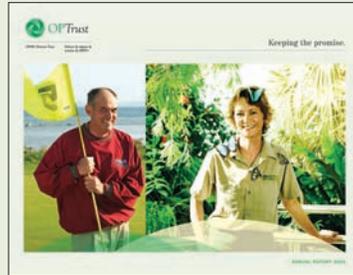


Want to find out more?

OPTrust's full annual report, including our audited financial statements, is available online at **www.optrust.com**, along with a list of OPTrust's investments. To order a print copy of the annual report, please contact us.



OPSEU Pension Trust Fiducie du régime de retraite du SEFPO

Keeping the promise.

How to reach us:

Member and Pensioner Services

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OPSEU Pension Trust Fiducie du régime de retraite du SEFPO

ANNUAL HIGHLIGHTS FOR MEMBERS AND PENSIONERS 2005

2005 at a glance

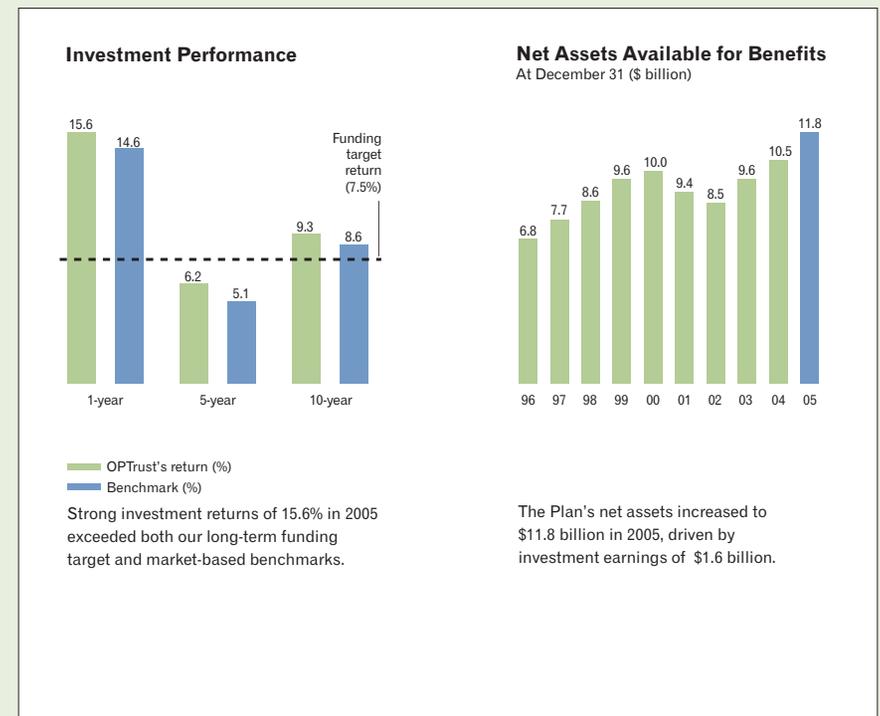
With assets under management of \$11.8 billion, the OPSEU Pension Trust (OPTrust) manages one of Canada's largest pension funds and administers the OPSEU Pension Plan, a defined benefit plan covering you and more than 75,000 other members and pensioners.

Since OPTrust's launch in 1995, we have worked to provide service and security to the members and retirees of the OPSEU Pension Plan. Our mandate reflects three key objectives:

- * Generating a long-term rate of return on investments that supports our pension promise
- * Delivering the finest service and communications to our members and pensioners
- * Providing you with a real voice in the Plan, through joint trusteeship.

In 2005, OPTrust:

- * Achieved an investment return of 15.6%, exceeding both the long-term funding target and market benchmarks
- * Filed an actuarial valuation with regulatory authorities that confirmed a total funding deficit of \$428 million at the end of 2004
- * Used funds set aside from the gains of earlier years to stabilize member and employer contribution rates at normal levels, rather than increasing rates to cover the funding deficit
- * Made significant progress on a major multi-year expansion of the Plan's portfolio of real estate investments.



FINANCIAL HIGHLIGHTS

At December 31 (\$ millions)	Financial statement valuation		Actuarial valuation
	2005	2004	2004
Current cost of future pensions	\$ 9,944	\$ 9,525	\$ 10,300
Actuarial smoothing adjustment	899	(30)	69
Rate stabilization funds	446	533	533
Unallocated surplus/(deficit)	526	446	(428)
Net assets available for benefits	\$ 11,815	\$ 10,474	\$ 10,474

MEMBERSHIP SNAPSHOT

At December 31	2005	2004
Active members	44,568	44,243
Former members with entitlements in the Plan	1,240	1,333
Pensioners		
Current	21,439	20,246
Deferred	8,422	7,973
Total members and pensioners	75,669	73,795
Number of new members enrolled	3,400	3,917
Number of members terminating or retiring	3,168	9,358
Change in total membership	232	(5,441)

2005 HIGHLIGHTS

- * Prudent management is ensuring the continued soundness of the OPSEU Pension Plan, in contrast to many other plans
- * Strong investment returns in 2005 further improved the Plan's financial position
- * Your Board of Trustees authorized a private markets initiative that seeks to further diversify the portfolio and reduce volatility

2005 was a year of significant progress for the OPSEU Pension Plan, as strong investment returns further strengthened our ability to keep our pension promise to you.

The financial soundness of OPTrust stands in sharp contrast to the difficulties being experienced by some other pension plans and reflects the prudent approach your Board of Trustees and the sponsors continue to take in managing the Plan's financial position.

A Year of Very Strong Investment Performance

The main contributor to the financial strength of the Plan in 2005 was the strong performance of our investments.

However, one of the important lessons from investment history, which has been reinforced during the past half-decade, is that strong investment results in any given period are invariably followed by weaker results or outright losses in other years. Market volatility can have sudden and significant impacts on the pension

industry and the millions of Canadians who rely on pensions for current and future income.

Prudent Approach Will Continue

That is why your Board of Trustees has taken, and will continue to take, appropriate measures to manage the Plan's exposure to market volatility.

One measure undertaken in recent years to enhance the diversification of the Plan's assets was our decision, in 2003, to significantly increase our investments in real estate. During 2005, about \$232 million was directed to new real estate investments, including, for the first time, direct property purchases. In the next several years, this growth in real estate investment is expected to increase until about 9.5% of our total assets are allocated to this portfolio.

Private Markets Initiative

During 2005 – and consistent with the goal of reducing the Plan's exposure to the volatility of publicly traded equities – your Board of Trustees approved an allocation to

private market investments, including a target allocation to private equity and infrastructure.

Private equity encompasses a range of investments, including venture capital and leveraged buyouts. Infrastructure includes investments in projects such as regulated utilities, toll roads and other assets. These projects, with their long service lives and regulated rates of return on invested capital, are an excellent match for the long-term indexed liabilities of our pension plan.

The targeted allocations to private equity and infrastructure will be implemented gradually, over a period of years, as has been the case with our investment in real estate assets, and will be carefully monitored by staff and the Board of Trustees.

Actuarial Valuation Filed

OPTrust takes a prudent approach to managing the Plan's funding situation. We work hard to avoid funding shortfalls and contribution rate increases.

Managing the timing of funding valuations is one method of promoting stability in contribution rates. During 2005, your Board of Trustees oversaw the completion and filing with government regulators of an actuarial funding valuation – our second in as many years.

The latest valuation showed a net funding deficit of \$428 million at the

end of 2004 – representing about four percent of the total assets in the fund at that time – compared with a deficit of \$255 million at the end of 2003. This amount did not include net deferred gains of \$69 million that will eventually be used to reduce the unfunded liability.

Financial Position Remains Strong

Despite the growth in the funding deficit, there are sound reasons for confidence in the overall financial strength of the Plan.

First, the Government of Ontario and OPSEU together have \$446 million in their rate stabilization funds at the end of 2005, an amount that exceeds the total funding deficit.

A second reason for optimism is that net deferred investment gains totalling \$899 million will have an increasingly positive impact on our funding position as they are recognized over the next four years.

Organizational Changes

There were a number of significant organizational changes at OPTrust in 2005. Colleen Parrish, who played a major role in the creation of the organization and served as President and Plan Manager since 1996, retired early in the year. Over the years, Colleen made many important contributions to the evolution of OPTrust into the superior organization that it is today. On behalf of the

Trustees, we would like to convey to Colleen both our heartfelt thanks and our best wishes for the future.

Heather Gavin, who was OPSEU's lead negotiator in the creation of the pension plan and has served as a Trustee of the Plan since its inception, was chosen to replace Colleen as Chief Administrative Officer and Plan Manager. Our thanks to Heather for her decade of service on the Board of Trustees, most recently as Chair

of the Audit Committee, and our best wishes for continued success in her new role.

The OPSEU appointee replacing Heather on the Board of Trustees was Maurice Gabay, who works for the Ministry of Finance as a corporation tax auditor.

David Rapaport and Stan Sanderson also left the Board after many years of valued service, with our thanks for their numerous contributions.

Eldon McCready Living the Dream

Eldon McCready dreamed about creating a new recreational activity for the people of Wolfe Island, near Kingston. The day after he retired from the Ministry of Transportation after 34 years of service he began converting his family farm on the island into a nine-hole golf course. In 2003, after two years of hard work, the course opened and has been building business ever since.

"Without my OPTrust pension, there wouldn't have been a golf course. But with a steady source of pension income providing reliable cash flow, I had the confidence to borrow the money to build the course."





Deborah Stark
Chair

Jordan Berger
Vice-Chair

OPTrust's Board includes 10 Trustees, five appointed by OPSEU and five by the Government of Ontario. For a list of Trustees, see page 16.

David's position on the Board was filled by OPSEU appointee Ruth Galinis, a former government employee and retired OPSEU official. The Government of Ontario appointee replacing Stan was Richard Johnston, a former NDP MPP.

Robert Bellamy also resigned after more than five years of service on the Board of Trustees, with our sincere thanks. Robert's replacement as government appointee was Michael Beswick, who recently retired from the position of Senior Vice-President, Pensions, for the Ontario Municipal Employees Retirement System (OMERS).

Protecting the pension promise and respecting our fiduciary commitments to you is both a major responsibility and

a significant personal commitment for members of the Board and OPTrust staff. We are grateful to our fellow Trustees and to our professional staff for their care and dedication to the interests of more than 75,000 members and pensioners. We look forward to working with them, our sponsors and OPTrust's management and staff during the coming year.

Deborah Stark
Chair

Jordan Berger
Vice-Chair

2005 HIGHLIGHTS

- * **New proactive services introduced**
- * **60,000 transactions were completed on your behalf**
- * **Website design and functionality enhanced**

The most important function carried out by the OPSEU Pension Trust for you is the promise of a secure pension paid for life.

Unlike RRSPs and other types of investments, the value of your OPTrust pension does not change with fluctuating market conditions. Instead, it is based on salary and number of years of employment and service credit. As long as you continue to contribute, the value of your pension continues to grow. And once you retire, your pension will increase to offset the impact of inflation.

Proactive Initiatives

There were a number of measures undertaken during the year to provide you with information on issues of importance, including:

1996 strike buybacks – in November, more than 5,000 notices were mailed to Plan members who were still eligible to buy back pension credit related to the Ontario Public Service strike in 1996. Each notice contained an updated quotation on the cost of buying back service credit for the strike period, as well as payment options for the buyback. Under the OPSEU Pension Plan buyback rules,

all payments for the buyback must be completed by March 31, 2007, the date on which the option to buy back service for the 1996 strike ends.

Detailed pension estimates – in December, all Plan members 55 years of age and older were, for the first time, sent an estimate of the amount of pension they will be eligible to receive for each year between now and when they reach the age of 65. Previously, estimates were provided only for significant milestones such as age 60. The purpose of the detailed annual estimates is to provide members with specific information that will assist them in the retirement planning process.

Website Functionality Enhanced

Based on research into your preferences, OPTrust introduced a new website design and enhanced navigation in 2005. The new format presents information based on the "life stage" of the visitor, which enables you to find pertinent information more quickly.

Additional services were also made available to you through a secure, password-protected section of the OPTrust website (www.optrust.com).

Enhancements in 2005 included:

- The ability to buy back pension credits online. Eligible members can apply online to buy back credit for leaves of absence which ended anytime in the past 24 months. A quotation is then posted to your personalized web page showing, among other information, how long it will take to pay for the buyback and how much it will affect the earliest retirement date (if applicable).

- Pensioners can now view monthly online updates to your *Pension Information Change Statement*, which includes the current deposit amount.

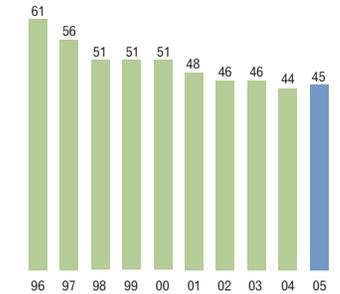
You can also use *Online Services* to:

- Check and update your personal information at any time, from any location
- Update your beneficiary information
- View your T4A slips well in advance of mailing (pensioners only)

- View and print your *Annual Pension Statement*
- Ask questions, exchange information and receive answers in a special message area that is more secure than normal e-mail
- Subscribe to an online version of *OPTions* or *The Pension Connection* newsletter, and
- Sign up for e-mail notification about OPTrust news.

By the end of 2005, more than 9,200 of you had signed up for the secure Online Services, a significant increase from 5,000 at the end of the previous year.

OPTrust's Active Membership
At December 31 (thousands)



The number of active members in the Plan increased slightly in 2005.



Judy Cant Feeling Secure

Judy Cant has been a horticultural technician at the Butterfly Conservatory near Niagara Falls since before it opened in 1996. Her job is to rotate plants in and out of the 18,000- square-foot conservatory to ensure that there are always enough blooms to feed about 3,000 tropical butterflies. Although in mid career, she says it's good to know that there will be a secure pension waiting when the time comes to retire.

"My husband and I have known people who have spent their whole career with one company and, a year or two before they retire, something happens to the company and they end up with far less retirement income than expected. So it's good to know that when the time comes to retire, I can count on receiving a secure and predictable pension."

Total Member and Pensioner Population Grows

The ranks of OPTrust's current pensioners continued to grow, reaching 21,439 at the end of 2005, compared with 20,246 at the end of the previous year. Of the Plan's new pensioners during the year, 70% retired with an unreduced pension under one of the Plan's retirement options.

The number of active members in the Plan increased to 44,568 in 2005, compared with 44,243 at the end of the previous year.

Investment performance

2005 HIGHLIGHTS

- * Investment returns of 15.6% exceeded both the long-term funding target and the benchmark return of 14.6%
- * Active management strategies added \$85.4 million in value
- * More than \$200 million was invested in real estate during the year, bringing this segment to 4% of total Plan assets
- * The Plan's allocation to cash was temporarily raised as part of a rebalancing strategy that reduces investment risk

2005 Investment Overview

In 2005, returns from Canadian and global equity markets continued to be very positive.

The Plan's overall investment return in 2005 was 15.6%, compared with 11.7% in 2004. Net investment income totalled \$1.6 billion, compared with \$1.1 billion the previous year.

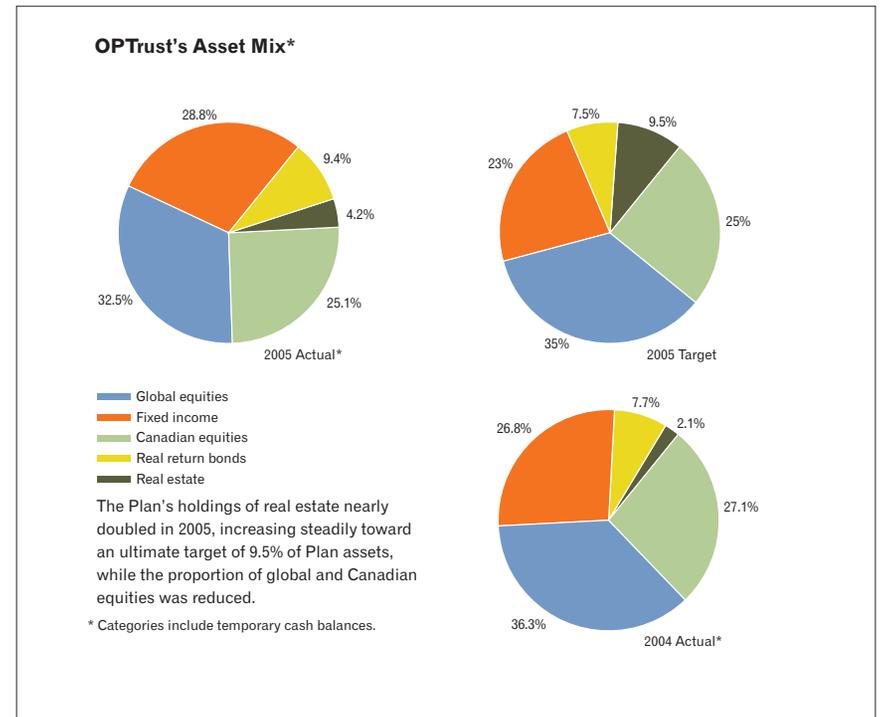
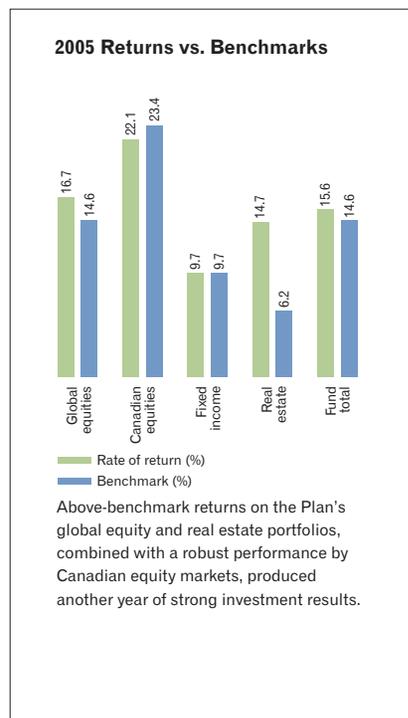
The Plan's weighted benchmark return was 14.6% in 2005. This above-benchmark performance resulted mainly from superior returns on the Plan's global equity and real estate portfolios.

Investment Strategy Evolution

During 2005, the implementation of major changes to the OPTrust investment portfolio continued based on a restructuring plan approved by your Board of Trustees in 2003. The main purpose of the restructuring is to achieve the required long-term investment goal at lower levels of volatility than have been targeted in the past.

The major initiatives in 2005 were a significant increase in our real estate holdings, approval of a target allocation

to private equity and infrastructure investments, the establishment of a Private Markets Group to manage these investments and a temporary increase in the balances of short-term fixed income and cash held by the Plan.



Real Estate

Net investments in real estate rose to \$491 million by the end of the year, from \$220 million in 2004. This represented 4.2% of total Plan assets.

During the next several years, we plan to increase real estate investments to 9.5% of Plan assets, at which time the total portfolio will exceed \$1 billion.

Private Markets

Another major element of the investment strategy evolution in 2005 was the approval by your Board of Trustees of a target allocation of the Plan's assets to private equity and infrastructure over a period of several years.

As is the case with the growth in real estate investments, private equity and infrastructure investments will increase the diversity of the Plan's overall portfolio and reduce its volatility, mainly by decreasing the percentage of total assets invested in public equity markets.

Pension funding

2005 HIGHLIGHTS

- * A funding valuation was filed for the second consecutive year in 2005
- * The valuation confirmed a deficit of \$428 million at the end of 2004, up from \$255 million in the previous valuation
- * Stabilization funds are being used to maintain contributions at normal rates

As a registered pension plan, OPTrust is legally required to complete a funding valuation that is filed with Ontario regulatory authorities at least once every three years.

However, we decided to complete an actuarial valuation for the year 2004, following the valuation covering 2002 and 2003 that was completed during the previous year.

Filing the valuation for 2004 allowed us to accelerate the use of stabilization funds to pay down deferred investment losses from 2001 and 2002.

The valuation also provided us with the option of deferring the next valuation until 2007 – at which time the deferred losses from earlier in the decade will have been fully recognized.

The valuation for 2004 was filed with the Financial Services Commission of Ontario in September 2005. The valuation indicated an actuarial loss of \$183 million for the year 2004, which, when combined with the loss of \$245 million remaining from the valuation filed the preceding year, brought the total funding deficit to \$428 million. The reasons for the 2004 change are outlined in the table below.

Stabilization Funds to Be Used

Since OPSEU and the Government of Ontario jointly sponsor the OPSEU Pension Plan, both members and employers are equally responsible for making up any funding deficits (as well as sharing in the benefits of funding gains). A funding deficit would therefore normally require an

immediate increase in member and employer contribution rates.

However, part of the funding gains that resulted from the strong investment performance of the Plan in the mid-to-late 1990s were set aside by both OPSEU and the Government of Ontario to create stabilization funds that could help offset any future funding deficits. In 2004 and 2005, both sponsors used a portion of their stabilization funds to pay an additional \$38 million each into the Plan towards their current share of the funding losses identified in the two most recent funding valuations.

Stabilization Payments Continuing

Payments from the stabilization funds will continue in 2006, which will avoid the need for any immediate increase in member contribution rates.

Based on current projections, if the Plan achieves its targets for investment returns during the period leading up to December 31, 2007, members should be able to look forward to stable contribution rates and pension benefits through the end of the decade.

Sources of gains and losses – 2004 funding valuation

(\$ millions)

Investment loss (primarily the amortization of investment losses from prior years)	(325)
Other economic experience gain	119
Demographic experience loss	(6)
Assumption changes	78
Other losses	(49)
	(183)

Lyril Browne Looking Forward

Lyril Browne, a receptionist at the Whitby Mental Health Centre, has more than 19 years of credited service in the OPSEU Pension Plan. She's looking forward to the time, in the next few years, when she will have the option of retiring with an unreduced pension under the Plan's 60/20 rule, which allows members to retire at age 60 with a full pension if they have at least 20 years of service.

"Now that it's coming up to my time to retire, I'm pleased with the options that are available and very satisfied that everything is going to be fine. It's also good to know that if I die before my husband, he will be eligible to receive survivor benefits."



Financial statement overview

2005 HIGHLIGHTS

- * Net assets available for benefit payments rose \$1,341 million to \$11.8 billion by year-end
- * The Plan's financial statement unallocated surplus increased to \$526 million in 2005, reflecting experience gains

The following review of key elements of the financial statements provides an explanation of some of the important measures of the continuing health and soundness of the Plan and the long-term security of your pension benefits.

Net Assets Available for Benefits

In 2005, the Plan's net assets available for benefits rose by \$1,341 million, to \$11.8 billion at year end. The increase resulted from net investment income of \$1.6 billion. Partly offsetting that income was benefit payments that exceeded contributions by \$201 million during the year, and operating expenses of \$22 million.

Accrued Pension Benefits

At year-end 2005, accrued pension benefits were valued at \$9,944 million, up \$419 million from 2004. Of this increase, \$494 million reflects normal growth in the Plan's accrued benefits. This includes income required on previously earned benefits and benefits earned during 2005, offset by payments to pensioners and terminating members. Also offsetting in part the overall increase in 2005 was a net reduction of \$75 million that resulted from experience gains and changes to actuarial assumptions, which more than offset an increase resulting from benefit improvements.

Actuarial Smoothing

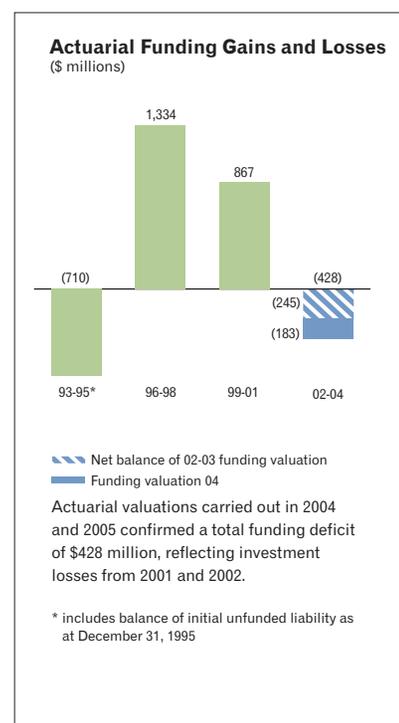
Actuarial smoothing is used in the pension industry to reduce the short-term impact of volatile investment returns by recognizing each year's gains or losses over a period of several years.

At OPTrust, our smoothing methodology compares our actual return in any given year with the target rate of return we need to make over the long term to keep the pension promise. Any amounts above or below that target are considered gains or losses subject to smoothing. One-fifth of the gain or loss is recognized in the results of the current year, while the balance is recognized in four equal installments during each of the next four years.

At the end of 2005, the Plan's actuarial value adjustment was a deferred gain of \$899 million, compared with a deferred loss of \$30 million the previous year. The main reason for the change was the deferral of gains from 2005.

Surplus

The Plan's financial statement surplus was \$972 million at year-end, compared with \$979 million at the end of 2004.



Changes in Net Assets

Investment Income

Net investment income was \$1,564 million in 2005, compared with \$1,069 million the previous year. Positive returns from all asset classes – led by Canadian and global equities – contributed to this result.

Contributions

Regular pension contributions from members and employers totalled \$306 million in 2005, compared with \$256 million in 2004, reflecting a return to normal contribution rates for employees on January 1, 2005.

Pension Payments

OPTrust's pensioner population continued to grow in 2005, reaching 21,439 retirees at year-end. Pension payments increased by 7.6% to \$398 million, compared with \$370 million in 2004.

OPTrust pensions are adjusted annually for inflation. In January 2005, retirees received a pension increase of 1.7% (compared to 3.3% in 2004) under the Plan's inflation protection provision. The increase for 2006 is 2.2%.

Administrative Expenses

Administrative expenses were \$22 million in 2005, the same as the previous year.

Membership information

The OPSEU Pension Trust was established to give members and the Government of Ontario an equal voice in the administration of the OPSEU Pension Plan and the investment of the Plan's assets through joint trusteeship.

As sponsors, the Government of Ontario and the Ontario Public Service Employees Union (OPSEU) each appoint five Trustees to OPTrust's Board. The Trustees work together, in a voluntary capacity, to serve your interests and those of more than 75,000 other members and pensioners.

Members of the Board of Trustees

At December 31, 2005¹

Deborah Stark, Chair**

Assistant Deputy Minister,
Agriculture and Rural Division
Ministry of Agriculture and Food

Robert Bellamy**

Former Vice-Chairman (retired)
Burns Fry Limited
Left February 28, 2005

Jordan Berger, Vice-Chair*

Supervisor, Strategic Planning and
Policy Development
Ontario Public Service Employees Union
(OPSEU)

Michael Beswick**

Senior Vice President, Pensions (retired)
Ontario Municipal Employees
Retirement System

Alicia Czekierda*

Secretary, Robarts/Amethyst Schools
Ministry of Education

Maurice Gabay*

Corporation Tax Auditor
Ministry of Finance

Heather Gavin*

Administrator, Central Services
Ontario Public Service Employees Union
(OPSEU)
Left September 2, 2005

Don Jordan*

Occupational Health and Safety Officer
Ministry of Labour

Ann Marshall**

Former Practice Leader (retired)
James P. Marshall, a Hewitt Company

David Rapaport*

Project Co-ordinator
Ministry of Education
Left December 31, 2005

Tony Ross**

Former Vice-Chair (retired)
Merrill Lynch Canada

Stanley F. Sanderson**

Former Vice-President (retired)
Assante Capital Management Ltd.
Left December 31, 2005

*Appointed by OPSEU

**Appointed by the Government of Ontario

¹ For the names of Trustees appointed early in 2006, see pages five and six.

Professional Advisors to the Trustees

Actuaries

Buck Consultants, an ACS company

Auditors

PricewaterhouseCoopers LLP

Custodian

RBC Dexia Investor Services Trust

Investment Consultants

James P. Marshall, a Hewitt Company

Legal Counsel

Koskie Minsky

While this report 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.

Senior Management, Administration Division

Heather Gavin

*Chief Administrative Officer
and Plan Manager*

Bob Breens

*Vice-President,
Policy and Communications*

Charlie Eigl, CA

Vice-President, Finance

Bill Foster

*Vice-President,
Member and Pensioner Services*

Graeme Isdale

Vice-President, Information Technology

Senior Management, Investment Division

Morgan Eastman

Chief Investment Officer

August Cruikshanks, CFA

*Managing Director,
Public Market Investments*

Robert Douglas, CFA

*Managing Director,
Real Estate Investments*

Anca Drexler, CFA

*Managing Director,
Investment Operations Research and Risk*

Kevin Warn-Schindel

*Group Head and Managing Director,
Private Markets Group*