

THE  
**PENSION**  
*connection*

A newsletter  
for the Pensioners  
of the OPSEU  
Pension Trust

## Strong investment performance strengthens OPTrust

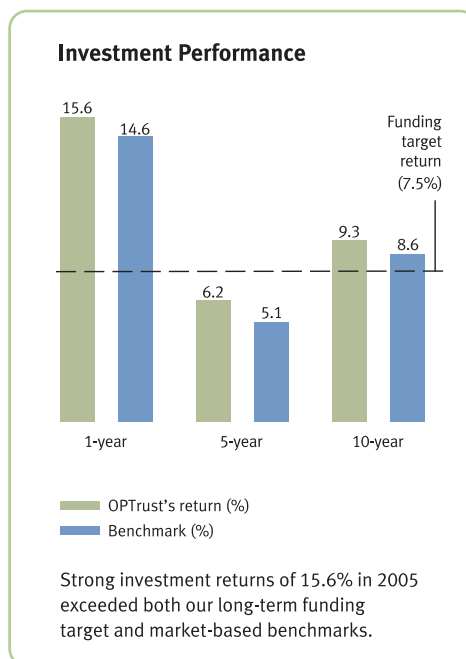
**OPTrust achieves an investment return of 15.6%, with assets topping \$11.8 billion**

2005 was a year of significant progress for OPTrust, as strong investment returns further strengthened the Plan's ability to keep our pension promise to more than 75,000 members and retirees like 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 the Board of Trustees and 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. OPTrust



> Strong investment performance... continued on page 3

## Nortel class action lawsuit settlement

OPTrust has played a leading role in a class action lawsuit against Nortel Networks Corp., which alleged serious disclosure and accounting irregularities by Nortel between October 24, 2000, and February 15, 2001.

In February 2006, a tentative agreement was reached whereby Nortel would pay

financial compensation of about \$2.4 billion (U.S.) (based on their share price at the time of the settlement), consisting of \$575 million (U.S.) in cash and about 628 million common shares. Nortel's insurers have agreed to pay \$228.5 million (U.S.) towards the settlement.

> Nortel class action lawsuit settlement... continued on page 4

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Richard Johnston



Ruth Galinis

## OPTrust appoints two new Trustees to help govern the Plan

**R**ichard Johnston and Ruth Galinis were appointed to the Board of Trustees earlier this year, replacing Stan Sanderson and David Rapaport respectively who both stepped down from the Board in December 2005.

Richard Johnston, an appointee of the Government of Ontario, was an administrator and counselor at Trent University before becoming a social worker specializing in helping the elderly. As an MPP, he crusaded for improved benefits for the poor and disabled.

Mr. Johnston served as Chair of the Ontario Council of Regents for the Colleges of Applied Arts and Technology in Ontario from 1991 to 1995, President of the First National Technical Institute on the Tyendinaga Mohawk Territory and a director at Trent University from 1995 to 1998, and President of Centennial College in Scarborough from 1998 to 2004. Mr. Johnston currently operates a vineyard in Prince Edward County.

“I hope my overall governance experience, past responsibility for the CAAT pension plan and oversight of its divestment to a jointly trustee structure, and my experience as a provincial

politician working in and chairing multi-party committees will prove useful to the Trust and serve the interests of its members,” says Mr. Johnston.

Ruth Galinis, who was selected as a Trustee by OPSEU, was recently awarded lifetime membership in the Union. Starting her career as a human rights officer in the Ministry of Labour, Ms. Galinis worked as a regional consultant consecutively with the Ministry of Citizenship and Immigration, Ministry of Culture, and the Ministry of Tourism and Recreation. She also served as an OPSEU local representative in Sault Ste. Marie and the labour representative on the Sault College board of governors. Ms. Galinis is the first OPSEU retiree appointed to the Board of Trustees.

“I am honoured to be appointed to the OPSEU Pension Trust as the first retiree trustee. As a former union activist, I have always been interested in how our pension plan has invested the fund to ensure that the funds are available to pay the pensions that have been promised,” says Ms. Galinis.

For more information on corporate governance, check out OPTrust’s full Annual Report available online at [www.optrust.com](http://www.optrust.com).

> *Strong investment performance... continued from page 1*

achieved an overall investment return of 15.6% in 2005, the third year in a row that returns have significantly exceeded our rate-of-return target.

This strong performance – following returns of 11.7% in 2004 and 17.3% in 2003 – increased total assets available for benefits to more than \$11.8 billion.

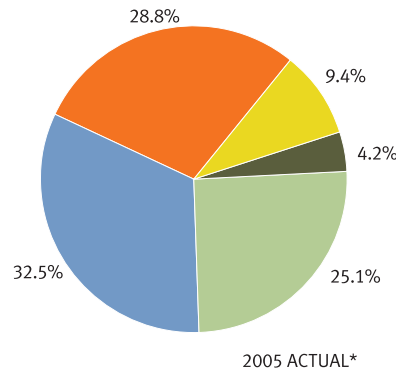
Average annual returns since the Plan's inception, in 1995, increased to 10.4%, surpassing both our benchmark returns and the long-term funding target. However, one of the important lessons from investment history, which has been reinforced during the past half-decade, is that strong investment results in any given period can be followed by weaker results or outright losses in other years. Market volatility can have a sudden and significant impact 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 the Board of Trustees has taken, and will continue to take, appropriate measures to manage the Plan's exposure to market volatility, while at the same time striving to ensure that the assets in the Plan earn sufficient returns to continue funding important benefits such as inflation indexing.

One measure undertaken in recent years to enhance the diversification of the Plan's

### OPTrust's Asset Mix\*



- Global equities
- Fixed income
- Canadian equities
- Real return bonds
- Real estate

The Plan's holdings of real estate nearly doubled in 2005, increasing steadily toward an ultimate target of 9.5% of Plan assets, while the proportion of global and Canadian equities was reduced.

\* Categories include temporary cash balances.

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. The increase in real estate investment is being funded by proportionally reduced investments in fixed income assets.

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



### 2005 Highlights

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

### Want the big picture?

OPTrust's full Annual Report, including our financial statements, is available online at [www.optrust.com](http://www.optrust.com), along with a comprehensive list of OPTrust's significant investments.

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

Assuming approval of the settlement, the compensation will be shared equally among members of the OPTrust class action and those in a subsequent action.

OPTrust is pleased with the progress to date of this historically significant settlement, which we undertook as part of our responsibility to members and pensioners, and as a major institutional investor with long-term interests in the proper functioning of capital markets.

“OPTrust has worked hard for many years to bring this case to its successful conclusion, and, with this

conditional settlement, has secured an historically significant financial recovery for class members,” said Heather Gavin, OPTrust’s Chief Administrative Officer and Plan Manager. “It is very important that institutional owners live up to their obligations as shareholders, and we believe that the OPSEU Pension Trust has fulfilled this important responsibility in regard to this litigation.”



**“OPTrust has worked hard for many years to bring this case to its successful conclusion, and, with this conditional settlement, has secured an historically significant financial recovery for class members.”**

– Heather Gavin, Chief Administrative Officer and Plan Manager

## GWL Moves to Direct Deposit

**G**reat-West Life has introduced a new direct deposit option for plan members to receive their payments. Pensioners can now enjoy the convenience of having their claims payments deposited directly into their bank account, similar to their OPTrust pension payment.

### **Plan members have two options to sign-up for direct deposit:**

- Visit the GroupNet for Plan Members website ([www.greatwestlife.com](http://www.greatwestlife.com)) and follow the self-registration instructions online, or
- Complete a *Direct Deposit Authorization* form – the form is available online and by contacting Great-West Life.

### **eDetails**

Pensioners, who select direct deposit, will no longer receive claims information from Great-West Life in the mail. Instead they will receive an e-mail notification indicating that their claim has been paid. They will also have access to an online *Explanation of Benefits* statement that can be printed. Great-West Life will send a notification of payment to the e-mail address provided.

### **Direct Deposit Brochure**

For those who do not have access to the Internet, or prefer to receive an *Explanation of Benefits* statement that indicates when their reimbursement payment has been deposited to their account, they can contact Great-West Life to obtain a *Direct Deposit* brochure.

# Nearing age 65?

## Find out how your pension is integrated with the Canada Pension Plan

Unsure of what you will receive at age 65? Wondering if you should take CPP before age 65?

Like most pension plans, OPTrust is integrated with the Canada Pension Plan. Integration works on two levels: while you were working and once you retire.

During your career, your OPTrust pension contributions were reduced because you also paid contributions to CPP. In retirement, the pension you receive from OPTrust is reduced starting at age 65. This is because you are eligible for CPP benefits.

## When to take CPP

The decision is up to you. You can take CPP as early as age 60, but CPP will reduce the benefit 6% for every year you are under age 65. At age 65, your CPP remains reduced. Your OPTrust pension before age 65 contains a “top up” portion which is stacked on top of your CPP benefit. When you turn 65 your OPTrust pension is integrated with CPP, so the “top up” is no longer paid. Your CPP pension payments remain reduced and you will notice a

reduction in your overall income from the two pensions. Some of this reduction in income may be offset by Old Age Security or seniors’ benefits.

If you take CPP at age 65, you will receive an unreduced benefit. If you were receiving an OPTrust pension before age 65, you will notice a reduction. The “top up” is no longer paid. If you start receiving an OPTrust pension at age 65, it will already be integrated for CPP. When you turn 65, OPTrust will mail you a detailed *Pensioner Information Change Statement*, which will show your integrated pension with CPP.

Below are examples of two pensioners who both retired from OPTrust at age 60 with 20 years of service. Alejandro started CPP early with a reduced benefit at age 60, while Jennifer waited until age 65 to start CPP. You will notice a slight difference between the retirement incomes of both pensioners at age 65.

Alejandro receives almost the same income before and after age 65 with the OPTrust “top up” amount. While Jennifer receives an integrated OPTrust pension at age 65 with an unreduced CPP benefit.

**Like most OPTrust retirees, your OPTrust pension is likely just one pillar of your retirement income. In addition to CPP, you may be eligible to receive Old Age Security benefits, and the Guaranteed Income Supplement. It is good idea to apply for Old Age Security at least six months before you turn 65; the same applies for the Guaranteed Income Supplement. For more information visit the Human Resources and Social Development Canada website at [www.sdc.gc.ca](http://www.sdc.gc.ca).**

INCOME	ALEJANDRO STARTED CPP AT AGE 60		JENNIFER STARTED CPP AT AGE 65	
	AGE 60 to 65	AGE 65 →	AGE 60 to 65	AGE 65 →
OPTRUST PENSION	\$20,602	\$15,203	\$20,602	\$15,203
CPP	\$7,090	\$7,090	—	\$10,130
OLD AGE SECURITY	—	\$5,820	—	\$5,820
<b>TOTAL INCOME</b>	<b>\$28,670</b>	<b>\$28,110</b>	<b>\$21,580</b>	<b>\$31,890</b>
LESS				
INCOME TAX	\$4,270	\$4,360	\$4,910	\$5,000
<b>NET INCOME</b>	<b>\$23,430</b>	<b>\$23,760</b>	<b>\$15,690</b>	<b>\$26,160</b>

Want a clear picture of your pension before and after age 65? Visit the OPTrust website ([www.optrust.com](http://www.optrust.com)) to use our Retirement Income Calculator, from there you can find out how your pension is integrated with CPP, determine your retirement income including income from other sources and view personalized charts and graphs of your retirement income.

## Volunteer opportunity

**R**etirement often brings more opportunities to pursue interests that you didn't have time for during your career. You may have extra time to get involved in community action initiatives or volunteer your services with different organizations. If you're looking for an opportunity to contribute to the community, the Government of Ontario wants to hear from you.

The Animal Care Review Board, a Government of Ontario organization, is looking for retirees to sit on their board as members. Board members deal with appeals made by owners or custodians of animals who consider themselves aggrieved by an order or the removal of an animal made under



the *Ontario Society for the Prevention of Cruelty to Animals (OSPCA) Act*. They also serve on a part-time, per diem basis as required.

For more information, please contact:

**Mike Zimmerman**  
Senior Project Manager  
Policy and Public Safety  
Programs Division

Ministry of Community Safety  
and Correctional Services

Tel: 416-314-8854  
mike.zimmerman@jus.gov.on.ca

Information on public appointment vacancies for various boards can be found on the Government of Ontario website at [www.pas.gov.on.ca](http://www.pas.gov.on.ca).

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## Change your bank information online, sign-up for direct deposit

**O**PTrust secure *Online Services* provides many unique features for members and pensioners to update their personal information. Among the many features, *Online Services* provides pensioners with easy access to update banking information and sign-up for direct deposit pension payments. When you register for *Online Services*, you can view your current banking information and make changes as needed through a secure environment.

Secondly, if you currently receive your pension payment by mail, you can go online to sign-up for

direct deposit. No need for paper forms, and with online transactions your changes are made within 24 hours.

To learn more about OPTrust secure *Online Services* visit our website at [www.optrust.com](http://www.optrust.com).



# New premium rates in effect

**O**PTrust pensioners who are eligible for insured benefits will see a small increase to their monthly premium rates. Starting April 1, 2006 your Great-West Life insured benefits' premium rates have changed (GO Transit retirees have slightly different rates):

	FAMILY COVERAGE		SINGLE COVERAGE	
	Employer	Pensioner	Employer	Pensioner
<b>New Monthly Premium</b>	\$213.03	\$2.74	\$117.92	\$1.35
<b>GO Transit Retirees</b>	FAMILY COVERAGE		SINGLE COVERAGE	
	Employer	Pensioner	Employer	Pensioner
<b>New Monthly Premium</b>	\$135.10	\$3.49	\$59.77	\$1.52

You pay a small premium if you elected vision care and hearing aids plan coverage. But if you choose only medical and dental coverage you will pay no premiums at all. Your former employer pays most of the cost of your insured benefit premiums. You will see the new rates on your next *Pensioner Information Change Statement* available online or in print.

**You will see the new rates on your next *Pensioner Information Change Statement* available online or in print.**



**Question:** I understand OPTrust settled its class action lawsuit against Nortel Networks. Does this mean that all members and pensioners will be compensated?

**Answer:** No. Compensation will be shared equally between the members of the OPTrust class, which covers the class period October 24, 2000 to February 15, 2001, and the members of a subsequent class covered by a second securities class action for the period April 24, 2003 to April 27, 2004 (the “Nortel II litigation”). If you purchased Nortel shares during either of the class periods you are automatically included in the class action lawsuit.

While we actively pursued recovery of damages experienced by the Plan, these losses did not directly affect OPTrust’s capacity to meet our pension obligations. (See page 1 for more details.)

**Question:** If I travel outside of Canada on a temporary basis, will I be covered under Great-West Life for any medical emergencies?

**Answer:** If you live in Canada but temporarily travel outside of Canada or the Province of Ontario, there is **no “emergency” medical out of country coverage** under your insured medical coverage with Great-West Life. It is a good idea to purchase medical travel insurance, in the event that you have a medical emergency or sudden illness while you are temporarily traveling outside of Canada.

**Question:** I moved to Alberta last year, am I covered for benefits?

**Answer:** Yes. If you live in a province outside of Ontario and reside in that province full-time, insured medical benefits under Great-West Life’s Supplemental Health and Hospital Insurance Plan are covered. However, you will be reimbursed according to what is customarily paid in the Province of Ontario.

> You asked... continued on page 8

**Question: I'm planning a move to Ireland; will I be covered if I live in a foreign country?**

**Answer:** If you are a full-time resident of a country outside of Canada, your Great-West Life Supplemental Health and Hospital Insurance benefits are covered. You will receive reimbursement for health and dental claims as if you lived in Ontario. That is, you will be reimbursed according to what is customarily paid in the Province of Ontario. Within certain limits, your Great-West Life coverage tops-up expenses the Ontario Health Insurance Plan does not cover.

Before you make travel arrangements, you should contact Great-West Life at 1-800 874-5899 or (416) 440-0406, or visit their website at [www.greatwestlife.com](http://www.greatwestlife.com).

**Question: I noticed the OMERS inflation adjustment was higher than OPTrust for 2006. Why do inflation adjustments vary between pension plans?**

**Answer:** Inflation protection is measured differently between pension plans. OPTrust and OMERS both have separate rules in calculating inflation protection rates each year.

For example, OMERS measures their annual inflation adjustment over **one 12-month period** ending in the previous September. But OPTrust measures the inflation adjustment increase over **two 12-month periods** ending in the previous September. The Ontario Teachers' Pension Plan also uses the same calculation. The OMERS inflation adjustment is increased to a maximum of 6% while OPTrust's increase goes to a maximum of 8%. Both OMERS and OPTrust have a carry forward provision, when the inflation adjustment exceeds the annual maximum increase.

With different calculations, you will also see a variance between each pension plan from year to year, but over time the adjustments balance out.

THREE-YEAR COMPARISON		
Year	Pension Escalation (%)	
	OPTrust	OMERS
2006	2.2	3.36
2005	1.7	1.79
2004	3.3	2.16

An OPTrust pensioner who received a typical annual pension of \$18,000 in 2003 would receive \$19,326 in 2006. While an OMERS pensioner who received a typical pension of \$18,000 would receive \$19,347 in 2006. Over a three-year period, the difference is \$21.



**Membership Statistics**

(at December 31, 2005)

**21,439**

Number of pensioners in the Plan

**64.5**

Average age of OPTrust pensioners

**\$18,642**

Average annual pension

**44.7**

Average age of current members

**75,669**

Total members and pensioners

**THE PENSION connection**

The Pension Connection is published by OPSEU Pension Trust for its pensioners.

If you have any comments or questions, please contact **Member & Pensioner Services** at:

**OPSEU Pension Trust**  
 1 Adelaide Street East, Suite 1200  
 Toronto, Ontario M5C 3A7  
 E-mail: [email@optrust.com](mailto:email@optrust.com)  
 Tel: (416) 681-6100 in Toronto  
 1-800-637-0024 toll-free  
 Fax: (416) 681-6175  
[www.optrust.com](http://www.optrust.com)



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