

Service & Security

The OPSEU Pension Trust is committed to effective communication with its plan members and pensioners. Questions or comments regarding this report or aspects of our communication program should be addressed to:

Dan McArthur
Director, Policy and Trustee Support
OPSEU Pension Trust
1 Adelaide Street East, Suite 1200
Toronto, Ontario
M5C 3A7
FAX: (416) 681-6175

We would be pleased to provide you with a copy of our Annual Report. Please call:

Telephone: (416) 681-6161
Toll Free: 1-800-906-7738



OPSEU Pension Trust
Fiducie du régime de
retraite du SEFPO

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OPSEU Pension Trust
Fiducie du régime de
retraite du SEFPO

Report to Plan Members
and Pensioners 1995

OPSEU Pension Trust

With assets under management exceeding \$5 billion, the OPSEU Pension Trust manages one of Canada's largest pension funds and administers the OPSEU Pension Plan, a defined benefit pension plan covering almost 70,000 plan members and pensioners across Ontario.

We officially commenced operations on January 1, 1995 with a vision that we believe will, today and in future years, serve all of our stakeholders — our members and pensioners, our employees, the communities in which we invest and those with whom we interact.

Our vision is this:

- to provide the finest service to, and communications with, our members and pensioners;
- to ensure a rate of return on our investments which finances liabilities of the OPSEU Pension Plan, moderates contributions and contributes to enhanced benefits; and,
- to recognize in all our undertakings the OPSEU Pension Plan's joint trusteeship by providing members and pensioners — through the Board of Trustee appointees of the Ontario Public Service Employees' Union and the Government of Ontario — with a voice in the administration of the Plan and the management of the Fund.

We are proud to present our first Report to the plan members and pensioners of the OPSEU Pension Trust, reviewing our mandate, discussing our goals and reflecting on the concrete results which came from putting the partnership of union and employer Trustees to work for the benefit of our plan members and pensioners.

Message from the **Chair** and **Vice-Chair**

The OPSEU Pension Trust was created to ensure good service to plan members and pensioners; to ensure a solid rate of return on investments; and, to provide an equal voice for plan members with their employers in the administration of the OPSEU Pension Plan and management of the Fund.

In order to build a new organization that would implement these goals, Trustees had very specific tasks to perform. Indeed, to have the right organization and investment capacity in place in the short time available, involved cooperation, creativity and commitment.

In late 1994, we began the investment of pension plan assets transferred to the OPSEU Pension Trust from the Ontario Pension Board. We completed the bulk of transferred asset investment in early 1995. The OPSEU Pension Trust had a thoughtful investment policy to implement and proceeded in a prudent way to move its assets toward that policy. This included Trustee selection of each investment manager, following a rigorous selection process.

While the OPSEU Pension Trust investment policy is a long-term policy, the decision to move to equity investment and retain long-term Ontario government debentures as part of the Fund's portfolio was an investment decision that reaped immediate reward in 1995.

At year end, the total portfolio return for the Fund was 21.7 per cent while the marketable portion of the Fund earned 19.3 per cent, in each case exceeding established benchmarks. These results place the OPSEU Pension Trust in the top group of pension plans in Canada in terms of investment performance.

In late 1994 and early 1995, the OPSEU Pension Trust brought on board key management staff and also benefited from the transfer of experienced pension administration staff from the Ontario Pension Board. By year end, the OPSEU Pension Trust was fully staffed by an excellent team.

In 1995, the Trustees were determined to have an effective infrastructure in place for Board decision-making and supervision. The establishment of an Audit Committee and

Adjudication Committee ensured that the OPSEU Pension Trust had the tools for prudent supervision of the Board's financial affairs and a fair mechanism for dispute resolution in respect to benefits and other pension plan entitlements.

The Trustees of the OPSEU Pension Trust serve in a volunteer capacity, appointed to their positions by the plan sponsors — the Government of Ontario and the Ontario Public Service Employees' Union. The duty of the pension plan trustee to a pension plan is the highest duty the law can impose — the fiduciary obligation. That means that Trustees must work cooperatively to safeguard and advance the interests of the pension plan and its members.

The OPSEU Pension Trust has benefited from the experience and perspective that each Trustee has brought to the decision-making process and, more importantly, by the collective wisdom of the Trustees working together. As the Chair and Vice-Chair, we would like to acknowledge the efforts of our colleagues on the 1995 Board: (appointed by the Government of Ontario) Jennifer Brown, Bruce Curwood, Graham Hills, and Qaid Silk; and (appointed by the Ontario Public Service Employees' Union) Heather Gavin, Stephen Huff, Pauline Lai, and Grant MacGillivray. We also take this opportunity to thank one of our first Board members, Katherine Braun, for her contributions in 1995 and wish her well in her academic endeavors.

Our first year as a pension plan has given us much to be thankful for and many people to thank. We appreciate the guidance and assistance provided by our plan sponsors — the Government of Ontario and the Ontario Public Service Employees' Union. We are grateful for the support and cooperation of our plan members and pensioners. We are particularly indebted to our staff and our professional advisors for their commitment and hard work throughout 1995.

Our second year of operation, 1996, will consolidate our organizational and investment gains. With an established team, we can work on service delivery improvements, a strong education and outreach focus and a solid and reliable information base.

With a good year of investment return behind us, we can look to additional diversification opportunities and thoughtful monitoring of Fund performance in order to provide for the long-term security of the benefits promised our plan members and pensioners.

This Plan represents the future of thousands of working men and women. The Board of Trustees of the OPSEU Pension Trust will work for that future every day.



Len Hupet
Chair



Colleen Parrish
Vice-Chair

The OPSEU Pension Trust is a young, vibrant organization with two principal characteristics. First, we are a member-driven organization, serving the needs of thousands of people. Second, yet equally important, we are an investor; a source of equity capital, playing an essential role in today's financial markets.

Message from the Plan Manager

Although 1995 marks our first complete year in operation, we took a number of steps in 1994 that contributed toward our first year success. Just prior to commencing operations in 1995, we positioned ourselves to receive our share of the assets of the Public Service Pension Plan by having our asset custodian secured as well as our investment managers ready to move quickly and effectively in the marketplace. The role played by our Board of Trustees in achieving this objective was a major factor and one which we acknowledge.

The year 1995 was indeed filled with challenges and achievements.

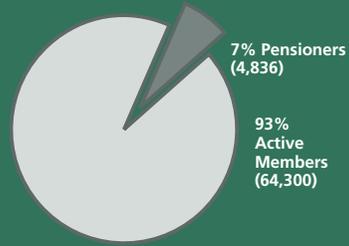
One significant challenge for the OPSEU Pension Trust in 1995 was obtaining the necessary staffing. The pension area is a specialized field, so this proved to be a considerable undertaking.

We want to provide excellent service to our members. For this reason, we are moving as quickly as possible to establish service levels that not only meet the expectations of plan membership but also exceed that provided by other large pension administrations in Canada. We have, to date, received positive feedback from our active and retired members regarding service provided. We have been organizing focus groups to draw together additional feedback, which we will use to plan and implement future improvements to our service.

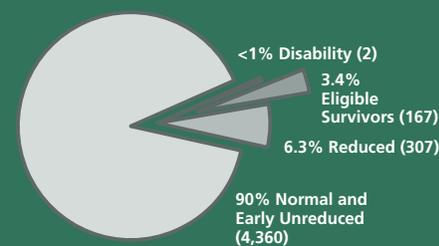
The OPSEU Pension Trust acquired its own computer equipment in 1995 and is currently in the process of transferring both information and the responsibility for computer processing to its own mainframe. The OPSEU Pension Trust worked cooperatively with the Ontario Pension Board in this particular venture and in the continued development of the Pension and Retirement Information System (PRISM).

Another significant undertaking for our organization is the purification of membership data. This project, undertaken by the Management Board Secretariat, will continue into 1998. We are pleased to assist the Management Board Secretariat in the thorough

Membership
(as at December 31, 1995)



Pensioners by type of pension
(as at December 31, 1995)



investigation of computerized records to ensure that error-free data is contained on our plan membership database. At this point in time, the membership data is not sufficiently reliable and data purification is required when transactions are processed. The data is not accurate enough for an unqualified actuarial valuation and it is, for this reason, that we have received qualified audit and actuarial reports on our financial statements. However, the Fund remains secure and benefits to our members and pensioners will be met.

At year end 1995, net assets available for benefits stood at \$5.7 billion. Net investment income totalled \$379 million and the unrealized increase in market value of investments amounted to \$600 million. Contributions in 1995 were \$218 million; pensions paid, \$74 million. As at December 31, 1995, the actuarial value of net assets available for benefits was \$5.5 billion. When this amount is compared to the actuarial value of accrued pension benefits of \$6.3 billion, there is a resultant deficiency of \$759 million. Any deficiencies identified for funding purposes will be amortized by the Province of Ontario.

A key objective of the OPSEU Pension Trust is to improve members' overall knowledge and appreciation of the pension plan. We believe it important that members understand their benefits so that they are able to make well-informed decisions and we are working to achieve these objectives.

Our aim is to use technology to provide timely, cost-efficient service to our plan members and pensioners. Like other pension plans, the OPSEU Pension Trust understands the need among plan members and pensioners to receive accurate information on a timely basis.

For many Canadians, a pension is among the largest of personal assets owned. Added to this is a tremendous amount of media attention surrounding public and private pension plans as well as all aspects of retirement planning. We recognize these facts and acknowledge the value that our plan members and pensioners place on quality service and the continued security of pension plan assets.

The OPSEU Pension Plan is registered with the provincial and federal governments and is being maintained in a highly-regulated environment. The legislative guidelines set out in the Pension Benefits Act of Ontario and in the Income Tax Act (Canada), as well as the role of the Pension Commission of Ontario in monitoring pension plan solvency and funding, have contributed to an environment wherein the principal objective is the protection of plan member and pensioner benefits. We have structured ourselves to maintain the OPSEU Pension Plan's integrity within this environment.

In addition, we must remain alert to changes in regulation and position ourselves to deal with proposed changes quickly. From a plan administrator's point of view, our success depends on our ability to initiate effective contingency plans in response to any number of environmental changes; such changes may include, for example, the provincial government's proposal to decrease staffing levels.

As we enter our second year of operation, we will continue to streamline our establishment. We plan to improve our service, to develop our systems, and to expand our communication efforts. In 1996, we will develop a multi-year strategic plan to address these objectives.

We are confident that the OPSEU Pension Trust is ready to meet the challenges that lie ahead. A great deal of work was accomplished in 1995 thanks to the cooperative efforts of our Board of Trustees and our staff. We are looking forward to the future.

William A. Phipps
Plan Manager

Statement Of Net Assets Available For Benefits And Accrued Pension Benefits And Deficiency

As at December 31, 1995

[in thousands of dollars]

ASSETS

Investments	\$5,602,222
Asset rollforward adjustment due from Public Service Pension Fund	32,000
Contributions receivable	
Members	10,703
Employers	19,341
Accrued income	20,163
Fixed assets	2,665
Total Assets	<u>5,687,094</u>

LIABILITIES

Accounts payable and accrued charges	2,583
Income tax withheld on pension benefit payments	1,343
Total Liabilities	<u>3,926</u>

Net Assets Available

For Benefits	5,683,168
Actuarial asset value adjustment	(136,405)
Actuarial Value of Net Assets	
Available for Benefits	<u>\$5,546,763</u>

ACCRUED PENSION BENEFITS AND DEFICIENCY

Accrued pension benefits	\$6,305,566
Deficiency	(758,803)
Accrued Pension Benefits and Deficiency	<u>\$5,546,763</u>

On behalf of the Board of Trustees:


Len Hupet
Chair


Colleen Parrish
Vice-Chair

Statement Of Changes In Net Assets Available For Benefits

For the period ended December 31, 1995

[in thousands of dollars]

INCREASE IN NET ASSETS

Transfer of assets to the OPSEU Pension Plan	\$4,588,345
Net investment income	379,048
Unrealized increase in market value of investments	599,992
Contributions	218,475
	<u>5,785,860</u>

DECREASE IN NET ASSETS

Pensions paid	73,762
Termination payments and transfers to other plans	16,470
Operating expenses	12,460
	<u>102,692</u>

TOTAL INCREASE FOR THE PERIOD AND NET ASSETS AT END OF PERIOD

\$5,683,168

The OPSEU Pension Trust's Financial Statements together with the Notes to the Financial Statements, Actuaries' Certificate and Auditors' Report appear in the OPSEU Pension Trust Annual Report.

The Annual Report is available upon request. Further information regarding 1995 results will also be contained in future issues of the OPSEU Pension Trust plan member and pensioner newsletters.

Tracing the Development of the OPSEU Pension Trust:

- **April 1994** Sponsorship Agreement signed by the Government of Ontario and the Ontario Public Service Employees' Union to split the Public Service Pension Plan and establish the new OPSEU Pension Plan.
- **April 1994** Transition Team named. Appointed by the Ontario Public Service Employees' Union: Heather Gavin, Len Hupet, Leah Casselman, Grant MacGillivray, and Paul Lane. Appointed by the Government of Ontario: Colleen Parrish, Jennifer Brown, Graham Hills, Richard Lundeen, and Mary Dowding-Paré.
- **May 1994** Members of the Ontario Public Service Employees' Union ratify the pension agreement to create the new jointly-managed pension plan. Four additional groups of government employees (employees of the Liquor Licence Board of Ontario, Liquor Control Board of Ontario, Ontario Housing Corporation, and GO Transit) vote to join the OPSEU Pension Plan.
- **May 1994** OPSEU Pension Plan text adopted, effective as of January 1, 1993.
- **June 1994** Legislation passed in provincial legislature establishing the new OPSEU Pension Plan.
- **October 1994** Appointments commence to the Board of Trustees.
- **October 1994** Trust Agreement signed between the Government of Ontario and the Ontario Public Service Employees' Union for the OPSEU Pension Plan.
- **November 1994** OPSEU Pension Trust office established on Adelaide Street in Toronto and employees begin to move in.
- **December 1994 and January 1995** Assets transferred to the OPSEU Pension Plan Fund.
- **January 1995** The OPSEU Pension Trust officially commences operations.

Board of Trustees

Len Hupet, Chair ♦•¹
 Correctional Officer
 Ministry of the Solicitor General and
 Correctional Services

Colleen Parrish, LL.B., Vice-Chair ♦•■²
 Director, Legal Services
 Ontario Insurance Commission

Jennifer Brown •▲²
 Manager, Benefits and Pensions
 Policy
 Management Board Secretariat

Bruce Curwood, MBA ▲²
 Client Executive
 Frank Russell Canada

Heather Gavin •■¹
 Assistant to the President
 Ontario Public Service Employees'
 Union

Graham Hills ♦•■²
 Pension Consultant
 Management Board Secretariat

Stephen Huff, CMA ▲■¹
 Senior Field Auditor
 Ministry of Finance

Pauline Lai, CGA, MBA ♦▲■¹
 Senior Analyst, Risk Control
 Ministry of Finance

Grant MacGillivray ♦•¹
 Executive Officer
 Ministry of Finance

Qaid Silk, M.Sc. ♦■²
 Director, Province of
 Ontario Savings Office
 Ministry of Finance

OPSEU Pension Trust Executive

William A. Phipps
 Plan Manager

Roger A. Phillips
 Investment Coordinator

Marshall Lee
 Director, Information Technology

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

Dan McArthur
 Director, Policy and Trustee Support

Silvano Trinca, CA
 Director, Member and Pensioner
 Services

◆ ADJUDICATION COMMITTEE

● ADMINISTRATION COMMITTEE

▲ AUDIT COMMITTEE

■ INVESTMENT COMMITTEE

¹ APPOINTED BY THE ONTARIO PUBLIC SERVICE
 EMPLOYEES' UNION

² APPOINTED BY THE GOVERNMENT OF ONTARIO