



Annual Financial
Report to Members
and Pensioners 2000



OPSEU Pension Trust

Fiducie du régime
de retraite du SEFPO

OPSEU Pension Plan Highlights

Your work, as members of the OPSEU Pension Plan, is the driving force behind a wide range of public services across Ontario. Through your pension contributions, and those made by your employer, you earn the right to a secure pension in your retirement years.

The OPSEU Pension Trust (OPTrust) exists to serve more than 70,000 members and pensioners. Our goal is to:

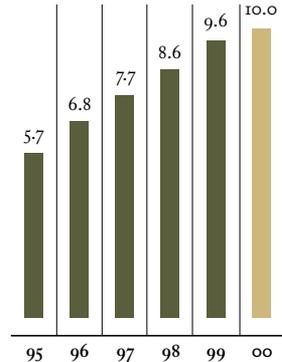
- provide you with the finest service and communications
- generate a return on investment that supports our pension promise
- give you a real voice, through joint trusteeship, in how your pension plan is administered.

This booklet reports on OPTrust's achievements on your behalf in 2000.

net assets available for benefits

At December 31 (\$ billions)

Strong investment performance has produced consistent growth in the Plan's net assets, which passed the \$10 billion threshold in 2000.



While this booklet summarizes certain provisions of the OPSEU Pension Plan, it does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflict or omission, the legal requirements of the OPSEU Pension Plan will govern in all cases.

key accomplishments in 2000

Exceeding our investment benchmarks in a period of market volatility

Responding to our members' and pensioners' changing needs

Improving service and communications to members and pensioners

Delivering better benefits funded by past gains in the Plan

financial highlights

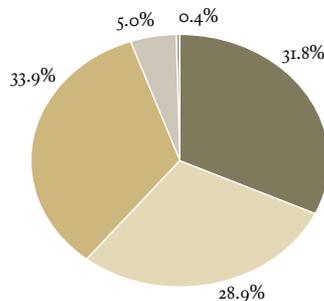
<i>At December 31 (\$ millions)</i>	2000	1999
Net assets available for benefits	10,002	9,571
Assets adjusted for actuarial purposes	9,296	8,643
Future cost of pension benefits	7,713	7,242
Surplus	1,583	1,401
Rate of return on investments	7.0%	11.4%

optrust's asset mix in 2000

At December 31 (\$ billions)

OPTrust's diversified investment portfolio achieved a return of 7% in 2000, despite increased market volatility. This return was more than double our market-based benchmark of 3.3%.

- Canadian equities
- Global (non-Canadian) equities
- Fixed income
- Real return bonds
- Real estate



A Strong Foundation, a Secure Future

message from the chair and vice-chair

The OPSEU Pension Trust was established in 1995 to deliver a secure retirement income to you and the more than 70,000 other members and pensioners of the OPSEU Pension Plan. The Board of Trustees is responsible to you – and to OPSEU and the Government of Ontario as plan sponsors – for ensuring that this pension promise is met.

Over our first five years, the Plan achieved very strong investment growth. For the period 1996-1998, the Plan realized funding gains of \$1.334 billion. In 1999, these gains were shared equally between members and the Government of Ontario. The results include significant benefit improvements, a three-year reduction in members' contributions, and an 81% reduction in the initial unfunded liability owed by the Government of Ontario.

This successful "start-up" phase allowed OPTrust to enter 2000 with a solid financial base and a well-diversified investment portfolio. As a result, the Plan was in a strong position to weather the increased volatility in Canadian and global equity markets over the year. Our overall return of 7.0% for 2000 was below the double-digit results of previous years, but more than twice our market-based investment benchmark of 3.3%.

Since 1995, OPTrust has achieved an average annual return of 14.0%. This is well above the actuarial funding target of 7.5% needed to pay members' and pensioners' benefits over the long-term. At year-end, the OPSEU Pension Plan had \$10 billion in net assets and a financial surplus of \$1.6 billion. With a well-funded Plan we are in a strong position to achieve long-term growth, despite shorter-term market fluctuations.

In 2000, the Board revised a number of actuarial assumptions used to project the Plan's future funding needs. In the short-term, these more accurate assumptions will reduce the gains expected in the funding valuation for 1999-2001. Over the longer-term, however, they will help ensure the Plan is properly funded and reduce the risk of future contribution increases.

The Trustees approved additions to our proxy voting guidelines in 2000, directing the representatives who vote OPTrust's shares to support motions for corporate disclosure on social, ethical and environmental issues, as long as the costs are reasonable. These guidelines reflect our belief that corporations can act in a socially responsible manner while meeting their business targets.

Over the past year, OPTrust continued our focus on service and communications. This included:

- improving our efficiency in handling members' transactions
- working with the Government of Ontario to check members' pension data and make corrections where necessary
- supporting members affected by the growing number of public sector divestments
- keeping members and pensioners across Ontario informed through our newsletters, booklets, the OPTrust Web site and a new series of information sessions.

In 2001, the Trustees will review our asset mix. The goal is to help ensure that the Plan's investments are appropriately diversified and provide good returns at an acceptable level of risk. Looking further ahead, the results of the Plan's next funding valuation, for the period 1999-2001, will be available in mid-2002. While it is too early to predict results, as this report shows, the OPSEU Pension Plan is in strong financial health.



stanley f. sanderson
chair



paul sharkey
vice-chair



Stan Sanderson (left) is Chair of the Board of Trustees and chairs its Administration Committee. Paul Sharkey is the Board's Vice-Chair and chair of the Investment Committee. Heather Gavin chairs the Board's Audit Committee. A full list of Trustees is provided at the back of this report.

we report to you

A Focus on Service

meeting the needs of
members and pensioners

Our members and pensioners are the focus of everything we do at OPTrust. We carefully manage the Plan's investments to safeguard the promise of a secure retirement income. By continuously improving the way we work, we provide you with accurate information and timely services. Through communications tailored to your changing needs, we help you make informed pension decisions.

delivering better benefits

Throughout 2000, members and pensioners enjoyed substantial improvements to the OPSEU Pension Plan. These enhancements, which came into effect in December 1999, were paid for by the members' \$667 million share of Plan gains from the years 1996-1998. OPSEU selected the changes after a survey of members and pensioners. They include:

- reducing members' contributions until November 30, 2002
- extending Factor 80 to March 31, 2002
- improving pensions for those who take an immediate reduced pension before December 1, 2004
- increasing the OPTrust pension paid at age 65 by lowering the reduction for Canada Pension Plan (CPP) integration
- increasing the Plan's spousal survivor benefit from 50% to 60% of the member's CPP-integrated pension
- eliminating the CPP reduction before age 65 for OPTrust pensioners who receive CPP disability benefits.

supporting members in a period of change

Public sector restructuring continues to affect the jobs and pensions of a growing number of OPSEU Pension Plan members. Divestments, for example, involve the transfer of an operation and its staff from a provincial ministry or agency to another organization. By the end of 2000, more than 20 divestments had taken place, involving approximately 4,000 OPTrust members. Other divestments could affect another 5,000 to 8,000 members in 2001.

Members who are divested must make important career decisions that will have direct impact on their pensions. That is why OPTrust staff worked to explain members' pension options *before* their divestments took effect. Over the year, some 2,000 members attended more than 60 special OPTrust divestment presentations.

OPTrust will continue supporting members affected by public sector restructuring, helping them make informed decisions and monitoring changes to help ensure their pension rights are protected.

improving services and communications

In 2000, our focus on service and communications to members and pensioners led to important improvements:

- We invested in new computer systems to handle a range of transactions more efficiently, from enrolling new members to processing retirements.
- We updated our series of booklets to provide you with the information you need in a new user-friendly format.
- We developed new pension information sessions to give members and pensioners across Ontario the chance to meet face-to-face with OPTrust staff.
- We continued to expand our Web site and are exploring ways to give you secure on-line access to your own personal pension information in the future.



As a Social Work Supervisor at the Ontario Correctional Institute, I provide treatment and case management to adult men serving sentences for offences involving substance abuse, domestic violence or sexual abuse. My work is really about reducing victimization and making the community safer. Without treatment, the chances of these men re-offending are a lot higher.

My pension is a big part of my overall financial plan. When I was hired permanently, I bought back credit for the 18 months I worked in an unclassified position. It could make a big difference when it comes time to retire. The fact that members have a say in the Plan is important to me.

optrust's pension formula

at retirement, members' optrust pension is based on the following formula:

2% of average salary
(typically the average of the highest consecutive five years' annual salary rate)

Times credit (years and months of credited service in the Plan)

Less cpp integration
(a reduction at age 65)

measuring optrust's service

in 2000 our staff:

- completed 58,089 pension transactions – 13,578 more than in 1999
- provided more than 20,000 pension estimates and quotations
- answered 49,129 telephone calls from members and pensioners

ensuring data accuracy

OPTrust needs accurate information about your earned credit, salary and contributions to give you a reliable estimate of your future pension benefits – and to calculate your pension at retirement. Since 1996, we have been working with the Government of Ontario to verify members' key pension data and make corrections where necessary. Whenever a member's credit is affected, OPTrust provides a written explanation and invites the member to bring forward any additional documentation that may affect the correction. This joint effort reflects the Government's responsibility for correcting errors in the pension records provided to OPTrust when the Plan was created in 1995.

responding to changes in pension law

In 2000, changes to Ontario's *Pension Benefits Act* created a new option for pensioners with a life expectancy of less than two years. These pensioners may now apply to withdraw the commuted value of their pensions from the Plan. A similar provision already existed for OPTrust members with limited life expectancy.

In the case of pensioners, however, there is no recognized standard for calculating the lump sum value of a pension that has already started. OPTrust is making the new benefit available in a way that reflects the amount the pensioner and his or her spouse would realistically expect to receive by remaining in the Plan. Qualifying pensioners will receive a payment including i) the current value of one year's pension, plus ii) the value of any

survivor benefits, based on the spouse's age and normal mortality rates. Where there is a spouse, OPTrust requires proof that he or she has freely waived the right to survivor benefits.

This approach is consistent with preliminary guidance from the Canadian Institute of Actuaries. The administration of this benefit may change as new standards or regulations are developed.

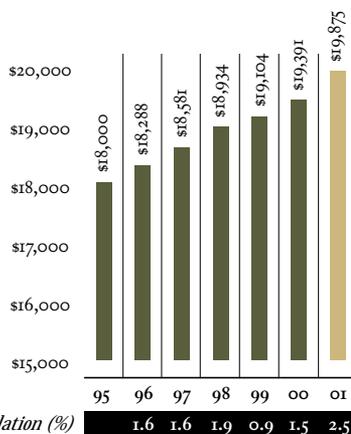
membership snapshot

<i>(At December 31)</i>	2000	1999
Active members	50,993	51,363
Number of new members enrolled	3,640	3,882
Number of members terminating or retiring	4,440	3,740
Former members with entitlements in the Plan	2,906	3,336
Pensioners		
Current	14,711	12,971
Deferred	1,929	1,116
total members and pensioners	70,539	68,786

The Plan's active membership has stabilized since 1998, after dropping from more than 63,000 in 1995. The number of pensioners continues to grow as members take advantage of the Plan's early retirement options.

inflation protection for pensioners 1995-2001

OPTrust pensions are adjusted annually for increases in inflation. An OPTrust pensioner who received a typical annual pension of \$18,000 in 1995 would receive \$19,875 in 2001.



An Investment in Your Future

a long-term perspective

The OPSEU Pension Trust is in business to provide you with your earned pension in your retirement years. Our investment strategy is therefore geared to ensure the necessary growth of the pension fund over the long-term.

To pay for your pension benefits, the Plan needs to achieve a long-term rate of investment return of 7.5%. Since the Plan's inception in 1995, we have earned an average annual rate of return of 14.0%, comfortably exceeding this target.

Over the shorter term, returns will rise and fall as a normal part of the business cycle. We therefore measure our investment performance against the indexes, or benchmarks, for particular markets. For example, the benchmark for Canadian equities is the Toronto Stock Exchange's (TSE) 300 index.

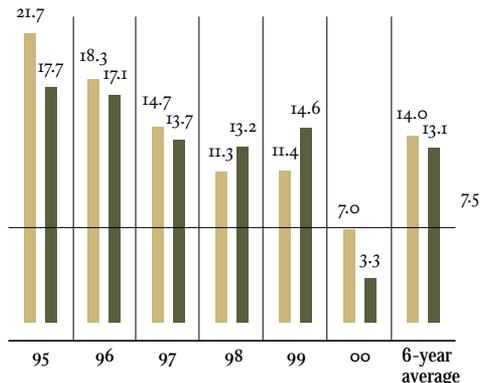
2000 investment returns

In 2000, the Plan earned investment income of \$654 million. This represents an average return of 7.0%, more than double our 3.3% benchmark return for the portfolio, but slightly below our 7.5% long-term funding target. Despite bettering our benchmarks, this result was below the exceptional double-digit returns OPTrust achieved over the previous five years. This reflects the decline in foreign equity markets and a significant drop off in the value of technology stocks in late 2000.

annual returns vs benchmarks 1995-2000

- Rate of return (%)
- Benchmark (%)
- Actuarial target of 7.5%

Investment returns bettered the Plan's benchmark in 4 of the past 6 years, and the actuarial target in 5 of those 6 years. The 6-year average return exceeded both the actuarial target and the benchmark return.



a balanced investment approach

OPTrust follows an “asset mix” policy that sets targets for the proportion of the Fund invested in different asset types. Diversification helps OPTrust achieve a reasonable return on investment while limiting the risk from changing economic conditions or downturns in particular markets.

In 2000, for example, OPTrust’s earnings reflected strong returns on Canadian equities, fixed income investments and real return bonds. These results offset negative returns on the Plan’s foreign equity investments, which had been a source of strong growth in previous years.

2000 investments, returns and benchmarks

<i>At December 31</i>	Investments (\$ millions)	OPTrust’s Return (%)	Benchmark Return (%)
Canadian equities	3,184	16.4	7.4
Global equities	2,884	(8.3)	(10.7)
Real estate	43	10.3	10.4
Real return bonds	495	17.0	16.6
Fixed income	3,366	12.5	10.2
fund total	9,972	7.0	3.3

Negative performance in global equities over the year was offset by strong returns in other investment categories. OPTrust’s returns exceeded our benchmarks for each class of investment and more than doubled the benchmark for the total portfolio.

significant investments

At year-end, OPTrust’s investment portfolio had a market value of almost \$10 billion. Investments over \$10 million are reported in OPTrust’s full annual report and on our Web site. For more information see the back page of this booklet.

managing investment and controlling risk

OPTrust’s investments are managed externally by leading investment management firms and are held by an independent custodian, Royal Trust. Our managers follow a range of investment styles. This helps us to ensure diversification, achieve consistent returns and limit risk. OPTrust uses various strategies to manage investment risks. These include diversifying our assets, ensuring high credit standards, regularly tracking investment results and monitoring our investment managers’ compliance with OPTrust’s policies.

2000 Financial Overview

funding the pension promise

financial statements

OPTrust's financial statements provide a snapshot of the OPSEU Pension Plan's financial position and a yardstick for measuring the Plan's growth over the previous year. At the end of 2000, the Plan's net assets had reached \$10 billion, up \$431 million from 1999. The 2000 financial statements show a surplus of \$1,583 million, an increase of \$182 million from 1999.

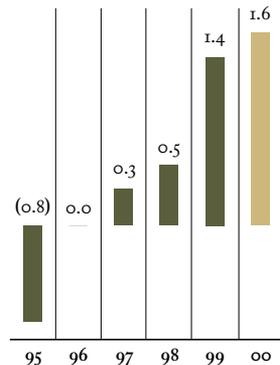
This surplus represents the difference between the actuarial value of the Plan's net assets and the cost of members' and pensioners' earned benefits. This surplus is not a "funding gain" that can be shared by members and the Government of Ontario. However, it is an important measure of the Plan's continued health and an indication that gains may be identified in the funding valuation for 1999-2001.

actuarial asset adjustment

Investment returns vary from year to year in response to changing market conditions. To reduce the impact of these fluctuations, OPTrust recognizes each year's investment earnings over a four-year period. In effect, this "actuarial adjustment" creates a reserve of unrecognized investment income that helps offset below-average earnings in any one year. At the end of 2000, OPTrust had a reserve of \$706 million to act as a buffer against future market volatility.

financial surplus (deficiency)

At December 31 (\$ billions)



The Plan's financial statement surplus continues to grow, securing a strong foundation for the future.

actuarial assumptions

To project the future cost of accrued pension benefits, OPTrust uses a set of “actuarial assumptions” about future developments affecting the Plan. These assumptions anticipate demographic trends such as members’ termination and retirement patterns and mortality rates. They also project economic factors, including rates of inflation, return on investments and general wage increases.

In 2000, the Board of Trustees revised a number of the Plan’s assumptions based on our past experience and the best projections for the future conditions. In the short-term, this reduced the surplus for the 2000 financial statements. The new assumptions will also reduce any gains expected from the funding valuation for 1999-2001. Over the long-term, however, the revised assumptions will lower the risk of unexpected losses and increase the security of the Plan.

funding status

Every three years, OPTrust completes an “actuarial funding valuation” to confirm whether the Plan’s assets are sufficient to pay for members’ current and anticipated earned benefits. Because this valuation is used to set contribution levels, it relies on more conservative actuarial assumptions than those used in preparing the annual financial statements.

The Plan’s next funding valuation will cover the period 1999-2001. Any gains that result will be shared equally between the Plan’s membership and the Government of Ontario. The members’ share of gains can be used to improve benefits or stabilize or reduce member contributions, at the discretion of OPSEU. The Government’s share must first be used to eliminate the Plan’s remaining unfunded liability, and may then be used to reduce contributions.

changes in net assets available for benefits

<i>(\$ millions)</i>	2000	1999
Net investment income	654	970
Contributions	247	335
<i>Increase in assets</i>	901	1,305
Pension payments	250	213
Refunds and commuted value transfers	80	64
Transfers to other plans	122	71
Operating expenses	18	17
<i>Decrease in assets</i>	470	365
Net increase for the year	431	940
Net assets at beginning of year	9,571	8,631
<i>Net assets at end of year</i>	10,002	9,571



I was really pleased when OPSEU decided to extend the Factor 80 option 'til March 31, 2002. Since I retired in June, I've been getting my farm ready to open a riding school. I've been interested in horses since I was a kid, and have been a riding instructor for years.

My pension has given me a solid base to do something that I've wanted to do for a long time. The health and dental coverage is important to me and it's nice to know that my pension will keep up with inflation. It took a lot of planning to get here, but I'm very happy with the way things have worked out.

bill thomas pensioner

management team

Colleen Parrish, LLB

Plan Manager

Charlie Eigl, CA

Treasurer and Director, Finance and Administration

Bill Foster

Director, Member and Pensioner Services

Graeme Isdale

Director, Information Technology

Dan McArthur

Director, Policy and Trustee Support

To April 2000:

Roger Phillips

Investment Coordinator

Joining OPTrust in January 2001:

Morgan Eastman

Chief Investment Officer

professional advisors

actuary

Buck Consultants

auditors

PricewaterhouseCoopers LLP

investment consultants

Hewitt Associates (James P. Marshall)

legal counsel

Koskie Minsky

Board of Trustees

(At December 31, 2000)

The OPSEU Pension Plan is jointly sponsored by the Government of Ontario and the Ontario Public Service Employees Union (OPSEU). Each sponsor nominates five trustees who serve in a voluntary capacity. The trustees work together to serve the interests of members and pensioners.

Stanley F. Sanderson, Chair**

CFP, RFP, CIM, FCSI

Vice President, Senior Financial Advisor
Assante Capital Management Ltd.

Paul Sharkey, Vice-Chair*

Court Interpreter/Translator
Ministry of the Attorney General

Robert Bellamy**

Former Vice-Chairman (retired)
Burns Fry Limited

Jennifer Brown**

Director, Pension Data Purification Project
Management Board Secretariat

Heather Gavin*

Administrator, Central Services
Ontario Public Service Employees Union
(OPSEU)

Len Hupet*

First Vice President/Treasurer
Ontario Public Service Employees Union
(OPSEU)

Janine Johnson*

Northern Caseworker
Ministry of Community and Social
Services

Daniel Kott*

Forest Technical Specialist
Ministry of Natural Resources

Tony Ross**

Former Vice-Chair (retired)
Merrill Lynch Canada

Paul Scott**

President and CEO
Ontario Clean Water Agency

The following Trustee left the Board in 2000 after more than 5 years of service; OPTrust thanks him for his significant contribution to the Plan's success.

Bruce Curwood, MBA, CFA**

Senior Consultant
Frank Russell Canada

** OPSEU Appointee*

*** Government of Ontario Appointee*

how to reach us

Member Services and General Information

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

Pensioner Services

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

Pension and Commuted

Value Estimates

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

Fax

(416) 681-6175

Web site

www.optrust.com

E-mail

email@optrust.com

OPSEU Pension Trust
1 Adelaide Street East,
Suite 1200
Toronto, Ontario
M5C 3A7



OPSEU Pension Trust

Fiducie du régime
de retraite du SEFPO

Looking for more information?



OPTrust's full annual report, including our audited financial statements and a schedule of investments, is available in both English and French. To order a copy, please contact us. This summary report, our schedule of investments and a downloadable version of the English annual report are also available on the OPTrust Web site.

OPTrust Publications

It's your pension

Your pension and your beneficiaries

Your pension and leaving your employment

Your pension and the Canada Pension Plan

Your pension and your retirement

Your pension: An important part of your financial future

OPTions newsletter for plan members

The Pension Connection newsletter for pensioners

To order any OPTrust publication, please call our toll-free general information line.

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