



"How does OPT invest my pension? Will my job transfer affect my pension? What formula is used to calculate my benefit?" OPT staff travelled to worksites and other special events to answer these and many other questions. Investment Coordinator Roger Phillips (centre) attended the 1997 OPSEU Annual Convention, where delegates appreciated frank and open disclosure on investment matters, and were pleased about OPT's strong investment performance. Benefits Specialists Carlo Agostini and Lauren Allen visited workplaces to answer questions and provide information on the plan. They find OPT plan members are keenly interested in their pensions and want the right information to help plan their future.

Board of Trustees

The OPT is jointly sponsored by the Government of Ontario and OPSEU. Each sponsor nominates an equal number of Trustees.

Jennifer Brown, Chair
*Manager, Benefits and Pensions Policy,
 Management Board Secretariat*

Grant MacGillivray, Vice-Chair
*Executive Officer
 Ministry of Finance*

Bruce Curwood, MBA
*Senior Consultant
 Frank Russell Canada*

Heather Gavin
*Assistant to the President
 OPSEU*

Stephen Huff, CMA
*Senior Field Auditor
 Ministry of Finance*

Len Hupet
*Vice-President and Treasurer
 OPSEU*

Ingrid Peters, LL.B.
*Director of Legal Services
 Ministry of Economic Development,
 Trade and Tourism*

**Stanley F. Sanderson, CFP,
 RFP, CIM, FCSI**
*Vice President, Senior Financial
 Advisor, The Equion Group*

Paul Scott
*Assistant Deputy Minister
 Sport, Recreation and Ministry
 Regional Services Division
 Ministry of Citizenship, Culture
 and Recreation*

(At December 31, 1997, there was one trustee vacancy, representing an OPSEU-appointed position.)

The following Trustees left the Board in 1997; the OPT thanks them for their significant contribution:

Pauline Lai CGA, MBA, CFA –
 to February 1997

Qaid Silk, M.Sc. – to July 1997

Professional Advisors to the Trustees

Actuary
Buck Consultants

Auditors
Price Waterhouse

Investment Consultants
James P. Marshall, Inc.

Legal Counsel
Koskie Minsky

Management Team

Colleen Parrish, LL.B.
Plan Manager

Roger Phillips
Investment Coordinator

Sherry MacDonald, CA
*Treasurer and Director of Financial
 and Administrative Services*

Dan McArthur
Director, Policy and Trustee Support

Silvano Trinca, CA
*Director, Member and
 Pensioner Services*



How can I reach OPT?

Member Services and General Information

1-800-906-7738
 (1-800-90-OPSEU – toll-free in Canada)
 (416) 681-6161 (Toronto)

Pensioner Services

1-800-906-7738
 (1-800-90-OPSEU – toll-free in Canada)
 (416) 681-6100 (Toronto)

Pension and Commuted Value Estimates

1-800-637-0024
 (toll-free Ontario)
 (416) 681-6398 (Toronto)

Publications

To order these and other OPT publications, please call our toll-free general information line.

- *It's Your Pension (plan booklet)*
- *Your pension and your beneficiaries*
- *Your pension and leaving your employment*
- *Your pension and the Canada Pension Plan*
- *OPTions* newsletter for plan members
- *The Pension Connection* newsletter for pensioners



OPSEU Pension Trust
 Fiducie du régime de
 retraite du SEFPO

1 Adelaide Street East
 Suite 1200
 Toronto, Ontario
 M5C 3A7
 Telephone: (416) 681-6161
 Toll-free: 1-800-906-7738
 Fax: (416) 681-6175

*Meeting your goals of service
 and security*





Transportation Enforcement Officer Lloyd Easton is one of more than 53,000 members of the OPSEU Pension Plan, administered by the OPSEU Pension Trust (OPT). Created in 1995, OPT exists to serve its members and pensioners:

- by providing excellent service and communications
- by generating a return on investment to support its pension promise
- and by making joint trusteeship a reality — so that our members and pensioners have a real voice in the administration of their pension plan.

Our plan members are Ontario civil servants and other employees represented by the Ontario Public Service Employees Union (OPSEU), the Amalgamated Transit Union Local 1587, the Ontario Liquor Board Employees Union and the Canadian Union of Public Employees Local 3096.

While they are employed, plan members contribute 8% of their salary (adjusted to 6.2% of earnings for which they also contribute to the Canada Pension Plan) towards their pension, an amount matched by employers.



Eric Downey, who retired from his survey job last year, is one of more than 9,000 OPT pensioners who live across Ontario, throughout Canada and around the world.

The pension benefit they receive is a lifetime retirement income, with survivor benefits and indexed to inflation, based on this formula:

- 2% of salary (typically the average of a member's highest consecutive five years of annual salary rate)
- times credit (years and months of credit in the plan)
- less CPP integration (an adjustment based on CPP contributions and benefits).



Every day, we listen carefully...

and work to achieve the goals that are important to you — our members and pensioners. You have told us that the pension benefit is a critical component in your personal planning and goals. You expect — and have earned — excellent service and a secure pension benefit.

We are pleased to provide this report outlining OPT's financial highlights and significant accomplishments for 1997. A full-size report including audited financial statements is filed with the Pension Commission of Ontario and is available in English and French on request from the OPT.

In 1997, the OPSEU Pension Trust generated an investment return of 14.7% — its third consecutive year of strong investment earnings. At the same time, OPT continued to introduce new technologies and work design improvements to serve you better.

For the first time, our financial statements report a financial surplus of \$316 million. It's important to remember that this 1997 financial statement "snapshot" differs from the assessment of our pension plan in its 1996 actuarial funding valuation. In addition to the year's difference, the funding valuation uses different methods and more conservative economic assumptions. Only the funding valuation tells us whether the OPT has funds to support its pension obligations. The funding valuation shows that when the plan was created, it inherited a deficit or "unfunded liability" of more than \$700 million. In 1997, OPT received the first of a series of payments from the Government of Ontario to pay down this unfunded liability, which is comparable to roughly 11% of assets (the actuarial value of net assets at Dec. 31/97). These payments continue to be made because we are not yet fully funded — although our financial situation is improving every year.

It's important that you know the OPT exists to deliver its pension promise in good and bad economic times. The fund has generated double-digit returns in each of the past three years. However, our long-term economic assumptions ensure that we can weather market volatility and that we are funded to meet our obligations to you, our members and pensioners, over the long-term.

Jennifer Brown, Chair

Grant MacGillivray, Vice-Chair

Financial Highlights

as at December 31

(\$ Thousands)	1997	1996
Net assets available for benefits	\$7,740,542	\$6,774,519
Assets adjusted for actuarial purposes	6,965,001	6,178,636
Future cost of pensions	6,648,487	6,179,957
Surplus (Deficiency)	316,514	(1,321)
Rate of return on investments	14.7%	18.3%

How is my pension invested?



As a Host and Demonstrator at the Ontario Science Centre, “you never know who you’re going to meet,” says OPT plan member Haydee Flor. Today, it’s four-year-old Cydney, whose imagination took flight at the transportation exhibit. Ms. Flor conducts demonstrations on paper-making, star-gazing, electricity generation and other topics for thousands of visitors each year. The hair-raising electricity demo “is the most popular request, ahead of “Where’s the washroom?”” she says. “I love to teach things and I also learn a tremendous amount from the different people I meet.” She joined the OPSEU Pension Plan last year, and her first pension-related decision was to exercise her option to buy back credit from previous contract work. “Purchasing the credit allows me to be vested sooner.” (A vested member is entitled to pension benefits; a non-vested member is entitled to his or her own contributions plus interest). In the future,

Ms. Flor hopes to practice and teach medicine again. She was a surgeon at a teaching hospital in Cavite, Philippines, before she travelled to North America seeking a better life for herself and her son. “I’m still trying to get into medical school in Canada. I would like to work in medicine again.”

OPT continued to increase and diversify its investments during 1997 — to take advantage of market trends and control investment risk for its members and pensioners.

The most important investment goal is to exceed a 7.5% annual return, a figure used to help predict the fund’s long-term obligations.

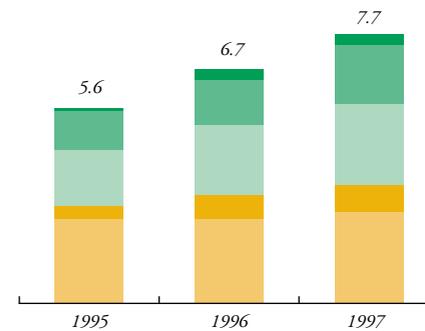
The OPT also aims to meet or exceed its own “Investment Benchmark.” This is the combination of market returns for each investment class.

OPT exceeded both of these investment goals in 1997 for the third straight year.

Net assets available for benefits rose to \$7.7 billion at December 31, 1997, up from \$6.8 billion the previous year. An overall investment return of 14.7 per cent was the most significant factor in OPT’s asset growth for 1997.

The three-year average return for the fund was 18.1 per cent. In each year of its existence, OPT has added roughly \$1 billion to the fund that supports our pension promise to you.

OPT and other investors benefited from a climate of moderate economic growth, low interest rates and low inflation in North America in 1997. But the investment community began to adjust its expectations in light of the potential impact of economic change in Hong Kong and countries such as Japan, Thailand and South Korea.



Investments (\$ Billions at December 31)



This is the OPT’s asset mix (on a market value basis).

The OPSEU Pension Trust discloses all investments over \$5 million — including Canadian and foreign equities, special Ontario Government debentures and marketable fixed income investments — in its full annual report. Following is a sample of Canadian equities held at December 31, 1997:

Canadian Common Stocks	Market Value at Dec. 31, 1997
BCE Inc.	\$119.7 million
Bank of Montreal	\$107.2 million
Bank of Nova Scotia, The	\$84.9 million
Petro-Canada	\$55.4 million
Northern Telecom Limited	\$51.9 million
Canadian Pacific Limited	\$44.3 million
Nova Corporation	\$42.5 million
Trizec Hahn Corporation	\$36.1 million
Westcoast Energy Inc.	\$34.7 million
Canadian National Railway Co.	\$31.4 million

Investment management and risk control

OPT uses both active and passive (or index) approaches to investment. In an active mandate, investment managers aim to exceed a market index through prudent trading. By contrast, index

managers match a designated index such as the Toronto Stock Exchange (TSE) 300.

To control risk, OPT employs a variety of strategies, including diversification, high credit standards, limits on investment in any one entity, and continuous monitoring of investment results.

The Trustees retained the following external managers to invest on behalf of the OPSEU Pension Plan Fund in 1997:

- Canadian equities: TD Asset Management; Beutel Goodman & Co.; J.R. Senecal & Associates
- Foreign equities: Barclay’s Global Investors; Gartmore Capital Management; Lazard Asset Management
- Active fixed income: Montrustco Associates; Phillips, Hager & North
- Real estate: Penreal Advisors and Beutel Goodman Real Estate Group

OPT investments are held by an independent custodian, Royal Trust.

Financial Statements

OPT’s financial statements show the important role of investments in asset growth — and reflect the human face of the plan. As the table on page 4 shows, pension and termination payments increased significantly in 1997, reflecting major restructuring in the Ontario Public Service, as well as OPT’s efforts to reduce a case backlog inherited when the plan was created. While OPT boosted its service to meet demand, operating costs increased only marginally in 1997 — at a rate below inflation.

Statement of changes in net assets

(\$ Thousands)	1997	1996
Net investment income	\$ 463,037	\$ 440,669
Unrealized increase in market value of investments	518,124	586,577
Contributions	294,031	169,323
Transfer of assets to the OPSEU Pension Plan Fund	–	53,062
Increase in Assets	1,275,192	1,249,631
Pensions paid	140,598	105,153
Termination payments and transfers to other plans	153,663	38,304
Operating expenses	14,908	14,823
Decrease in Assets	309,169	158,280
Total increase for the period	966,023	1,091,351
Net assets at December 31	\$7,740,542	\$6,774,519

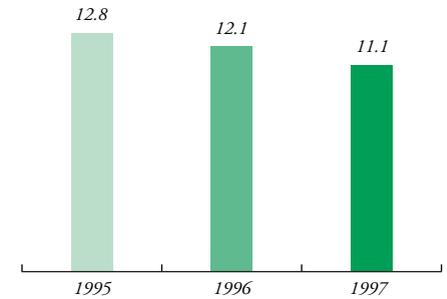
Is my pension secure?

The Pension Promise: *Investment growth and diversification help OPT meet the goals of members and sponsors by providing security for promised retirement benefits. In addition, the performance of our investments can serve to moderate contributions and support enhanced benefits — such as early retirement options. OPT has risen to the challenge to continue to provide excellent service during a period when many of our members are retiring early as a result of restructuring — people like Aurora Kohari, a clerk-receptionist at a mental health clinic. “I love my job... and I feel I’m contributing to a great cause,” she told us last fall. At the same time, Ms. Kohari saw the benefits of retiring early, during a time of uncertainty, with an unreduced pension under the time-limited Factor 80 provision. She was taking community college courses to enhance her skills in floral design, a small business she planned to expand in retirement. “OPT was very helpful when I called to ask questions about my pension,” said Ms. Kohari.*

In April 1997, the Government of Ontario began a series of special payments to pay down the unfunded liability, which was inherited when the plan was created. Under a contractual agreement, payments which include interest on the outstanding liability are to continue until 2029 to eliminate the liability. However, the liability is likely to be paid off earlier, since the province must commit its share of any actuarial gains towards paying it down.



The funding status of the OPSEU Pension Plan has steadily improved since its inception, as the graph at right shows.



Unfunded liability as a percentage of Assets

What kind of service can I expect?

At OPT, we listen and adapt to meet your needs.

In 1997, thousands of plan members were facing possible job changes or planning for retirement. When they called to ask about the implications for their pensions, OPT was there with relevant information. In many cases, OPT staff made special presentations, travelling to provincial government and agency workplaces across Ontario.

Among many service improvements made in 1997:

- we reduced backlogs to process your requests and cases faster
- we introduced technology to access your documents faster through electronic images
- we cut through red tape with in-house translation of personal documents such as birth certificates and marriage licences
- we redesigned forms and work processes to provide faster and friendlier service
- we responded to common questions about survivor benefits, insured benefits, early retirement and other issues through newsletter articles and publications
- we revamped our plan booklet to reflect the lifecycle of a member
- we continued to correct our membership data to ensure accuracy
- we responded to your interest in electronic information by starting work on an Internet web site.

	1997	1996
Active members		
Total at December 31	53,067	59,115
Number of new members enrolled	1,110	1,024
Number of members who left the plan (including retirements)	7,158	6,209
Net increase (decrease) in active membership	(6,048)	(5,185)
Pensioners		
Total at December 31	9,001	7,012
Total Members and Pensioners	62,068	66,127