

OPTions

A newsletter
for the members
of the OPSEU
Pension Trust

OPTrust's Net Assets Top \$10 Billion in 2004:

- OPTrust's 11.7% investment return increases the Plan's net assets to \$10.5 billion.
- Over our first 10 years, OPTrust has achieved an average annual return of 9.9%.

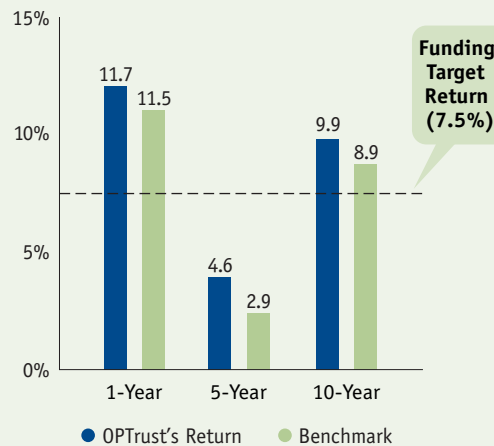
Strong investment returns for the second year in a row helped increase the OPSEU Pension Plan's net assets by \$1.1 billion in 2004. As a result, OPTrust ended our 10th year of operations with net assets of \$10.5 billion, up from \$4.6 billion a decade earlier.

In 2004, OPTrust registered an overall investment return of 11.7%, topping our weighted market benchmark return of 11.5%. The benchmark reflects the overall performance of the markets in which we invest.

OPTrust's 11.7% return also bettered the Plan's funding target return of 7.5%. This target is the average return the Plan needs to achieve over the long-term to pay the projected cost of members' pensions.

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OPTrust's Investment Performance



Despite volatile market conditions, OPTrust earned an average annual return of 9.9% over our first 10 years.

REMINDER:

Temporary Retirement Options Ending

Two temporary early retirement options for OPTrust members are ending in 2005. These benefit enhancements – Factor 80 and Points Off – were paid for out of the members' share of the Plan's past funding gains. With the Plan's current funding shortfall, both benefits are scheduled to end this year.

Factor 80

The window to qualify for Factor 80 closed on March 31, 2005. Factor 80 allows eligible members to retire early with an unreduced pension. Members who qualified by this date must meet strict deadlines for submitting their retirement notice and retiring.

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In 2003, OPTrust registered an annual return of 17.3%, after two years of investment losses.

Strong Financial Results

“Our strong financial results in 2004 capped a very successful first decade for OPTrust and our members and pensioners,” said Deborah Stark, Chair of OPTrust’s Board of Trustees. “We’ve achieved significant growth and laid a solid foundation for our current and future retirees.”

Since OPTrust’s launch in 1995, our investment portfolio has exceeded the 7.5% target return seven years out of 10. Over the decade, the Plan has achieved an average annual return of 9.9%, compared to the benchmark average of 8.9%.

The Plan’s above-benchmark performance in 2004 was largely driven by OPTrust’s foreign equity portfolio, which returned 13.1% versus 11.4% for the benchmark index. The Plan’s real estate holdings, which account for a small proportion of the total portfolio, produced a very strong 12.9% return, more than doubling the 6.2% benchmark.

OPTrust’s Canadian equities and fixed income investments also performed well, generating returns of 13.4% and 9.2% respectively. However, these returns were slightly below their respective benchmarks.

Investment Highlights

During 2004, OPTrust’s Investment Division continued to implement major changes to the Plan’s

investment portfolio. These changes were based on a major restructuring plan approved by the Board of Trustees in 2003.

Key initiatives in 2004 included increasing our real estate holdings, changing our Canadian equity management structure and modifying our fixed income strategy to better match our liabilities.

Funding & Contribution Rates

In 2003, OPTrust’s Board of Trustees adopted an enhanced “liability management strategy.” The goal is to manage funding issues arising from the Plan’s investment losses in 2001 and 2002 – and reduce the risk of contributions rising above the Plan’s normal rate over the next several years.

As part of this strategy, OPTrust filed our most recent actuarial funding valuation in July 2004. This valuation showed a net funding deficit of \$255 million, as of the end of 2003. By filing the valuation one year earlier than required, OPTrust is in a better position to manage this shortfall.

Typically, the \$255 million “unfunded liability” would have triggered an immediate contribution increase above the Plan’s normal rate of 8%. Fortunately, OPSEU and the Government of Ontario had set aside a portion of the Plan’s previous gains in separate stabilization funds. The sponsors are now using these reserves to keep member and employer contributions at normal levels. Normal rates will remain in effect at least until the Plan’s next funding valuation, due no later than 2007.

REMINDER... continued from page 1

Points Off

This temporary provision applies to members who retire early with a *reduced* pension. Under points off, this reduction is less than under the Plan’s normal rules. To qualify for points off, you must be age 55 or older when you stop working, and you must start receiving your pension before December 31, 2005. This means you must retire – and notify us to start your pension – by November 30, 2005, at the latest.



Permanent Options Unchanged

There has been no change to OPTrust’s permanent retirement provisions. These include eligibility for an unreduced pension at age 65, or under the Factor 90 or 60/20 options. Members can also take a reduced pension at age 55 or older.

For more information, see the OPTrust booklet *It's Your Pension*, available in print or online at www.optrust.com.

OPTrust's Funding Outlook

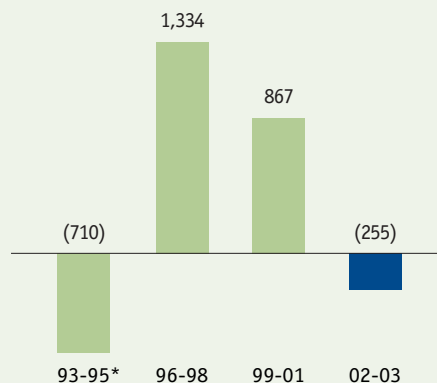
Like most major pension plans, OPTrust uses a technique called “smoothing” to offset the impact that volatility in financial markets could have on its funded status. Smoothing works by spreading the effects of each year’s investment gains or losses over a five-year period.

As a result, the investment losses from 2001 and 2002 will continue to have an impact on the Plan’s financial statements in 2005 and 2006 – and on the Plan’s next funding valuation.

Over the coming years, the Trustees, staff and the Plan’s external actuaries will keep a close watch on the Plan’s funding, as part of our multi-year liability management strategy. In the meantime, members and employers have the security of significant stabilization funds to help offset future pressure on contribution rates.

Based on current projections, if the Plan achieves an average 7.5% return on investments during the three years leading

Funding Gains & Losses (\$ millions)



OPTrust’s funding shortfall of \$255 million as of the end of 2003 reflects investment losses from 2001 and 2002.

* Includes balance of initial unfunded liability as at December 31, 1995.

up to December 31, 2006, the members’ stabilization fund should be able to prevent a contribution increase until at least 2009.

We Report to You...

Want a summary of OPTrust’s investment and financial results for 2004? What about the Plan’s liability management strategy, or our work to provide you with prompt, friendly service?

It’s all at your fingertips, in our *Annual Highlights for Members and Pensioners 2004*, included with this issue of OPTions.



Checking the Fine Print

OPTrust’s full annual report, including a detailed discussion of the Plan’s performance and our audited financial statements, is available online at www.optrust.com.



A comprehensive list of OPTrust’s significant investments has also been posted to the site.

To order a printed copy of the annual report, contact us by phone, fax or e-mail. See page 8 for contact information.

OPTrust Pension Basics

Your Pension Formula

Here is how your pension is calculated:

2% of your average salary

(typically your best average salary rate over five consecutive years)

times your credit

(years and partial years of credited service under the Plan)

less CPP integration

(a reduction at age 65)

Key Plan Features

- a lifetime pension
- inflation protection
- service buyback options
- survivor benefits
- early retirement options for those who qualify
- portability, if you leave your job.

Related Features for Those Who Qualify

- post-retirement health and dental benefits, provided by the Government of Ontario
- disability benefits

Retirement Planning: It's Never Too Soon to Start

Started thinking about your retirement yet? Know what your future pension will be? What about your personal savings or other sources of retirement income?

Whether you're nearing retirement, are in mid-career or are just starting out, it's never too early to begin setting your personal and financial goals and planning for the future.

This article is the first in a series to help you start planning ahead. Of course, OPTrust provides a number of useful tools and publications. (See opposite page.) It is also a good idea to consult an independent financial advisor to help you set and work towards your financial goals.

Projecting Your Expenses

A good place to start planning for life after you stop working is to think about how you want to spend your time. Are you hoping to travel or expecting to stay close to home? Do you have other interests or hobbies you want to pursue? Will you be living with a spouse or family members, or on your own? Are you planning to work after you retire?

Next, prepare a detailed list of your anticipated expenses once you retire. This will help paint a clear picture of your financial needs. Include your rent or mortgage payments, transportation and living expenses, and discretionary items like travel and entertainment.

Estimating Your Retirement Income

Now that you have a plan for how you want to spend your retirement – and how much you think it will cost – the next step is to estimate the income you expect to receive once you stop working.

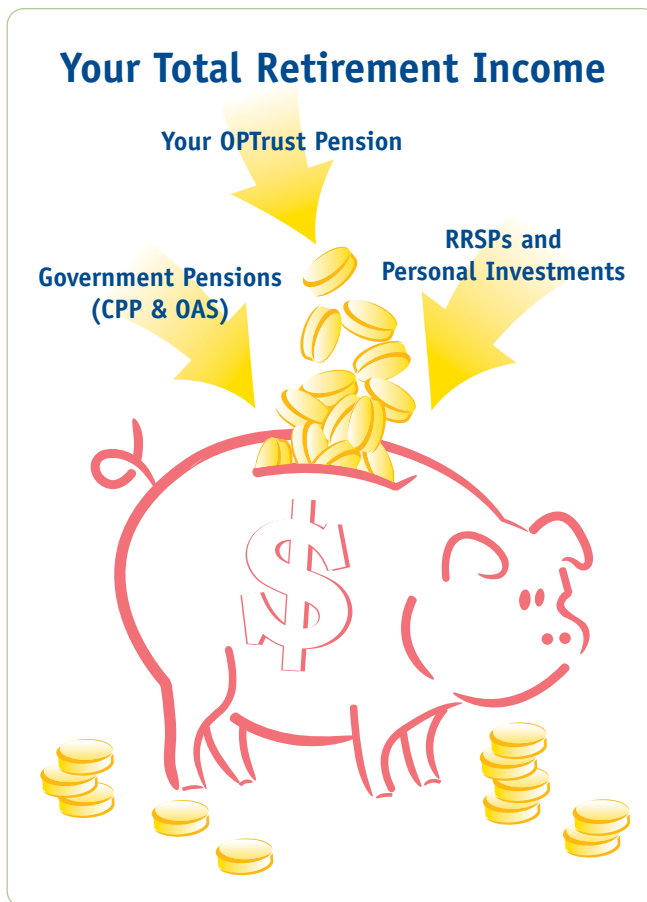
As a general guideline, financial advisors suggest that you will need between 60% and 80% of your pre-retirement earnings to maintain your standard of living. This will vary depending on how much you earn now and your plans for the future.

Three Types of Income

If you are like most OPTrust members, you will have

three main sources of income when you retire: i) your OPTrust pension (plus other employer pensions, if applicable), ii) government pensions such as CPP and OAS, and iii) RRSPs and other savings or investments. Depending on your circumstances, your retirement income could include:

- **Your OPTrust pension**
See your 2004 Annual Pension Statement for an estimate of your future OPTrust pension and your projected retirement eligibility date.
- **Other employer pension plans**
Some OPTrust members may be eligible for a separate pension from another employer's



pension plan. This includes divested members who now contribute to their new employer's plan.

- **Canada Pension Plan (CPP)**
Most working Canadians contribute to CPP and are eligible to receive a full CPP pension at age 65, or reduced benefits as early as age 60. In 2005, the maximum retirement pension from CPP is \$828.75 per month.
- **Old Age Security (OAS)**
Most working Canadians are also eligible to receive OAS benefits when they retire. The maximum OAS payment as of April 2005 is \$474.35 per month. High-income retirees may have to repay some of their OAS benefits.

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OPTrust's Retirement Income Calculator – Pension Planning at Your Fingertips

OPTrust's online retirement income calculator has several new enhancements to help you plan for retirement. The calculator is a great way to estimate your OPTrust pension – and project your total retirement income, including CPP, OAS and money from personal savings/investments. Now, new calculator features will give you:

- automatic estimates of your OPTrust pension based on different retirement dates
- the option to include income from other pension plans
- detailed tables, charts and graphs showing your estimated OPTrust pension and other income under different scenarios, how your retirement income changes at age 65, and how it compares to your pre-retirement earnings.

Getting started

The place to start is OPTrust's website at www.optrust.com. Click on the members' link under "pension planning tools," then

launch our pension estimator.

First, enter your current age, pension credit and salary. For the most accurate results, use the information provided on your 2004 Annual Pension Statement.

The estimator then generates a table showing your projected OPTrust pension for different retirement dates, up to age 65.

To estimate your total retirement income, just pick a retirement date and select "add other income." You can then enter details about income you expect to receive from:

- Canada Pension Plan (CPP) and Old Age Security (OAS)
- Other employers' pension plans
- your RRSPs
- other sources, such as investments or another job.

Thinking of taking CPP early?

Considering increasing your annual RRSP contributions? By changing the information you enter into the calculator, you can estimate your retirement income under a wide range of possible retirement scenarios.

More Planning Tools from OPTrust

In addition to our online calculators, OPTrust provides a range of other resources to help you plan for your retirement.

Pension Information Sessions

OPTrust's information sessions are a great way to learn more about your pension plan, directly from an OPTrust representative. For a schedule of upcoming sessions in communities across Ontario, see the flyer included with this newsletter or go to www.optrust.com.

OPTrust Booklets

For more information on planning for your retirement, check out OPTrust's series of booklets covering topics including:

- *Your Pension and Your Retirement*
- *Your Pension and the Canada Pension Plan*
- *Your Pension and Buying Back Credit*
- *It's Your Pension*



These and other OPTrust publications are available on our website or by contacting our Member and Pensioner Services staff. See page 8 for more details.

Jane's Income: Before and After Retirement

Wondering how your projected pension compares to your current salary? One big change is that after retirement you will have fewer deductions from your income.

The following example shows how Jane's

current annual income compares to her projected income after retirement. Jane is planning to retire when she turns 65. At that point, she will have 25 years of credit with OPTrust.

Before Retirement	
Employment Income	\$45,000
OPTrust Contributions	-\$2,940
CPP Contributions	-\$1,860
EI Contributions	-\$760
Union Dues*	-\$620
Income Tax	-\$7,350
Net Income	\$31,470

Age 65 and After	
Employment Income	—
OPTrust Pension	\$15,986
CPP payments	\$9,940
OAS payments	\$5,680
Total Income	\$31,610
Income Tax	-\$5,470
Net Income	\$26,140

After retirement, Jane's total income, including CPP and OAS, will equal 70% of her pre-retirement earnings. This does not include any additional income she may receive from her RRSPs or working after retirement. Jane's net income will be more than 80% of her take-home pay before she retired. According to most financial advisors, this should be enough for Jane to maintain her current lifestyle in retirement. However, each member will have different financial needs, depending on his or her individual circumstances.

* OPTrust's retirement income calculator does not include union dues in estimating your pre-retirement net income.

You? Asked

Your 2004 Annual Pension Statement

Your statement is in the mail – and online. OPTrust has been mailing Annual Pension Statements (APS) to all our active and divested members. The mailings are taking place in several batches, starting in late April up to mid-June. For a list of mailing dates visit our website.

Why wait for the mail?

You can also view your APS online – anywhere, anytime. Just log on to our secure *Online Services* website for members and pensioners at www.optrust.com.

Haven't registered for *Online Services* yet? Getting your APS now, without having to wait for the mail is a great reason to sign up.

QUESTION: HOW DO I ACCESS MY ANNUAL PENSION STATEMENT ONLINE?

ANSWER: Last year, OPTrust introduced a new option for members to view and print their Annual Pension Statement through our secure *Online Services*. To register for *Online Services* visit our website at www.optrust.com. When you register, you will need the “contributions and interest” amount found on your 2003 statement, to verify your identity. If you don't have a copy of your 2003 APS, contact our Member and Pensioner Services staff and they will help you register online.

QUESTION: THE LIST OF BENEFICIARIES ON MY STATEMENT IS OUT OF DATE. HOW CAN I ADD A BENEFICIARY OR UPDATE MY INFORMATION?

ANSWER: You can check, change or update your beneficiary information through OPTrust's secure *Online Services*. Alternatively, you can complete an *Identifying Benefit Recipients (IBR)* form and return it to us. You can download the form from the OPTrust website.

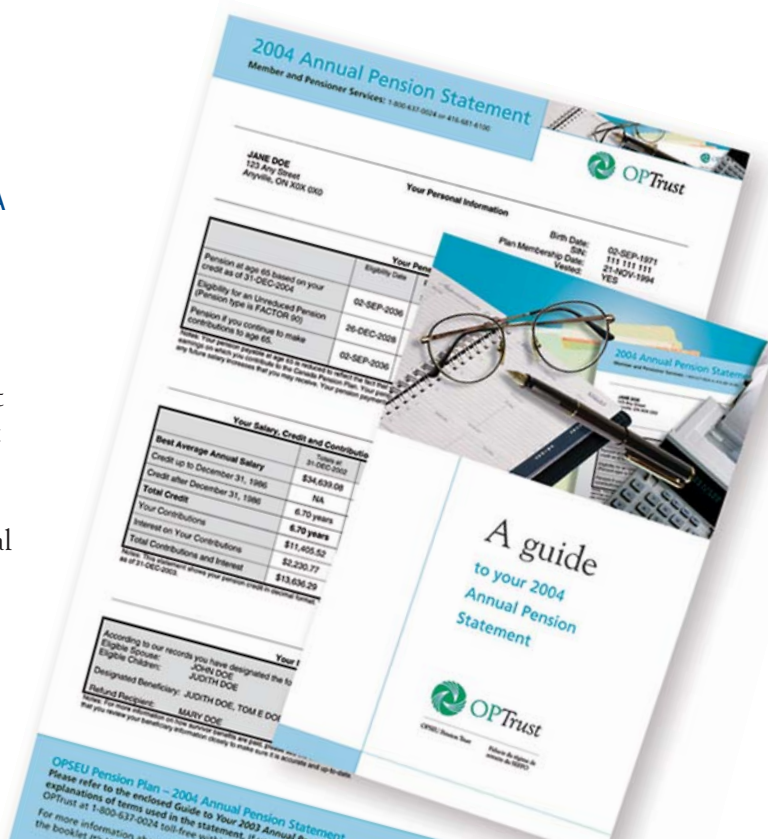
NOTE: You cannot update your beneficiary information by marking the changes on your Annual Pension Statement. OPTrust can only update this information if you make the change through our secure *Online Services* or if we receive a signed copy of the IBR form.

QUESTION: I'M CURRENTLY BUYING BACK CREDIT. WHY DOES MY STATEMENT ONLY REFLECT THE CREDIT I HAVE PAID FOR SO FAR?

ANSWER: Your *Annual Pension Statement* provides you with an accurate account of your pension as of the end of 2004. The “total credit” listed on your statement includes any buyback credit that you have paid for as of December 31, 2004. This is used to calculate your “Pension at age 65 based on your credit at 31-DEC-2004.” Credit you bought back in 2004 is also shown separately under “2004 Buybacks and Transfers.”

Any remaining credit you have agreed to buy back is included in the “future credit” used to estimate your future pension if you work until you are eligible to retire. By providing you with accurate credit information, your APS can help you to monitor your buyback payments, make financial decisions and plan for your retirement.

In March, OPTrust mailed separate *Annual Buyback Statements* to every member who had an ongoing buyback at the end of 2004. This statement, like the APS, is available through the secure *Online Services* section of our website.



Improving the Way We Serve You

At OPTrust, we are committed to providing you with prompt, friendly and efficient service whenever you contact us about your pension. That means continually looking for ways to improve the way we serve you. It also means getting your input on how we are doing and where we can do better.

In 2004, there was good news on both fronts. First, we met our ambitious targets for improving the timeliness of the services we provide. Over the year we reduced the total number of open cases from 11,072 to 3,071 at year-end. At the same time, we cut the number of overdue cases from 72% of the total to 20%. Cases overdue by more than 30 days dropped from 44% to under 10%.

Second, you appreciated the improvement. In 2004 and the first three months of 2005, we distributed questionnaires to more than 7,000 members and pensioners who completed a transaction with OPTrust. Part of our ongoing client satisfaction survey, the questionnaires asked members to evaluate the service they received and identify areas for improvement.

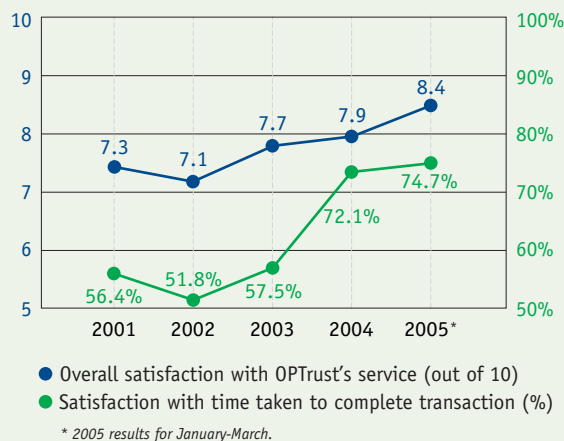
Our most recent results show that:

- overall satisfaction with OPTrust and satisfaction with the timeliness of our service both continue to increase

- our Member and Pensioner Services staff get consistently high marks for the quality of service they provide
- 96% of members who read OPTrust's publications found them helpful
- more than half of our members and pensioners want to communicate with OPTrust and access their personal pension information online.

If you receive a client satisfaction survey in the future, please take time to fill it out. Your input will help improve the services we provide to you and 74,000 other members and pensioners.

Getting Satisfaction: Survey Results, 2001-2005



Members' and pensioners' satisfaction with OPTrust's service has continued to increase in 2004 and into 2005.

Retirement Planning... continued from page 4

• RRSPs, personal savings or income from other sources

Many OPTrust members are putting aside money now in RRSPs or other savings, to supplement their pension income when they retire. Working after retirement may also be an attractive option.

To estimate your future retirement income, add the amounts you expect to receive from all these sources together.

Finally, compare your projected income from these sources to your estimated

expenses. Will you have enough money set aside to meet the 70% target or your anticipated expenses? If not, how will you meet your income needs? Is increasing your personal retirement savings an option? What about working after your pension starts? Or will you be able to reduce your expenses?

Once you have estimated your retirement income and expenses, it is a good idea to meet with a professional financial advisor to discuss your options.

Welcome to new contract and unclassified members!

Membership does have its privileges. That's why a record number of contract/unclassified employees chose to join the OPSEU Pension Plan in 2004.

Enrolling in the Plan is voluntary for contract staff. So last year, OPTrust launched a new outreach program to make sure eligible employees understood the potential benefits of joining. And after considering their options, more than 1,500 new members decided to sign up.

Benefits of Joining

For new members, the OPSEU Pension Plan offers a secure investment for the future – and one in which the employer pays a matching contribution. The benefits of joining the Plan are summarized in OPTrust's new brochure for contract and unclassified employees.



Tell a Co-worker

Know an unclassified co-worker who might be interested? Why not suggest he or she visit our website or give us a call?

Buying Back Credit Online

Buying back pension credit with OPTrust just got a lot easier. Why? Because we recently launched a new buyback feature as part of the secure *Online Services* section of our website.

If you are eligible, buying back credit can be an important way to increase the value of your OPTrust pension.

Leaves of Absence

Now you can go online to apply to make pension contributions during an unpaid leave of absence. You can also apply to buy back credit for a leave that you completed anytime in the past 24 months.

As soon as you submit your application through *Online Services*, a cost quote and payment options will be posted to your personalized web page. Your quote will also show:

- how much the buyback will increase your pension
- how long it will take for the buyback to pay for itself
- how it will affect your earliest retirement date (if applicable).

You can then select the option that is best

for you and arrange to start your payments.

Not ready to complete your buyback right away? No problem. Your quote and payment options will be saved on your *Online Services* buybacks page, and you'll be notified how long you have to complete your payments before the time limit expires.

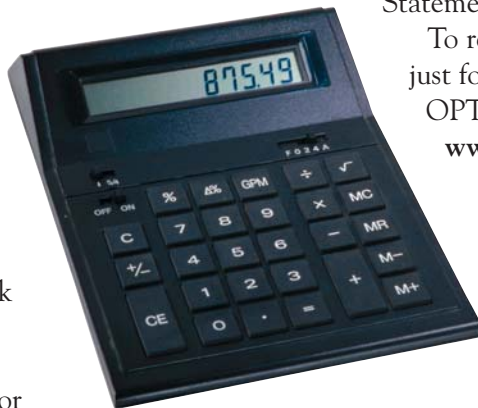
Other Buybacks

If you've already submitted an application for any kind of buyback, *Online Services* lets you check the status of your purchase and review, select or change your payment options. You can also view and print your most recent Annual Buyback Statement.

To register for *Online Services*, just follow the links from OPTrust's home page at www.optrust.com.

For more information on the benefits of buying back credit, the types of service members can purchase, and the application and payment time limits, see

OPTrust's booklet *Your Pension and Buying Back Credit*. The booklet is available at www.optrust.com or by contacting our Member and Pensioner Services staff.



OPTrust's Secure Online Services

- Check and update your personal information, anytime, anywhere
- View and print your *Annual Pension Statement*
- Get answers to your pension questions through our secure message service
- Subscribe to the online version of *OPTions*
- Sign up for e-mail notices about OPTrust news

To register, go to www.optrust.com and follow the links.



OPTions

OPTions is a newsletter for members of the OPSEU Pension Trust. Its goal is to provide useful and timely information about the OPSEU Pension Plan.

If there is any conflict between statements in this newsletter and the legal documents of the OPSEU Pension Plan, the legal documents will prevail. Please direct any questions about your personal benefits under the Plan to OPTrust. You should contact OPTrust before making any pension-related decisions.

If you have any questions or comments, please contact us.

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Publications Mail Agreement #40052641



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