that the contributions to the Plan plus investment gains are sufficient to cover current and future liabilities.

For teachers starting today, for instance, contributions will finance their pensions if they can be invested at a rate of return that equals inflation plus 5% from the day of deposit until the last pension payment is made, as long as 70 or more years from now. But generating that kind of return is more challenging than it has been in the past.

Further this matching of contributions and investment gains to equal liabilities must be done at an appropriate level of investment risk. As the ratio of active to retired teachers has declined over the past 15 years, and thereby reduced the ability of the fund to make up for investment losses through contribution increases, we have also reduced the level of overall risk in the assets by reducing the exposure to equities.
Equities still represent our single largest asset class. Historically, equities have generated returns equal to their dividend yield, plus nominal economic or GDP growth, and any change in the price/earnings multiple. With global dividend yields now at about 2%, and nominal GDP growth at about 5.5% – that’s 3.5% real growth on top of 2% inflation – we expect that equity returns will be confined to single digits.

The outlook for bonds and other fixed income investments is similarly modest. During the past 100 years, the average bond yield in North America and Europe has been 2% above inflation. At the end of 2005, the yield on 10-year Canada bonds was 4.0%, and the 30-year real return Canada bond was 1.5%.

We are continuing to invest more than ever before in what we call inflation-sensitive assets. These are investments such as infrastructure, commodities and real estate, which correlate closely with changes in inflation and act as a hedge against increases in the cost of future benefits. At the end of 1999, only 12% of our assets were invested in inflation-sensitive categories, but by the end of last year, they accounted for 32% of our portfolio.
Looking ahead to the next 10 years, we expect this environment of modest inflation and low interest rates to continue. The Bank of Canada will likely be able to realize its 2% target for inflation, which is close to the targets of other central banks.

Successful control of inflation is a global phenomenon, and the consensus forecast for inflation across the world’s major economies is about 2%. And within this environment, we expect that most of our assets, including equities, bonds and real estate, will yield only single digit returns over the next 10 years.

As I mentioned a moment ago, however, we know that we need a return of inflation plus 5% to keep pace with our commitments to Ontario’s teachers. To make sure we do, we’ve been working hard to add more value to our investment approach while decreasing the plan’s risk exposure. This approach includes more active management through security selection, absolute return strategies, and more corporate governance activism. Our reliance on active management is an increasingly important factor in our performance. In 2005 about 25% of our returns came from active management.
Absolute return strategies range from long-short equities programs to fixed-income arbitrage strategies. No matter the program, our aim is to achieve absolute returns -- to generate positive investment returns regardless of whether financial markets move up or down.

A big part of our active management program is through the selection of securities or asset classes. When we believe securities or assets are mispriced we underweight or overweight them as opposed to simply buying the index. Our investment team is really proving itself in this area.

Our third value-adding strategy is to take a more active role in the corporate governance of companies we invest in. Why? Because we expect these companies to do their best to create long term value for shareholders … that is, for our members … and they can’t if their corporate governance practices are compromised.

Naturally, this increasingly value-added investment approach is reflected in the changing shape of our asset mix. We are increasing the relative proportion of our investments in private equity and in hedge funds. And, as
already noted, we are investing more than ever before in what we call inflation-sensitive assets. We also believe that, by being an early participant in these areas, we can generate higher returns compared to traditional asset classes.

Much of the increase in inflation-sensitive assets has come in the area of real estate, particularly since we completed the acquisition of Cadillac Fairview six years ago. Real estate assets, which grew from $10.9 billion at the end of 2004 to $12.5 billion at the end of 2005, are the largest component of our inflation-sensitive investment portfolio. They have performed well for us, providing predictable income and a good long term hedge against inflation. We actively manage our investment portfolio with a focus on high quality office and retail space that attracts above average leasing and occupancy rates.

Another important area of focus has been infrastructure and timber, which feature the kind of steady, long-term income flows we are looking for. Toll roads, airports, pipelines, electrical generation and transmission facilities, as well as timber, are included in this sector. During 2005, our commitment to
this area continued to grow, with total assets rising from $3.0 billion to $4.8 billion by year-end.

On the equities side, while we continue to reduce the proportion of equities in the fund, they remain the single largest component, representing 49% of our assets at year-end. What’s more, because the fund as a whole has grown over the past few years, the absolute amount invested in equities also has grown. At the end of 2004, for instance, we had $40 billion invested in equities, while a year later the total reached $46 billion.

Much of this increase came courtesy of the TSX commodity-led rally, which closed 2005 with a 24% gain on the year. While we’re more than happy to accept such gains when they happen, longer term we know that equities are unlikely to provide a return in excess of single digits. That’s why we are taking a more active approach to the way we invest in equities: one that is aimed at adding value to our investments and minimizing risk.

For instance, in indexing – where you purchase a basket of stocks that emulate a broad market such as the Toronto Stock Exchange – we have adopted more active strategies such as quantitative, arbitrage and other
performance enhancing approaches. These are all examples of how our investment team is putting their expertise to work for our members.

We own about 1% of the companies in the S&P/TSX composite index through an index that we manage ourselves. We consistently try to improve the performance of this index by buying extra shares of companies we expect to do well and by shorting stocks we determine are overvalued. Indexing remains critical to our equity investment strategy and it has created billions of dollars in returns for the fund over the years.

We also are taking more of a catalyst role in creating value, as opposed to simply taking an equity position in a company and waiting for the manager and directors to create value for us. We call these relationship investments and they were valued at approximately $5 billion at the end of 2005.

At Teachers’, our relationship investments fall into three broad categories: (1) financial partnerships where we invest as a business partner, (2) special situations in which we acquire large equity positions in companies and (3) value investing, where we invest in under-valued companies and play a hands-on role. These strategies showed their value in 2005 with recent
investments in Fording Canadian Coal Trust and Nexen Inc. showing especially strong returns.

Our value-added investment approach can also be seen in the growth of Teachers’ Private Capital, which invests directly in private companies.

At the end of 2005, TPC had $6.0 billion invested independently or with partners – up from $4.3 billion the year before. TPC has become one of the leading sources of private capital in Canada.

During 2005, TPC made several more acquisitions including:

- CFM Corporation, a leading manufacturer of fireplaces and barbeques with such leading brands as Vermont Castings and Majestic.
- National Bedding Company, the maker of industry-leading Serta mattresses, and
- Doane Pet Care, the largest private label pet food company in the U.S., which, when you consider there are 100 million pet dogs and cats in the U.S, is an investment with potential.
As with TPC’s previous investments, we see real potential to add value to each of these businesses. We create value in this area, first by buying good assets at low prices and second by managing the companies to increase shareholder value.

In 2005, Teachers’ Private Capital generated a one-year rate of return of 31.4%, adding $335 million in value. Over the past four years, private equity has delivered an average annual rate of return of 23.8%.

The Canadian government’s decision in 2005 to remove the 30% foreign content limit on Canadian pension funds will make it easier for us to invest in infrastructure and large equity deals. The new rules will save us time and money.

Obviously we can’t review all of our investments for you today. I hope you’ll take a few minutes to view our video, though. It profiles some of our major public and private equity investments, and it will be playing throughout our reception.
I hope my comments today have provided you with some perspective on how Teachers’ investment strategies are evolving.

We have to believe we’re taking a reasonable approach, because our performance in 2005 again was quite extraordinary. We achieved a 17.2% return, compared to 12.7% for the fund’s composite benchmark. The difference of 4.5 percentage points equals $3.6 billion. All major asset classes contributed to this success.

In particular, real estate added $1.6 billion in value, as interest rates remained low during the year. Equities also had a very strong year, creating $1.2 billion in value over market benchmarks. Absolute return strategies and hedge funds added $585 million in value in 2005.

In total, the fund generated $14.1 billion in investment income in 2005 compared to $10.8 billion in 2004, helping to increase net assets to $96.1 billion from $84.3 billion during the year.
As Robin and Claude have pointed out, our long-term record is also very strong and over the past four years in particular we have done exceptionally well. Can this continue?

We certainly hope so, but rather than try to predict the future, I’ll be happy if we manage to learn all we can from the past.

With current dividend yields below 2% and the economy growing at a nominal rate of 5.5%, we expect equity returns in the single digit range. Our expectations are that no reasonable asset mix will produce the necessary 5% real return that I spoke of earlier. Our market return expectations are pretty modest. To have any hope of meeting long term return targets, we will need to search for additional value by investing more of the fund in other classes, such as private equity, infrastructure, hedge funds and real estate, along with producing returns in excess of market averages.

We have one especially strong element in our favour that I want to highlight to you today. Over the past few years, we have developed a tremendous group of investment professionals at the fund, who have learned to work more and more effectively as a team.
We have a total fund management approach at Teachers’ that encourages the movement of capital among asset classes and portfolios so that we can earn the best risk-adjusted returns available. Sometimes decisions must be made quickly, and over the years our people have built up a level of trust and confidence in each other that makes decision-making faster, clearer and better.

This has become a more and more important element in allowing us to meet our obligations to members. Regardless of what economic conditions we may face, our pledge to you – and it is shared right across our organization - is that we will achieve the best returns we possibly can. This sense of responsibility is inherent in our culture.

Once again, it has been a pleasure to work with this team and, on their behalf, report to you on another year of excellent results for your fund.

Thank you for your kind attention. Now it’s my pleasure to turn to the floor over to Rosemarie McClean, for an update on Member Services.
Thank you, Bob, and good afternoon everyone.

First, let me say how pleased I am that 250 members have joined us in person for today’s Annual Meeting, with many others watching our webcast. After all, you are our raison d’etre, so it’s a pleasure to be able to report to you directly.

Within Member Services, as our name might suggest, our obligations are centred on service. We strive to provide immediate and outstanding service to pension plan members …. and to improve every year.

Doing that may sound simple enough, but I can tell you it’s a challenging job. We are responsible for one of the largest payrolls in Canada.

We paid out $3.6 billion in pension benefits in 2005 and we collected $1.6 billion in contributions from the government and private schools and 163,000 teachers working for 200 employers across the province.
In 2005, 10,500 more teachers entered the profession and the number of pensioners also grew. We added 5,700 new pensions to the payroll and ended the year with a record 101,000 pensioners in the plan.

At the same time, teachers are retiring relatively early and they are living longer. Today, the average age of retirement is 57 with an expected 29 years on pension. In fact, the average teacher today can expect to spend as much time in retirement as they do working. Not only do we have more pensioners than ever before, but the broad age range of plan members means that we need to offer services over a longer period of time and in a number of different ways.

To keep track of their status in the plan, and to enquire about its features, our active and retired teachers generated more than 190,000 requests for information in 2005, including 128,000 by telephone. On average, that’s more than 750 requests every working day. Those numbers can sound overwhelming but I’m proud to say that the average response time for telephone enquiries was 34 seconds and that we provided answers to 73% of all inquiries within 48 hours.
New technology helps us keep up with plan members’ growing needs. It lets us enhance and personalize our service, while making more efficient use of our resources. Our secure website, iAccess Web, is a good example of this. It allows our members to go on-line anytime of day or night to view their pension statements and buy-back costs; create customized pension estimates; or find out more about the plan through various multi-media presentations.

By the end of 2005, 67,000 of our members had registered for iAccess – up from 50,000 members a year ago – and we expect this trend to continue.

Members are also making greater use of our corporate website. It played host to 810,000 visits in 2005, a 67% increase from the previous year.

And speaking of iAccess Web, I’m pleased to say that we have a number of Pension Benefit Specialists with us today. They’re here to talk to any members in the audience who might have questions about how iAccess Web works, or any other questions about their pension plan benefits. You’ll see private stations set up at the back of this room, so I hope you will take advantage of their expertise at the conclusion of this meeting.
Our online efforts have attracted the recognition of our peers. In 2005, we won the “Best Online Strategy” category at the Benefits Canada Magazine communications awards.

At the same time, we are making use of technology to communicate more often, and more proactively, with our members. Right now, we are working on a project that will help us identify our members’ communication preferences, so we’ll better know what time of day to contact you and which communication channel to use. We also are building our database to better customize the services we provide to members.

Being more proactive also requires closer collaboration with school boards and other employers. To help us reduce the opportunity for errors that inconvenience members, employers participate in audits and annually certify the accuracy of their pension reporting. Their commitment to these programs and timely on-line reporting allows us to provide new services to our members.

We are also working to develop a better way to process member requests for information and services. Last year, we upgraded our systems and created
customized intelligence software to automate more of our processes and enhance efficiency between departments. The purpose of this extensive project was to improve our turnaround time for answering member requests. We maintained our service levels during the 2005 transition year and have established targets for 2006 to increase the number of member requests we can answer immediately.

While the intelligent use of technology has been a big help in keeping up with the growing information needs of plan members, the level of service we provide to plan members depends more than anything else on the quality and attitude of our people. To ensure we are providing the highest possible level of service, we continue to refine an approach that’s been working well over the years.

- To begin with, we hire the best people we can, and we look for individuals who exhibit empathy, friendliness and good communication skills.
- We provide our people with extensive orientation and continuous training. New front-line staff receive a full year of training before dealing with member transactions on their own.
• We survey our members regularly and use their feedback to make improvements.

• We nurture a team-based approach that focuses the efforts of different departments on the same goals and objectives. We have a minimum of hierarchy and rely on self-directed service teams to take the initiative.

• And, of course, we always look for new ways in which technology can enhance personal communication and improve efficiency.

How well has this approach been working for us?

Well, let me give you a wonderful example of just how seriously our team takes its obligations to our members:

This is the case of a 91-year-old who had taught for 28 years many years ago, but didn’t realize she was eligible and so she had never applied for a pension. When the team heard about this, they went to work, and were very pleased to be able to present her with a cheque for – are you ready for this? - nearly a quarter of a million dollars. That’s at least one member who thinks our service is pretty good.
But don’t just take my word for it on our level of service. The independent surveys we undertake each year indicate that we are continuing to make progress. In 2005, 95% of our plan members described themselves as satisfied, very satisfied or extremely satisfied with our service. Of these, 61% placed themselves in the extremely satisfied category.

We also measure our performance by what we call the Quality Service Index, or QSI, which is a measurement of service satisfaction based on an independent, third-party survey. We earned an average composite score of 9.2 out of 10 in 2005 – based on members’ experience with such things as phone inquiries, pension estimates and overall communication – the same record rating we achieved in 2004. We are pleased with these results, because they indicate a high level of satisfaction, and we will use them to do even better. The QSI process is not just quantitative; it includes a significant amount of customer suggestions that we use to guide future service improvements.

Benchmarking our performance against other pension plans is another part of our commitment to continuous improvement. In an independent study that
evaluates the cost and services of pension plans around the world, we achieved the second highest total service level score among a group of similarly sized plans. That included a number one rating for mass communications which covers websites, electronic newsletters, annual statements and services to employers. Considering that the top rated plan in our group has per member costs that are twice as high as ours, I think that our number two ranking represents great value for our plan members.

While we’re on the subject of plan costs, I’d like to make the point that the improved service levels I’ve been describing today have not come at the expense of prudent cost management.

In 2005, the services we provided cost $122 per plan member, compared to $127 in 2004 and $129 in 2003. We will continue our efforts to improve both the quality and the efficiency of our services in the year ahead.

On that note, let me close by saying that it has been a pleasure to serve the needs and meet our responsibilities to plan members during the past year. I have the privilege of working with a talented and dedicated team of service professionals.
On behalf of everyone at Member Services, we look forward to continuing to find ways to improve our service to our 264,000 plan members in the year ahead.

Now I will return the podium to Robin for question period. Robin….