### Financial Highlights as at December 31

<table>
<thead>
<tr>
<th>Category</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets ($ Millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canadian equities</td>
<td>$2,020.5</td>
<td>$1,597.6</td>
</tr>
<tr>
<td>Foreign equities</td>
<td>1,329.6</td>
<td>1,084.8</td>
</tr>
<tr>
<td>Fixed income</td>
<td>3,135.0</td>
<td>2,823.3</td>
</tr>
<tr>
<td>Real estate</td>
<td>1.0</td>
<td>–</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>32.8</td>
<td>30.0</td>
</tr>
<tr>
<td>Asset transfer from PSPP</td>
<td>64.3</td>
<td>32.0</td>
</tr>
</tbody>
</table>

### Investment Performance

| Rate of return on investments | 18.3% | 21.7% |

### Income and Expenses ($ Millions)

#### Investment Operations

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer of Assets</td>
<td>$53.1</td>
<td>$4,588.3</td>
</tr>
<tr>
<td>Investment Income</td>
<td>1,033.0</td>
<td>983.4</td>
</tr>
<tr>
<td>Investment Expenses</td>
<td>(5.7)</td>
<td>(4.4)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,080.4</td>
<td>$5,567.3</td>
</tr>
</tbody>
</table>

#### Income and Expenses

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contributions</td>
<td>$169.3</td>
<td>$218.5</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(143.5)</td>
<td>(90.2)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(14.8)</td>
<td>(12.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11.0</td>
<td>115.8</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$1,091.4</td>
<td>$5,683.2</td>
</tr>
</tbody>
</table>

### Status of Deficiency ($ Millions)

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future costs of pensions</td>
<td>$6,179.9</td>
<td>$6,305.6</td>
</tr>
<tr>
<td>Assets adjusted for actuarial purposes</td>
<td>$6,178.6</td>
<td>$5,546.8</td>
</tr>
<tr>
<td><strong>Deficiency</strong></td>
<td>$1.3</td>
<td>$758.8</td>
</tr>
</tbody>
</table>
Throughout 1996, the OPT worked hard to obtain an accurate picture of who was a member of the OPSEU Pension Plan from its inception. As well, we wanted to determine the appropriate liability for the pension plan today--in other words, what the OPSEU Pension Trust would ultimately pay in pension benefits.

We’re pleased to report this work has paid off with an unqualified actuarial report and financial statements for 1996. We have a clearer picture of the Plan’s funded position, and its ability to pay for past benefit improvements and contribution reductions. The OPT has generated enough money to pay for the Factor 80 early retirement program until April 1, 2000, along with absorbing contribution reductions taken in the last three years.

It is important to note that the 1996 deficiency of $1.3 million--down from $758.8 million reported in the 1995 Financial Statements--shown in this Report on the Statement of Net Assets, is calculated on a different basis than the 1995 Actuarial Report Unfunded Liability of $710.0 million. It is the latter number which determines the special payments to be made by the Government of Ontario over the next 32 years.

There’s still much work to be done in obtaining complete and accurate pension data. Accurate data is the foundation of any pension plan. There are ongoing initiatives to obtain what we need to support and service the pension plan and its members. We will be diligent in meeting our obligations to protect member interests.

The Trustees saw 1996 as a year to build upon better service delivery. Faced with a significant backlog and a new organization, the Trustees established firm priorities--and funded these priorities--to build an infrastructure for the OPSEU Pension Trust that would lead to better service. The priorities included:

- establishing OPSEU Pension Trust information and records management systems;
- special backlog management initiatives;
- projects to manage pension service buybacks pertaining to lost strike service, and the provision of pension and commuted value estimates to OPSEU Pension Trust members;
- examining all work processes for possible redesign to achieve greater efficiency and service orientation.

Service delays continue to be a problem for the OPSEU Pension Trust because of high demand for early retirement and terminations caused by government restructuring. Reducing delays and other service issues are an OPT priority.

We want to earn the trust and support of our members and pensioners, and to work with our sponsors and employers to achieve this. We are confident we have the proper team, support and commitment to build the service organization our members and pensioners want and deserve.

Jennifer Brown Len Hupet
Chair Vice Chair
The Management Team Report - Working at Building the Trust

During 1996, the Management Team focused our work on two key commitments to members and pensioners: service excellence and a strong financial foundation.

We have listened to members and pensioners in establishing service levels at the OPT. We want to provide members and pensioners with the service they want, and we intend to keep listening.

Members told us they needed both a pension estimate and a commuted value estimate service. We established these services in 1996 and provided 1,243 pension estimates and 1,338 commuted value estimates—most within the OPT service turnaround standard of three weeks.

Some frustration was expressed at "getting through" to the OPT. Service staff at the OPT fielded more than 47,000 calls in 1996—triple the number from 1995. To deal with this increased volume, we have upgraded our telephone systems and added a second toll free line. We were able to talk to more members and pensioners and, in most months, we answered the phone in less than 30 seconds. We also handled more than 55,000 written requests for information.

Members told us that, as participants in a mobile workforce, the ability to transfer their pension credit to or from another pension plan was an important option. During 1996, the OPSEU Pension Trust completed a series of negotiations and signed a multi-lateral portability agreement with Ontario’s largest pension plans. Reciprocal agreements also have been signed with other provinces. By reaching these agreements, OPT members have more pension options when they change jobs.

Members have told us about service delays and the importance of standards of accuracy in their personal pension data. Backlog management and improving data accuracy were viewed as major priorities during 1996.

To reduce service delay and to have complete and accurate data, the necessary infrastructure was required for support service delivery. During 1996, the OPT established its own information management system (called OPTims), and initiated a major project to improve document management.

Also during 1996, the OPT dealt with high demand and backlog management. Government restructuring accelerated the demand for OPT service. There was a dramatic increase in retirement, especially early retirement. Our pensioner payroll increased by 45 per cent—7,012 pensions in 1996 compared with 4,836 pensions the previous year. Having the pension in place when the member retires was our highest processing priority. In most cases, the cheque was deposited on time, even when short notice was given to the OPT.

In early 1996, more than 40,000 members of the OPSEU Pension Plan were affected by the Ontario Public Service Employees Strike. These members lost pensionable service credit during the strike period. In the fall of 1996 and early 1997, the OPT provided members with the opportunity to recoup lost credit via payroll deduction through their employer. Approximately 60 per cent of those affected took advantage of the buyback offer.

Continued commitment to data accuracy was demonstrated by the creation of a Specialized Data Control Unit in 1996. Working with employers, this group is validating and ensuring the continued integrity of membership information transferred to the OPT. This group also will provide assistance to the Management Board Secretariat data purification work.

The Management Board Secretariat’s mandate is to ensure computerized pension records are thoroughly investigated and corrected and, in this way, an error-free Plan membership database will be created. This project began in 1995 and is expected to continue to the year 2001. The OPT will work in partnership on an ongoing basis with employers and the Management Board Secretariat to develop and maintain quality membership information.

Investment Performance - Building the Trust with a Strong Financial Foundation

In 1996, the total portfolio return of the OPSEU Pension Trust was 18.3 per cent, exceeding our benchmark of 17.1 per cent. Our two year annualized average is 20.0 per cent—one of the highest of all major public sector plans in Ontario.

As at December 31, 1996, the Fund was comprised of fixed-income securities and short-term assets, equities and real estate. The Fund continues to be diversified on a geographic basis between Canadian and foreign investments.
Building the Trust

Total assets as at year end 1996 comprised the following: fixed-income investments totalling $2.9 billion; Canadian equities exceeding $2.0 billion; foreign equities of $1.3 billion; and real return bonds of $293.0 million.

Our active fixed income portfolio, containing bonds and debentures issued by the Government of Canada, Province of Ontario and leading corporations, returned 11.5 per cent. Our equities portfolio returned 26.9 per cent on the Canadian portion and 17.0 per cent on the foreign component. The domestic equities portfolio continues to hold stocks and share issues of leading corporations in Canada.

During 1996, the OPSEU Pension Trust investments were externally managed by leading firms, recognized in Canada and worldwide. The investment management firms selected, specializing in Canadian equities, were TD Asset Management-Quantitative Capital, Beutel Goodman & Co., and J.R. Senecal & Associates. Our investment managers, specializing in global equities, were Barclay’s Global Investors, Gartmore Investment Management plc, and Lazard Frères. Handling fixed income investment management were Montrusco Associates and Phillips, Hager & North Investment Management Ltd. Penreal Advisors Limited managed the real estate portion. The custodian for the OPSEU Pension Plan Fund continued to be The Royal Trust Corporation.

Board of Trustees

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Manager, Benefits and Pensions Policy
Government Management Board Secretariat

Len Hupet, Vice Chair (2)(4)(5)
Correctional Officer
Ministry of the Solicitor General and Correctional Services

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Ontario Public Service Employees Union

Graham Hills
Pension Consultant
Management Board Secretariat
(1) (until November 1, 1996)

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Ministry of Finance

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Ministry of Citizenship, Culture and Recreation

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Director, Province of Ontario Savings Office
Ministry of Finance

(1) Adjudication Committee
(2) Administration Committee
(3) Audit Committee
(4) Investment Committee
(5) Appointed by the Ontario Public Service Employees Union
(6) Appointed by the Government of Ontario

OPSEU Pension Trust Management Team

Colleen Parrish, LL.B.
Plan Manager

Roger 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

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

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Toronto, Ontario
M5C 3A7
FAX: (416) 681-6175

Copies of the full 50 page Annual Report, or additional copies of this report, are available upon request. Please call:

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Toll Free: 1-800-906-7738