



Report 2000



OPSEU Pension Trust

Fiducie du régime
de retraite du SEFPO

with assets under management of \$10 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 more than 70,000 members and pensioners.

contents

1	2000 Highlights
2	A Strong Foundation, A Secure Future
4	A Focus on Service
10	Managing Investment and Controlling Risk
16	2000 Financial Overview
21	Financial Statements
37	Schedule of Significant Investments
42	Historical Review
43	Board of Trustees
44	Professional Advisors and Management Team
45	How to Reach Us

AT OPTRUST, WE STAND FOR:

- providing the finest service and communications to our members and pensioners
- generating a rate of return on investments that supports our pension promise
- giving members and pensioners a real voice in the Plan through joint trusteeship

OUR ACCOMPLISHMENTS IN 2000

- Exceeding our investment benchmarks in a period of market volatility
- Responding to our members' and pensioners' changing needs
- Improving service and communications to members and pensioners
- Delivering better benefits funded by past gains in the Plan

This report summarizes certain provisions of the OPSEU Pension Plan. Please note that this report 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.

2000 Highlights

FINANCIAL HIGHLIGHTS

<i>At December 31 (\$ millions)</i>	2000	1999
Net assets available for benefits	\$ 10,002	\$ 9,571
Canadian equities	3,180	2,876
Foreign equities	2,884	3,146
Government of Ontario debentures	2,322	2,304
Marketable fixed income	1,059	741
Real return bonds and real estate	541	474
Total increase in net assets	431	940
Actuarial value of net assets available for benefits	9,296	8,643
Accrued pension benefits	7,713	7,242
Surplus	1,583	1,401
total return for the fund	7.0%	11.4%

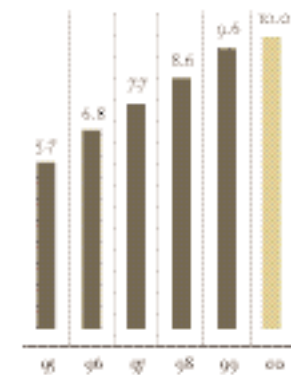
MEMBERSHIP SNAPSHOT

	2000	1999
active members	50,993	51,363
Number of new members enrolled	3,640	3,882
Number of members terminating or retiring	4,440	3,740
former members with entitlements	2,906	3,336
in the plan		
change in total membership	(800)	142
pensioners		
Current	14,711	12,971
Deferred	1,929	1,116
total members and pensioners	70,539	68,786

NET ASSETS AVAILABLE FOR BENEFITS

At December 31 (\$ billion)

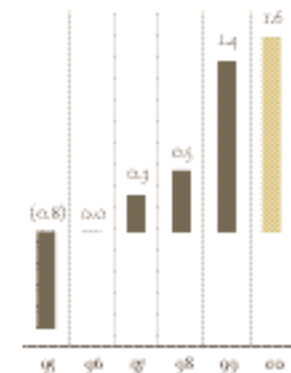
Strong investment performance since OPTrust's inception has generated consistent growth in assets available for benefits. In 2000, the Plan's net assets passed the \$10 billion threshold.



FINANCIAL SURPLUS (DEFICIENCY)

At December 31 (\$ billion)

The Plan's financial statement surplus continues to grow, securing a strong foundation for the future.



THE OPSEU PENSION TRUST EXISTS for one reason: to help deliver a secure retirement income to more than 70,000 members and pensioners who are part of the OPSEU Pension Plan. The Board of Trustees is responsible to our members and pensioners, and to OPSEU and the Government of Ontario as plan sponsors, for ensuring that this pension promise is met.

During our first five years, from 1995 to 1999, OPTrust achieved very strong investment growth and established a range of programs to administer the pension plan and communicate with members and pensioners. This period culminated in 1999, with the allocation of gains of \$1.334 billion. The results were significant benefit enhancements, a three-year reduction in members' contributions and an 81% reduction in the initial unfunded liability owed by the Government of Ontario.

A Strong Foundation, a Secure Future

message from the chair and vice-chair

The success of this “start-up” phase allowed OPTrust to begin 2000 with a solid financial base and a well-diversified portfolio of assets. As a result, the Plan was well positioned to weather the increased volatility in Canadian and global equity markets over the year. Our overall return of 7.0% for 2000, while below the double-digit returns of previous years, was more than double our market-based investment benchmark of 3.3%.

OPTrust has achieved an average annual return of 14.0% since its inception. This is substantially higher than the actuarial funding target return of 7.5% needed to pay members' and pensioners' benefits over the long-term. At year-end, the OPSEU Pension Plan had \$10 billion in net assets and an accounting surplus of \$1.6 billion. With a well-funded Plan we are in a strong position to achieve long-term growth, despite shorter-term market fluctuations.

In 2000, the Board undertook an evaluation of the pension plan's projected funding requirements.

Based on a study by OPTrust's actuaries, the Trustees revised several assumptions about early retirement, termination and mortality rates to more accurately reflect the Plan's experience. We also reviewed our assumptions concerning long-term inflation, wage increases and real rates of return. The end result will be an increase in the OPSEU Pension Plan's liability of approximately 3%. While these assumptions will reduce gains expected in the December 2001 funding valuation, they will strengthen the Plan over the long term, reducing the likelihood of future contribution increases.

The Trustees' have a fiduciary responsibility to members to invest the Plan's assets to help fund the pension promise, while keeping risk within reasonable limits. Within that framework, however, the Board believes that corporations can act in a socially responsible manner while carrying on their business. In 2000, the Trustees approved voting guidelines directing OPTrust's

proxies to support shareholder motions for corporate disclosure on certain social and ethical issues, provided the costs are reasonable. At the same time, to provide additional guidance, the Board endorsed general criteria (the CERES or Valdez Principles) for assessing the environmental performance of individual companies.

Over the past year, OPTrust continued our focus on service and communications. By enhancing key pension administration systems, we are improving the efficiency with which we carry out a range of transactions. We have also been working with the Government of Ontario to check the accuracy of members' pension data and to make corrections where necessary. Together, these efforts will allow us to provide more accurate information and more timely service to our members and pensioners.

OPTrust's staff has been kept busy responding to the pension needs of members affected by workplace changes. In particular,

we are focusing on the considerable challenges raised by the growing number of divestments from the Ontario Public Service. Throughout the year, we worked to keep members and pensioners informed about their pensions by redesigning and updating our publications, improving the OPTrust Web site and annual pension statement, and developing a new series of information sessions to be delivered in communities across Ontario.

We welcomed three new Trustees to the Board in 2000. Robert Bellamy is a former investment banker and retired Vice-Chairman of Burns Fry Limited. Daniel Kott is a Forest Technical Specialist with the Ministry of Natural Resources in Kapuskasing and President of OPSEU Local 639. Tony Ross is a recently retired Vice-Chair of Merrill Lynch Canada and a private consultant in the investment industry. Meanwhile, we said farewell and thank you to Bruce Curwood, one of our founding Trustees. We also extended our thanks to Len Hupet, who

completed his second term as Chair. All the Trustees have demonstrated their care and dedication to our joint responsibilities.

Starting from the strong foundation established over OPTrust's first five years, 2000 provided ample evidence of the strength and maturity of the OPSEU Pension Plan. In 2001, the Trustees will continue looking to the future of the Plan. We are completing a study of our asset mix to ensure that our investments are appropriately diversified and provide good returns within an acceptable level of risk. Looking further ahead, the results of the Plan's next funding valuation, for the period 1999-2001, will be available in mid-2002. While it is too early to predict results, as this report shows, the OPSEU Pension Plan is in strong financial health.

We look forward to working with our sponsors and OPTrust's management and staff to meet our promise to members and pensioners – a secure future for their retirement.



stanley f. sanderson
chair



paul sharkey
vice-chair



Stan Sanderson (left) is Chair of the Board of Trustees and chairs its Administration Committee. Paul Sharkey is the Board's Vice-Chair and Chair of the Investment Committee. Heather Gavin chairs the Board's Audit Committee.

Together with their colleagues on the Board of Trustees, Stan, Paul and Heather are responsible to OPTrust's members, pensioners and sponsors for ensuring the sound investment and the professional administration of the OPSEU Pension Plan. At the end of 2000, other Trustees included Bob Bellamy, Jennifer Brown, Len Hupet, Janine Johnson, Daniel Kott, Tony Ross and Paul Scott. The Board is made up of 10 Trustees, five appointed by OPSEU and five by the Government of Ontario. The Trustees serve in a voluntary capacity.

reporting to our members, pensioners and sponsors

about the board of trustees

The OPSEU Pension Trust was established to give Plan members and the Government of Ontario an equal voice in the administration of the OPSEU Pension Plan through joint trusteeship. As sponsors, the Government of Ontario and the Ontario Public Service Employees Union (OPSEU) each appoint five Trustees to the OPTrust Board. One Government appointee and one OPSEU appointee fill the positions of Chair and Vice-Chair, with the roles alternating between Government and OPSEU appointees every two years.

The Trustees have a fiduciary responsibility for all aspects of the Plan's operation.

They review OPTrust's investment policies and performance to ensure that money is available to pay members' and pensioners' benefits. They make sure that pension liabilities are properly evaluated and the Plan's financial statements accurately reflect OPTrust's financial position. The Trustees also monitor the Plan's administration to satisfy themselves that members and pensioners receive the benefits to which they are entitled, and timely and effective information and services.

To fulfill these responsibilities, the Board retains independent legal, actuarial, investment and accounting professionals and an independent custodian. The Trustees also set policy and strategic priorities and monitor the performance of the OPSEU Pension Trust through its senior management team.

The Trustees have established four standing committees of the Board:

- The Administration Committee oversees the Plan's operations including its business plans and operating and capital budgets. It monitors and makes recommendations on administrative policies, plan amendments and legislative changes, and oversees the preparation of actuarial valuations.*
- The Audit Committee ensures that OPTrust's financial statements are complete and objective, reviews the Plan's accounting and financial procedures, ensures OPTrust's systems and processes comply with legal and professional standards, and oversees OPTrust's risk management program.*
- The Investment Committee monitors the performance of the OPSEU Pension Plan Trust Fund and its custodian and investment managers, and ensures compliance with regulations and OPTrust's investment policies. It researches and recommends changes in the Plan's investment policies, asset mix or investment managers.*
- The Adjudication Panel gives plan members and pensioners access to an impartial appeals process in the event of disputes concerning OPTrust's decisions on eligibility, benefit entitlements or other pension-related rights under the OPSEU Pension Plan.*

AN OPTRUST PENSION MEANS different things to members at different stages in their lives. Early in their careers, members recognize the OPSEU Pension Plan as a sound long-term investment. As they approach retirement, their OPTrust pension represents an important resource during a major lifestyle change. For pensioners, the Plan provides a strong foundation for their retirement and security for their beneficiaries.

OPTrust's 51,000 active members are the driving force behind a broad range of public services in Ontario. Through careers dedicated to the people of Ontario – and through their own contributions and those made by their employers – OPTrust members and pensioners have earned a secure pension for their retirement years.

Our members and pensioners are the focus of everything we do at OPTrust. Careful management of the Plan's investments safeguards the promise of a secure retirement income. By continuously improving the way the Plan is administered, we provide members and pensioners with accurate information and timely services. Through communications tailored to their

A Focus on Service

meeting the needs of members and pensioners

changing needs, we help them make informed pension decisions.

delivering better benefits

Throughout 2000, members and pensioners enjoyed substantial improvements to the OPSEU Pension Plan. These enhancements came into effect in December 1999 and were paid for by the members' \$667 million share of Plan gains from the years 1996-1998. The changes were selected by OPSEU, as plan sponsor, after a survey of members and pensioners. They include:

- reducing members' contributions by more than half, until November 30, 2002
- extending the Plan's Factor 80 early retirement option to March 31, 2002
- improving the formula used to calculate the pension paid to members who retire with a reduced pension before November 30, 2004
- increasing the OPTrust pension paid at age 65 by lowering the reduction for integration with the Canada Pension Plan (CPP)
- increasing the spousal survivor benefit funded by the Plan from

- 50% to 60% of the member's CPP-integrated pension
- eliminating the reduction for CPP integration prior to age 65 for OPTrust pensioners who also receive CPP disability benefits.

improving services

To provide a full range of services to our members, OPTrust needs effective systems for administering the OPSEU Pension Plan. In 2000, we continued our investment in powerful and flexible computer programs, forming the backbone of a much more efficient pension administration system. While this multi-year project will continue into 2002, it is already producing results.

In 2000, these new tools allowed us to improve the efficiency of a range of transactions, from enrolling new members to the processing of terminations, retirements and transfers between OPTrust and other pension plans. Over the year, OPTrust's staff completed more than 58,000 individual transactions, up 30% from 1999. To measure the timeliness of these services, OPTrust has set standards for the time it takes to process different

types of transactions. At the end of 2000, we had 9,300 current transactions outstanding. Of these, 4,416 transactions, or 6 per cent of our total annual caseload, were over standard by more than 30 days. These standards provide a benchmark as we continue to improve the way we serve our members and pensioners.

OPTrust's new pension systems delivered another improvement – directly to the home of every member of the Plan. In 2000, the new system allowed us to overhaul the way members' personalized annual pension statements are calculated and produced. As a result, the new statements give members more details on the

growth of their earned pension over the previous year and more accurate projections of their future benefits at retirement.

ensuring data accuracy

Information about members' credit, salary and contributions is key to the sound administration of the OPSEU Pension Plan. This information is used to determine retirement eligibility and calculate earned pensions. Accurate data is therefore of central importance to members – both as they plan ahead for their retirement and when they start to collect their pension.

When the OPSEU Pension Plan was established, the Government of Ontario committed to ensuring

the accuracy of the data provided to OPTrust for members' past service. The Government and OPTrust are working together to verify key data regarding members' pension entitlements.

To date, the Province has reviewed more than 33,000 members' records and informed OPTrust of the results. Of the 20,000 records verified by OPTrust so far, 6,700 have seen the members' pension credit increased. Approximately 1,800 members have had their credit reduced, often because of a past error regarding part-time, contract or casual service or unpaid leaves of absence. Whenever members' credit is affected, OPTrust provides a written

opttrust's pension formula

at retirement, members' opttrust pension is based on the following formula:

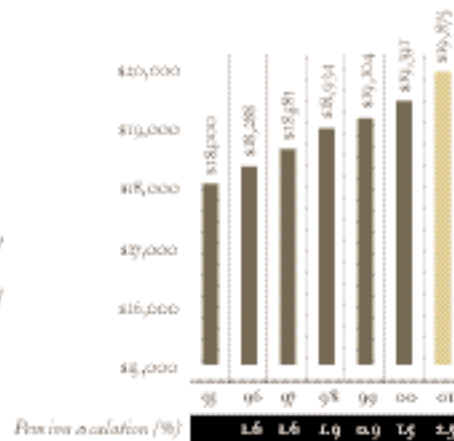
2% of average salary (typically the average of the highest consecutive five years' annual salary rate)

Timescredit (years and months of credited service in the Plan)

Lesscpp integration (a reduction at age 65 to reflect lower OPTrust contributions for the portion of members' salary covered by the Canada Pension Plan)

INFLATION PROTECTION FOR PENSIONERS 1995-2001

OPTrust pensions are adjusted annually for increases in inflation. An OPTrust pensioner who received a typical annual pension of \$18,000 in 1995 would receive \$19,875 in 2001.





Gunvant Patel recently moved to a new job as a Business Analyst with the Corporate Applications Services unit of Ontario's Management Board Secretariat (MBS) in Toronto. Over his 20-year career with the Ontario Public Service, he has worked in a number of technology-related positions.

I was looking for a new challenge, so I was glad to join MBS. My job involves analysing common corporate, financial and business information systems to improve efficiency and, where possible, cut the costs of doing business. We are working on a number of new initiatives, so my job gives me a chance to be at the forefront of new technology and business developments.

I recently signed up for one of OPTrust's pension information seminars. It was very interesting and we were given a thorough overview of the Plan. I was mostly interested in the Plan's survivor benefits and how post-retirement health and dental coverage works. My wife doesn't work full-time, so we will be depending on my pension when I retire. It's important to me that she'll have a survivor pension if I die before her... I was also glad to learn that the Plan's investments are well diversified. The fact that my pension is guaranteed gives me a sense of security.

gunvant patel member



Jim West is a Benefits Specialist with one of OPTrust's three member service teams. Staff with each team help individual members with questions and process their pension transactions. As a senior member of his group, Jim is a resource person to other staff and helps members with more complex cases.

Pension plans can seem quite complicated, and members and pensioners sometimes find the details confusing. It's our role to help them understand how the Plan works and explain the options that may be available to them. For many of our members, their pension is their most important financial asset, so it's important that they have all the facts. Our role isn't to provide financial advice, but we try to give members the tools they need to make informed decisions about their pensions.

OPTrust's new pension information sessions are one of the ways we're doing this. By holding the sessions in communities across Ontario, we're giving members and pensioners the opportunity to learn more about the Plan directly from OPTrust representatives. Those who are facing an important pension decision can also arrange for a one-on-one meeting. Members really appreciate the chance to talk directly to our staff – whether it is by attending one of our presentations or using OPTrust's toll-free telephone service.

jim west optrust member services

measuring optrust's service

the following statistics offer a snapshot of the services optrust provided to members and pensioners in 2000.

transactions completed: 58,089

increase in transactions over 1999: 13,578

telephone calls from members and pensioners: 49,129

pension estimates and quotations provided: 20,011

explanation and invites them to bring forward any additional documentation that may affect the change to their record. This project will continue throughout 2001.

To help prevent future data errors OPTrust has developed a new component of our computerized pension administration system. This new "data capture system" allows us to test the biweekly payroll and contribution records provided by employers – and flag any problems for correction – before this information is transferred to our main database. With more than two million individual entries processed last year, this system is an important safeguard for the integrity of members' pension data.

supporting members in a period of change

Over the past year, restructuring initiatives continued to affect the jobs and pensions of a growing number of OPSEU Pension Plan members. Divestments, in particular, are increasingly common as the province redefines the role of

the Ontario Public Service (OPS). Divestments involve the transfer of an operation and its staff from the OPS or another provincial public sector organization to a new employer. By the end of 2000, more than 20 separate divestments had taken place, affecting approximately 4,000 OPTrust members. Other divestments have been announced or are underway that could affect an additional 5,000–8,000 members in 2001.

Under Ontario law, if divested members join a pension plan provided by their new employer, their previous credit stays in the OPSEU Pension Plan. As a result, these "special deferred pensioners" retain important rights in the Plan.

When a divestment occurs, members must make important career decisions that have direct impact on their pensions. That is why OPTrust staff worked to meet with affected members and explain their pension options *before* the divestment took effect. Some 2,000 members attended one of more than 60 OPTrust special divestment presentations. For those who were already divested, we developed a

special version of our annual pension statement to keep them up to date on their entitlement with OPTrust.

In some divestments, there are additional pension options available. In late 1999, an amendment to the OPSEU Pension Plan created a limited opportunity for members affected by the divestment of provincial psychiatric hospitals to remain with OPTrust. As a result, in 2000 approximately 1,000 members now employed by the Centre for Addiction and Mental Health negotiated to stay in the OPSEU Pension Plan. New employees of the Centre will be enrolled in the Hospitals of Ontario Pension Plan. In 1998, a group of members who had been divested to the Alcohol and Gaming Commission were also able to stay with OPTrust.

Over the coming year, OPTrust will continue working to support members affected by public sector restructuring, providing the information they need to make informed decisions and monitoring changes to help ensure their pension rights are protected.

keeping members and pensioners informed

By providing clear, practical information in a user-friendly format, OPTrust gives our members and pensioners the tools to make prudent decisions about their pensions. Over the course of 2000, we updated our series of OPSEU Pension Plan booklets to reflect benefit improvements and changes. At the same time, we redesigned the series, incorporating suggestions from members and pensioners that make the new booklets easier to use. We also developed two new publications geared to specific groups of members: those who are new to the Plan and those

who are near retirement or have already retired.

Through surveys and informal feedback, members and pensioners have also told us they want more opportunities to learn about their pensions directly from OPTrust staff. In response, we developed a new series of pension information sessions to be delivered in communities across the province. Using OPTrust's Web site, members can check the schedule of presentations and register on-line for the session in their area.

As more members look to the Internet for financial information, OPTrust continues to expand our Web site. In 2000, we added searchable versions of

key OPTrust publications and a new tax estimator to help members project their after-tax pension payments. In 2001, we will launch a new, more powerful version of our popular pension estimates calculator and update the tax estimator to reflect recent tax changes. Looking further ahead, we are exploring ways to give members secure on-line access to their own personal pension information.

responding to regulatory change

In March 2000, changes to Ontario's *Pension Benefits Act* created a new option allowing pensioners with a life expectancy

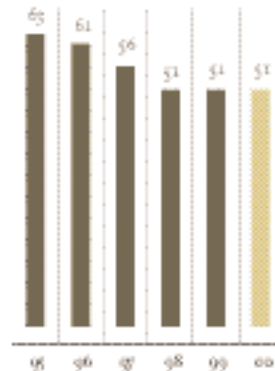
of less than two years to withdraw the commuted value of their pensions from the Plan. A similar provision already applied to OPTrust members with limited life expectancy.

In the case of pensioners, however, there is no standard actuarial practice for calculating the lump sum value of a pension that is already in pay. In the absence of clear regulations, OPTrust is making this new benefit available in a way that reflects payments the pensioner and his or her spouse would realistically expect to receive, without substantially increasing the Plan's actuarial liability.

OPTRUST'S ACTIVE MEMBERSHIP

At December 31 (thousands)

Provincial Government restructuring contributed to a large drop in active membership during the Plan's early years. While membership has stabilized, future disinvestments could further reduce active membership significantly.



Qualifying pensioners who apply will receive a payment based on i) the current value of one year's pension, plus ii) the value of any survivor benefits, based on the spouse's age and normal mortality rates. Under certain conditions, the Province of Ontario will continue to provide insured benefits for the pensioners' lifetime. Where there is a spouse, OPTrust will require proof that he or she has freely waived the right to survivor benefits. This approach is consistent with preliminary guidance provided by the Canadian Institute of Actuaries but may change as new standards are developed and as experience emerges.

changing demographics of the plan

The OPSEU Pension Plan's membership has changed rapidly since OPTrust's inception in 1995. Over the Plan's first four years, the number of active members dropped, from 63,389 in 1995 to 51,491 in 1998. In the past two years, however, the Plan's active membership has stabilized, as a result of a rise in new enrolments and a decline in terminations.

The number of OPTrust's current pensioners, on the other hand, increased from 3,500 in January 1995 to 14,711 at the end of 2000. This reflects both the gradual

maturing of the Plan and the popularity of the OPTrust's early retirement options. An actuarial study of the Plan's first six years found that:

- approximately 60% of eligible members retired under the Factor 80 provision
- 58% of eligible members retired under Factor 90
- 65% of members eligible for the 60/20 option retired within a year of reaching age 60.

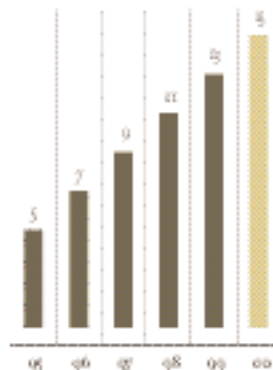
The number of deferred pensioners in the Plan rose sharply in 1999 and 2000, as a result of the growth in the number of divested members. In addition, a substantial number of divestments had yet to be processed at year-end.

Taken together, the evolution of the Plan's membership reflects the ongoing changes in the delivery of public services in Ontario. Members of the Plan include:

- employees of the Province of Ontario and others represented by the Ontario Public Service Employees Union (OPSEU)
- members of the Ontario Liquor Control Boards Employees' Union (OLBEU), and
- members of the Canadian Union of Public Employees, Local 3096, working in public housing authorities.

OPTRUST'S CURRENT PENSIONERS

At December 31 (thousands)

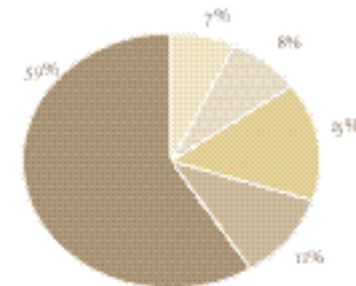


Most eligible members have taken advantage of early retirement options, leading to steady growth in the number of OPTrust pensioners.

2000 RETIREMENT SNAPSHOT

- Factor 80
- Factor 90
- 60/20
- Age 65
- Reduced

Factor 80: Age plus years of credit total exactly 80. Applies to members whose retirement is on or before March 31, 2002. May also include a small number of retirements under Factor 80 extension (expense).
 Factor 90: Age plus years of credit total at least 90.
 60/20: Age 60 or more plus at least 20 years of credit.
 Reduced: Pension reduced. Typically this reduction equals 5% for each year below age 65; from December 1, 1999 to November 30, 2001, the reduction equals 5% for every year needed to reach the desired payment reduced retirement date (Factor 90, 60/20 or Age 65) if the member had continued in the Plan. This option is available to vested members at age 55 and older.



Note: Chart does not include deferred, disability or survivor pensions.

MEMBERSHIP STATISTICS

<i>(At December 31)</i>	2000	1999	1998	1997	1996	1995
active members*	50,993	51,363	51,491	56,177	60,724	63,389
Female/male ratio	58:42	56:44	55:45	54:46	54:46	52:48
Average age	44.0	44.0	43.9	43.7	42.6	41.9
Average salary	\$42,017	\$42,112	\$40,646	\$40,232	\$40,600	\$39,809
Average years of credit in the Plan	12.0	12.2	12.4	12.3	11.6	11.1
Number of new members enrolled	3,640	3,882	2,854	1,737	1,055	2,070
Number of members terminating or retiring	4,440	3,740	4,474	6,284	3,720	1,944
former members with entitlements in the plan*	2,906	3,336	3,066	–	–	–
net change in total membership	(800)	142	(1,620)	(4,547)	(2,665)	126
deferred pensioners*	1,929	1,116	597	412	199	45
current pensioners	14,711	12,971	11,024	9,001	7,012	4,836
Average age	63.0	62.0	60.0	60.0	60.0	59.9
Average annual pension	\$17,734	\$17,615	\$17,370	\$17,390	\$16,942	\$17,953
current pensioners by type of pension						
Normal and early unreduced	12,747	11,286	9,569	7,839	6,190	4,360
Reduced	1,163	1,021	908	734	518	307
Eligible survivors	792	656	540	423	301	167
Disability	9	8	7	5	3	2
total members and pensioners	70,539	68,786	66,178	65,590	67,935	68,270

* In 2000, OPTrust adjusted the presentation of the Plan's membership statistics to include figures for unprocessed enrolments and to disclose unprocessed terminations and divestments separately from processed transactions. In this table:

- "Former members with entitlements in the Plan" includes members whose termination or divestment was unprocessed at year-end, for 1998, 1999 and 2000.
- "Deferred pensioners" includes members whose termination or divestment has been processed and who continue to have assets in the Plan.
- The categories "active members" and "former members with entitlements in the Plan" have been restated for the years 1995 to 1999.

IT IS THE JOB OF THE OPSEU Pension Trust to provide pension benefits to our members in their retirement years. This means that our investment strategy is geared towards ensuring the necessary growth of the pension fund over the long-term.

OPTrust has established an actuarial funding target of 7.5% for our annual rate of return on investments. This target is based on conservative yet realistic assumptions about contribution levels, investment returns, the Plan's demographics, members' salary experience and expected benefit payments. Achieving this average rate of return over the long term will help ensure that the Plan has sufficient funds to meet the pension promise.

OPTrust employs an asset mix policy and a range of investment and risk management techniques designed to achieve or exceed the funding target return of 7.5% over time. Indeed, OPTrust's financial statement estimates indicate that a return of 7.75% over time is likely. Over the shorter term, the Plan's annual returns will rise and fall in response to normal business cycles and particular market conditions.

Managing Investment and Controlling Risk

a long-term approach

When we achieve our actuarial target, the Plan's assets are sufficient to pay members' and pensioners' accrued pensions. When assets exceed accrued benefits, the gains that result can be used to improve benefits or reduce contribution levels. Since the Plan's inception, we have earned an average annual rate of return of 14.0%, comfortably exceeding the actuarial target.

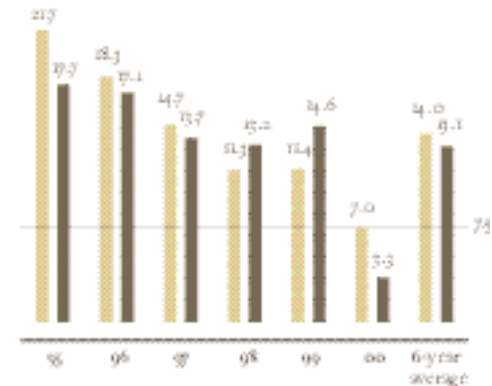
In 1999, funding gains were used to pay for increased benefits and to reduce members' contributions. The next actuarial funding valuation results, for the 1999-2001 period,

will not be known until mid-2002. A comprehensive review of actuarial assumptions was completed in 2000, in preparation for this valuation. This review allowed OPTrust to confirm the reasonableness of many of the Plan's economic and demographic assumptions and to adjust certain assumptions to more realistically reflect Plan experience and likely future trends. In this way, the likelihood that the Plan will have to deal with unexpected costs is greatly reduced.

RETURNS vs BENCHMARKS
1995-2000

● Rate of return (%)
● Benchmark (%)
— Actuarial funding target of 7.5%

Investment returns bettered the Plan's benchmark in 4 of the past 6 years, and the actuarial target in 5 of those 6 years. The 6-year average return exceeded both the actuarial target and the benchmark return.



investment benchmarks and results

OPTrust assesses the performance of our investment managers against indices, or *benchmarks*, that measure the average performance of the markets in which the Plan invests. We also compare our managers' performance to results achieved by other firms using the same investment style. This helps us to retain managers who are most likely to achieve or exceed our long-term targets and who adhere to planned investment styles.

In 2000, the Plan's investment income totaled \$654 million. This represents a return of 7.0% – more than double the benchmark return

for the year of 3.3%, but below the Plan's long-term funding target of 7.5%. The return reflected generally weaker global equity market performance, in particular the significant retrenchment in technology stocks in late 2000.

OPTrust's average return of 14.0% since the Plan's inception compares favourably to our benchmark of 13.1% for the same period. During that time, OPTrust has been among the top performing public sector pension plans in Ontario. The strong stock markets that drove this excellent return have allowed OPTrust to improve benefits and the Plan's funding.

a balanced investment fund

The Plan's asset mix policy establishes allowable ranges for each investment type. Investments include both domestic and international equities, fixed income instruments such as bonds and real return bonds, and real estate. The mix is designed to ensure reasonable investment returns over time while keeping risk at appropriate levels. It is based on extensive testing of information on past market performance and the projection of possible market conditions and future results.

investment highlights

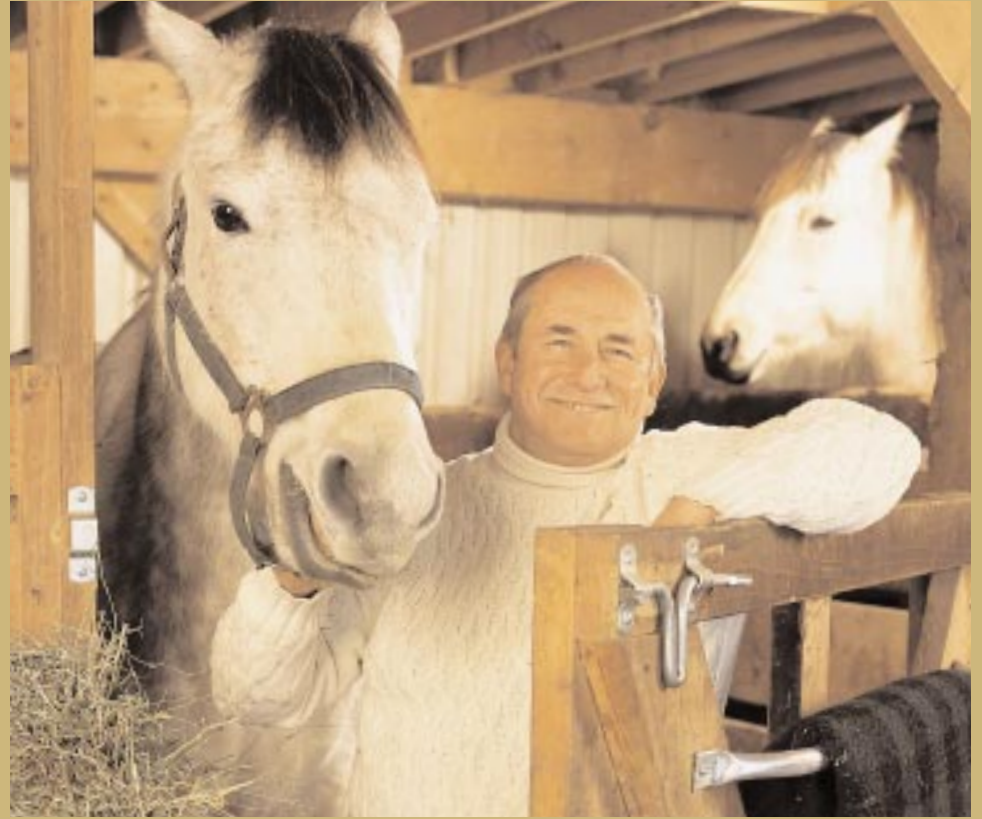
optrust earned investment income of \$654 million in 2000. this return of 7.0% on funds invested compares favourably with our benchmark of 3.3%.

since 1995, the plan has earned an average annual return of 14.0%, well in excess of the 7.5% return required to fund our pension obligations.

strong returns on our canadian equities, fixed income investments and real return bonds in 2000 offset negative returns from our global equity portfolio.

OPTRUST'S ASSET MIX

	actual (%)		policy (%)	
	2000	1999	target	range
Canadian equities	32	30	30	25-35
Global equities	29	33	30	25-35
equities (combined)	61	63	60	50-70
Real estate	0.4	0.3	4.5	–
Real return bonds	5	5	2.5	–
inflation protection component	5	5	7	0-10
fixed income	34	32	33	20-50
total	100	100	100	

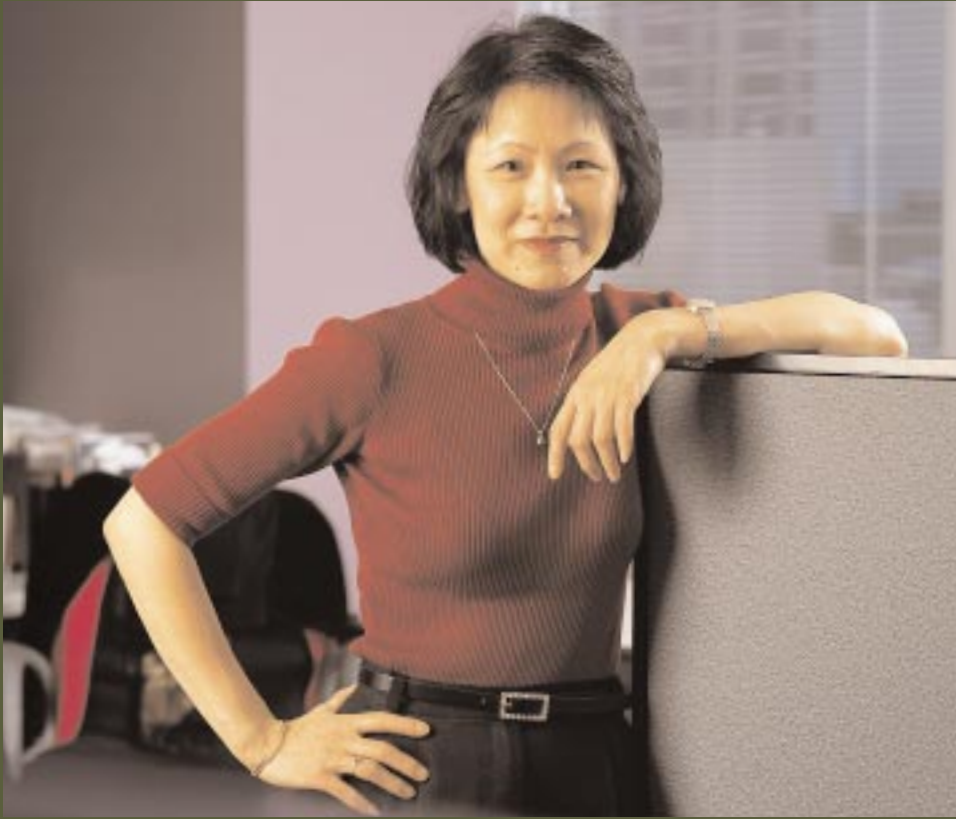


Bill Thomas retired from the Centre for Addiction and Mental Health in June 2000 under the Plan's Factor 80 provision. As a Research Associate with the Centre's Addiction Research Foundation division for more than 28 years, he worked on a range of laboratory studies of the way alcohol, tobacco and other drugs affect both animals and humans. Bill was also active in his OPSEU local.

I was really happy when OPSEU decided to extend the Factor 80 option 'til March 31, 2002. It gave me an opportunity to take my life in a new direction. Five years ago, my wife and I bought our farm near Barrie. Since I retired, I've been getting it ready to open a riding school next summer. I've been interested in horses since I was a kid, and have been a riding instructor for years. Now I'm doing a course on horse training and I'm training two of my horses myself. Sometimes my retirement seems busier than when I was working!

My pension has given me a solid base to do something that I've wanted to do for years. The health and dental coverage is important to me and it's nice to know that my pension will keep up with inflation. It took a lot of planning to get here, but I'm very happy with the way things have worked out.

bill thomas pensioner



As the Pension and Payments Clerk in OPTrust's Pensioner Services group, Jocelyn Tan-Lee is responsible for ensuring that approximately 15,000 OPTrust retirees receive their pension payments each month. Jocelyn also helps other members of the team respond to calls from individual pensioners.

Making sure that members get paid their earned pensions when they retire is what OPTrust is all about, so I take my job very seriously. Our pensioners count on us to deliver on our promise. That means making sure the correct amount is deposited into their bank accounts on time every month. I get real satisfaction from meeting that deadline – and knowing that our pensioners can rely on the work we do here.

As well as handling the regular monthly payments, I set up new retirees on our payroll system and make sure Great West Life is notified if they are eligible for insured benefits coverage. I also help answer all kinds of questions from pensioners, from how to file a claim for insured benefits to how CPP integration affects their pensions at age 65. Retirement is a period of change for the people we serve. It's important that they know OPTrust is here for them.

jocelyn tan-lee optrust pensioner services

The equity component of the OPSEU Pension Trust Fund focuses on capital appreciation through investment in large, well-managed Canadian and international organizations. Equity values are generally more volatile than bonds or real estate. However, equities offer higher long-term returns that help support the Plan's future obligations to members and pensioners. The Fund's international diversification allows OPTrust to take advantage of global investment opportunities while reducing exposure to country-specific economic downturns. OPTrust maintains international investment exposures while complying with federal foreign content rules through the use of eligible investment products that are based on Canadian treasury bill investments.

OPTrust's fixed income portfolio is invested in debt securities of Canadian governments and corporations. Fixed income investments provide greater certainty in cash flows, and are subject to less volatility than equities, but have generally lower returns over time. Real return bonds

and real estate offer additional diversification and act as effective hedges against inflation, generally outperforming other investments in periods of rising inflation.

While OPTrust's asset mix policy remained unaltered from 1999, the actual mix changed somewhat due to the relative performance of individual investment categories. OPTrust has initiated a comprehensive review of our asset mix policy, which will be completed in 2001.

2000 investment returns

Global equity markets have been subject to significant volatility over the past two years. In particular, after leading a strong advance in 1999 and the first part of 2000, high technology or "new economy" stocks experienced a significant drop in late 2000.

During the run-up in new economy stocks, traditional investment models, which rely on fundamentals such as capacity to generate cash flows and earnings, became suspect. The market strove to test new models that supported the high price of new technology stocks and the discounting of "old

economy" companies that were not seen to fully embrace the promise of the Internet. In the end, some unrealistic expectations could not be maintained and the technology sector retreated. By year-end, NASDAQ, the premier exchange for technology companies, lost fully 51% of its value since the market high of March 10, and 40% over the full year.

One relatively bright spot for equities in 2000 was the Toronto Stock Exchange, whose TSE 300 index delivered a return of 7.4% despite the negative influence of the technology sector. In comparison, U.S. and overseas markets generally provided negative returns.

Canadian fixed income and real estate markets performed relatively well, with reduced long-term interest rates over the year resulting in double-digit returns in all categories. Real return bonds performed exceptionally well as the threat of rising inflation caused markets to bid up the price of these instruments.

The impact of weak global equities markets caused the overall return of the OPTrust portfolio to fall to single digits for the first time.

Canadian equities

In Canada, Nortel Networks Corp., an investment that benefited significantly from the stock value buildup in 1999, continued to have an inordinate impact on the Canadian stock market. Nortel made up 35% of the TSE 300 index's market value and 46% of the increase in the TSE 300 by the end of August. Index strategies, which hold investments in proportion to their share of the benchmark, did extremely well over this period. Recognizing that the TSE 300 was overheated, OPTrust reduced its Canadian index exposure by almost \$300 million in September. This timing was fortuitous, allowing us to crystallize a portion of the gains realized during the market run-up. Meanwhile, the active portion of the Canadian equity portfolio performed extremely well over the year, earning 24.7%, or 17.3% better than the TSE 300 benchmark.

Since OPTrust's inception, our Canadian equity portfolio has been a beneficiary of a strong bull market in Canada, earning 14.6% versus 15.5% for the TSE 300.

Global equities

Global equity markets felt the full impact of the technology falloff in 2000, with both active and quantitative managers being affected. Although OPTrust’s global equities lost 8.3% over the year, this was less than the 10.7% loss of the benchmark Morgan Stanley Capital International (world excluding Canada) index. The global equity portion of OPTrust’s portfolio has earned 16.0% since inception compared to 14.7% for the benchmark index.

Fixed income

Bond markets made a strong recovery in 2000. Reduced long-term interest rates contributed to increases in market value, resulting in a 10.2% return for the Scotia Capital Markets Universe Index. OPTrust was able to achieve higher earnings of 12.5%, largely because the average term of our fixed income instruments was longer than that of the index. Since inception of the Fund, the fixed income portfolio has generated a yield of 12.0% against 10.0% for the benchmark.

Real return bonds and real estate

Real return bonds had an outstanding year, as slight decreases in interest rates and increased demand for inflation hedging instruments drove up the price significantly. The OPTrust portfolio earned 17.0% versus the benchmark return of 16.6%. Since inception, our real return bonds have averaged a 9.4% annual return, 0.1% more than the benchmark.

Although a very small portion of the overall portfolio, real estate performed respectably, earning 10.3% in 2000, versus the benchmark of 10.4%.

investment strategies

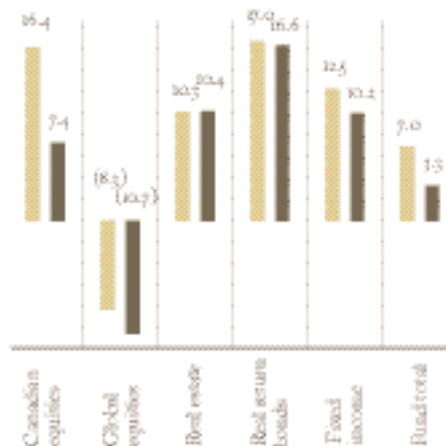
OPTrust investments are managed externally by leading investment management firms and are held by an independent custodian, Royal Trust. OPTrust’s Chief Investment Officer reports directly to the Board of Trustees and is responsible for monitoring investment practices and recommending strategies and policies. The Board retains the independent investment consulting firm Hewitt Associates (James P. Marshall) for guidance on investment policy issues.

OPTrust uses both “active” and “quantitative” or index investment strategies, and selects managers with a variety of investment styles to ensure diversification, foster consistency of return and reduce volatility.

2000 RETURNS VS. BENCHMARKS

● Return (%)
● Benchmark (%)

Negative performance in global equities over the year was offset by strong performance in other investment categories.



Active investment strategies focus on countries, market themes or sectors (a “top-down” approach), as well as individual securities that represent good value or potential for growth (a “bottom-up” or “value” approach).

Quantitative strategies involve the purchase of a portfolio of securities in which the holdings of individual stocks is proportional to their weight on a designated index such as the TSE 300. These strategies capitalize on collective market wisdom at a lower investment cost and enhance market exposure, an important consideration for large funds such as OPTrust.

OPTrust’s fixed income manager aims to improve yields by taking advantage of market pricing anomalies that diverge from expected trends in markets or interest rates.

In 2000, the Trustees retained a number of external investment managers to invest on behalf of the OPSEU Pension Plan Trust Fund. These managers and their investment strategies are listed in the table on page 15.

effective risk management

Effective risk management is integral to creating a strong financial foundation for the OPSEU Pension Plan and ensuring the security of members’ and pensioners’ future benefits.

Investment risk

OPTrust’s Statement of Investment Policies and Procedures sets out a comprehensive approach to reducing investment risks. The policies address a variety of risk factors, including asset diversification, investment management styles, liquidity and creditworthiness.

The OPSEU Pension Trust uses a range of strategies to control investment risk. These include:

- diversification of investments geographically and across a wide range of investment types
- the use of both active and quantitative management strategies
- ensuring high credit standards for security issuers
- limiting the amount of investment in any one entity (or group of related entities) and the proportion of securities of any one entity that OPTrust can own
- constant forecasting of potential cash needs, and the cash flow or securities available to meet those needs
- ongoing monitoring of investment results and asset mix
- establishing and monitoring adherence to high standards of business conduct for all business partners
- commissioning independent research on potential areas of investment and comparing OPTrust’s track record to other pension plans in areas such as investment costs.

Specific types of investment risks are discussed separately in Note 4 to the financial statements, included in this report.

Operational risk

The Board of Trustees has responsibility for establishing policies and implementing procedures designed to manage operational risks. The Trustees have delegated administrative responsibility to OPTrust’s management, and have established reporting and other accountability processes for assessing management’s performance.

OPTrust monitors and takes steps to control risk in all of its business activities. Operational risk is managed by establishing internal safeguards. These include: the execution, monitoring, reporting and assessment of procedural controls; segregation of incompatible duties; data back-up systems; adequate insurance; staff training; and contingency plans to maintain services in the event of potential disruptions.

Risk safeguard design and assessment is performed with the assistance of external risk management specialists. OPTrust has put in place a program to systemically review areas of potential risk in its operations, based on identified best practices.

Liability risk

OPTrust conducts comprehensive studies on plan experience to test the reasonableness of existing actuarial assumptions and identify

adjustments that are necessary to reflect past and projected experience.

In 2000, an experience study reviewed key plan assumptions including termination and retirement patterns, mortality, salary development, as well as gender-based differences. The study found that the rate at which eligible members elected to take certain early retirement options was higher than anticipated in our existing assumptions. The study also found

fewer differences between the retirement and termination patterns of men and women than were expected. In addition, we examined more up-to-date mortality tables.

OPTrust also performed a review of the economic assumptions used in the actuarial valuations related to inflation, return on investments and general wage increases.

Based on this research, the Board of Trustees revised the Plan's assumptions to reflect our

experience and likely future trends. The revised assumptions were used for the financial statement valuation for 2000, and will be used in the next triennial funding valuation, as at December 31, 2001. While the new assumptions raise the Plan's accrued funding liability for pension benefits by about 3%, over the long-term they will reduce the risk of unexpected losses and increase the security of the Plan.

INVESTMENT MANAGERS AND STRATEGIES

	manager	strategy	focus
canadian equities	TD Asset Management		
	Quantitative Capital	Quantitative	TSE 300 index
	Beutel Goodman & Co.	Active	Individual security values
	J. R. Senecal & Associates	Active	Market themes or sectors
	Guardian Capital	Active	Individual growth securities
global equities	Barclays Global Investors	Quantitative	Synthetic index of global securities
	Gartmore Investment Management	Active	Country or sector with growth potential
	Lazard Asset Management	Active	Individual security values
fixed income	Phillips, Hager & North	Active	Interest rate trends and
	Investment Management		corporate-government mixes
real estate	Penreal Capital Management	Active	Good quality tenanted
	Beutel Goodman Real Estate Group	Active	commercial/office space in Canada



Amy Hogg is a Social Work Supervisor at the Ontario Correctional Institute in Brampton. Her job is to provide treatment and case management for adult men serving provincial sentences for offences involving substance abuse, domestic violence or sexual abuse. In January 2001, she began a six-month secondment to the Vanier Correctional Centre for Women.

A lot of the men I work with come in without understanding how they got to the point that they could abuse somebody. We help them figure out what led to the abuse and how to prevent it from happening again. My work is really about reducing victimization and making the community safer. Without treatment, the chances of these men re-offending are a lot higher.

As a single person, I'm solely responsible for my retirement, and my pension is a big part of that. When I was hired permanently in 1989, I bought back credit in the Plan for the 18 months I worked in an unclassified position. I know it could make a big difference when it comes time to retire, and I was really glad that I could pay for my buyback over 10 years. The fact that members have a say in the Plan is important to me. The way the contribution reduction and benefit improvements were handled was fair to everyone.

amy hogg member



Silvan Murray is the manager of OPTrust's Data Management Group. This team is responsible for ensuring the accuracy of the data OPTrust uses to process members' entitlements under the OPSEU Pension Plan.

When OPTrust was established, we received data records for more than 60,000 members from the Government of Ontario. Since 1996, we have been working with the Province's Pension Data Purification Project to review those records and correct any errors. Where corrections affect a member's pension, we try to provide as much information as possible to explain the reason for the adjustment. Most of these corrections increase the member's credit and earned pension, but in about 20% of these cases, the correction means the member has less credit than the records originally indicated.

Our group also tests the accuracy of new payroll and pension data before it is entered into members' records. It's better for everyone that we correct the data now, rather than finding the error when we process the member's file at retirement. For members, this allows us to provide a better estimate of their future pension and a more accurate projection of when they may qualify for early retirement. This helps them plan for the future. For the OPSEU Pension Plan as a whole, this data is used to calculate the total future cost of members' accrued benefits. Improving the integrity of this data helps ensure the Plan is properly funded.

silvan murray optrust data management group

THE FINANCIAL STATEMENTS ARE a snapshot of the OPSEU Pension Plan's financial position as of December 31, 2000 and a yardstick for measuring the Plan's growth over the previous year. The statements also provide members and pensioners with key indicators of their Plan's health. These include the Plan's net assets available for benefits, the actuarial adjustment to the value of these assets, the amount of accrued pension benefits and the Plan's surplus. The statements also summarize the impact of the various factors that produced changes in these categories over the year.

2000 Financial Overview

funding the pension promise

Annual cash flows reflect the use of net investment income and contributions from members and employers. These are used to fund payments to pensioners; payments to other pension plans, financial institutions and individuals for members leaving the Plan; and operating expenses. Amounts in excess of these payments are reinvested in the Plan and cause the net assets available for benefits to increase. Where payments are greater than investment income and contributions, the net assets available for benefits will decrease.

The value of OPTrust's investments increased by \$452 million over the year to \$9,972 million at the end of 2000. Although investment income totaled \$654 million for the year, \$202 million was used to fund pension and other payments to members, and OPTrust's operating expenses.

net assets available for benefits

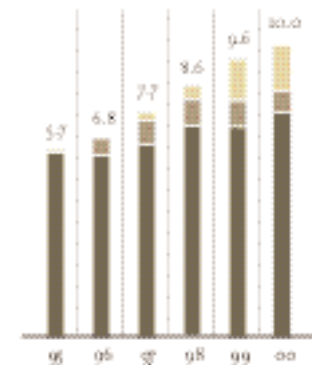
In 2000, the Plan's net assets available to fund pension benefits rose by \$431 million from the previous year, to over \$10 billion at year-end. These net assets include the Plan's investments as well as contributions receivable, capital assets and other accrued income, offset by liabilities in the process of being settled.

NET ASSETS AVAILABLE FOR BENEFITS

At December 31 (\$ billion)

Net assets available for benefits:

- Accrued pension benefits
- Actuarial asset value adjustment
- Surplus



Strong investment performance has produced consistent growth in the Plan's net assets, which passed the \$10 billion threshold in 2000.

changes in net assets

Net investment income

Net investment income totaled \$654 million in 2000 compared to \$970 million earned in the previous year. The investment return of 7.0% reflects generally weaker investment performance in international equity markets.

Contributions

Regular payroll contributions totaled \$192 million in 2000, down from \$263 million in 1999. The decline in net contributions reflects the impact of the reduced member contribution rate, which took effect in December 1999 and remained in place throughout 2000.

Pension payments

Continued growth in OPTrust's pensioner population in 2000 resulted in a 17% increase in pension payments to a total of \$250 million from \$213 million in 1999. With the extension of the Factor 80 early retirement provision, the relatively rapid growth in the Plan's pensioner population is likely to continue at least until March 31, 2002, when the option is currently set to expire.

Terminations and transfers

Transfers to other pension plans increased by \$51 million to \$122 million in 2000, primarily as a result of the settlement of transfers

for years prior to 2000 with the Ontario Pension Board. The Ontario Pension Board administers the Public Service Pension Plan, covering employees of the Government of Ontario who are not members of OPTrust.

Operating expenses

Operating expenses totaled \$17.7 million for 2000, compared to \$17.0 million in 1999.

actuarial asset value adjustment

Investment income earned in a particular year is set up as a reserve and is recognized at the rate of 25%

Key highlights

• The opseu pension plan reported a record financial surplus of \$1,583 million at the end of the year.

• The pension plan continued to report a surplus in 2000, reaching \$10 billion for the first time.

• Net investment income totaled \$654 million

VALUE OF INVESTMENT ASSETS

<i>At December 31 (\$ millions)</i>	2000	1999
Canadian equities	3,184	2,873
Global equities	2,884	3,145
equities (combined)	6,068	6,018
real return bonds and real estate	538	472
Marketable fixed income	1,052	734
Ontario Government debentures	2,314	2,296
fixed income	3,366	3,030
fund total	9,972	9,520

per year. This treatment has the effect of smoothing investment income over a four-year period and tends to mitigate annual earnings fluctuations. In 2000, this actuarial asset value adjustment resulted in the recognition of \$222 million of additional income earned over the previous three years. This reflects the relatively higher returns earned on OPTrust's investment portfolio in those years.

accrued pension benefits

For the purposes of the Plan's annual financial statements, accrued pension benefits are calculated based on the present value of future obligations to members and pensioners. This amount is

determined using techniques and assumptions that are less conservative than those used for funding valuation purposes.

Accrued pension benefits were valued at \$7,713 million at year-end, up \$471 million from 1999. An increase of \$362 million arose from normal growth in the accrued pension benefits based on plan assumptions, for financial statement purposes. A further increase of \$109 million resulted from changes in demographic and economic assumptions.

surplus

The financial statement surplus represents the extent to which the Plan's assets available for benefits

exceed the value of members' accrued pension benefits. Over the year, the OPSEU Pension Plan's financial statement surplus grew by \$182 million, reaching \$1,583 million at December 31, 2000. The changes in the Plan's surplus result in part from an increase in net assets available for benefits. The surplus was also affected by offsetting changes in the Plan's accrued pension benefits, including normal growth in accrued benefits over the year and increases in the actuarial cost of benefits due to adjustments to the Plan's assumptions.

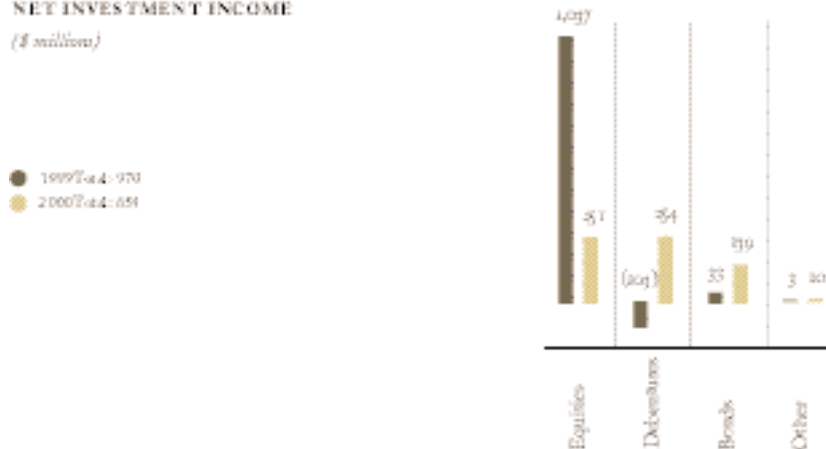
The financial statement surplus is not an experience gain to be shared by members and the Government

of Ontario. However, it is an important measure of the Plan's continued health and an indication that gains may be identified in the funding valuation for 1999-2001.

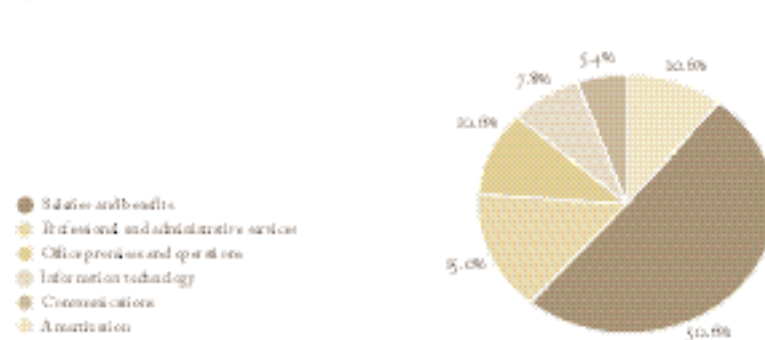
actuarial valuation

As a registered pension plan, OPTrust is required by legislation to complete a funding valuation of its accrued pension benefits every three years. A separate valuation is performed annually for presentation in the financial statements included with this report.

NET INVESTMENT INCOME
(\$ million)



2000 OPERATING EXPENSES



Both the three-year funding valuation and the annual financial statements rely on “actuarial valuations” of the Plan. An actuarial valuation assesses the Plan’s assets, and its ability to pay the future benefits of members and pensioners. To do this, a series of actuarial assumptions are used concerning contribution levels, inflation rates, investment returns, members’ salaries, their age of retirement or termination, benefit levels, pensioners’ life expectancy, and other factors. The actuarial assumptions selected and the valuation techniques used have a significant impact on the results of the valuation.

Gains result when invested assets exceed the liability for accrued pension benefits – that is, the Plan performed better than expected at the prior valuation. Losses occur when investment performance is below expectations or liabilities grow more quickly than anticipated. Improving benefits or reducing contribution levels uses up gains. Conversely, losses, if any, can be offset by increasing contribution levels. The surplus (or deficit) represents the cumulative unused gains (or losses) that have built up in the Plan.

Because the three-year funding valuation is used to set future benefit levels and contribution

rates, it relies on more conservative actuarial assumptions and techniques than those used in the valuation for financial statement purposes. For example, the financial statement valuation is based on members’ current service information, whereas the funding valuation includes both current and projected future service. The funding valuation also uses more conservative economic assumptions than those used for the financial statements, as shown on page 20.

The OPSEU Pension Plan’s most recent funding valuation took place as at December 31, 1998 for the years 1996-98 and identified gains of \$1,334 million. The Plan’s next

funding valuation, covering the period 1999-2001, will be completed in mid-2002.

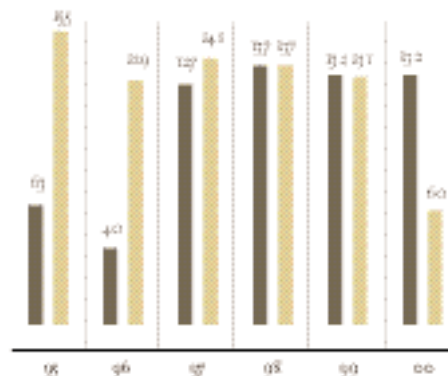
OPTrust periodically reviews the Plan’s economic assumptions, in concert with the Plan’s actuaries. As a result of a recent review, the Trustees adjusted these assumptions for use in the 2000 financial statements and for the 2001 funding valuation. The Trustees have increased real return assumptions, given their view of the long-term investment prospects of the Plan. A moderate downward change (.25%) in the long-term inflation assumption was also made in the funding valuation assumptions.

CONTRIBUTIONS

(\$ millions)

● Employees
● Members

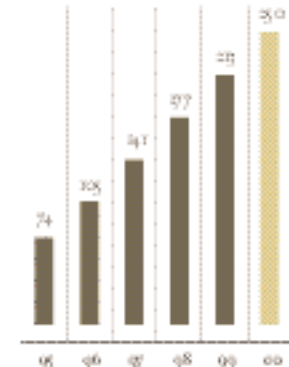
Beginning December 1, 1999, member contributions were reduced by 4% of salary, until November 30, 2002.



PENSION PAYMENTS

(\$ millions)

Pension payments have increased rapidly as eligible members take advantage of early retirement provisions such as Factor 80.



gains allocation

Actuarial gains identified in the Plan's three-year funding valuations are allocated equally between the Plan's membership and the Government of Ontario. As a plan sponsor, OPSEU has responsibility for determining how to use the members' share of any gains. In 1999, OPSEU surveyed members and pensioners regarding the use of their \$667 million share of the gains from 1996-1998. Based on this feedback, OPSEU selected a package of improved benefits, time-limited early retirement options and a three-year contribution reduction, with a total cost of \$636 million.

OPSEU also chose to set aside \$31 million to stabilize future contributions.

The Government of Ontario is first required to use its share of any gains to reduce its unfunded pension liability. Once this liability is eliminated, the Government may then use its gains to reduce contributions or enhance benefits. In 1999, the Plan's unfunded liability was reduced by \$667 million as a result of the Plan's gains. This allocation, together with the Government's regularly scheduled payments, has reduced the Plan's initial unfunded liability from \$820 million to \$97 million

as of December 31, 2000. By continuing to make scheduled monthly payments, the Government of Ontario will liquidate this funding deficit no later than July 2003 – 26 years earlier than would have been possible without the gains.

Together, these allocations by the sponsors account for all the gains identified in the December 31, 1998 funding valuation. With the exception of the stabilization fund, no additional gains are currently available to fund further benefit improvements or contribution reductions.

The 2000 financial statement surplus may be an indicator that gains will be identified in the next funding valuation. However, the surplus does not signify that these gains are currently available to improve benefits or lower contributions. A determination of gains availability for such purposes is scheduled for mid-2002.

ECONOMIC ASSUMPTIONS: FUNDING VS. FINANCIAL STATEMENT VALUATIONS

	funding valuation (%)	financial statement valuation (%)
investment return	7.50	7.75
inflation rate	3.50	3.50
salary escalation	4.50	4.50



Financial Statements

Auditors' Report

PRICEWATERHOUSECOOPERS

to the board of trustees of the opseu pension trust, administrators of the opseu pension plan

We have audited the statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Public Service Employees Union Pension Plan (the Plan) as at December 31, 2000 and December 31, 1999 and the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the years then ended. These statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing

standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's administrator as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for

benefits and accrued pension benefits and surplus of the Plan as at December 31, 2000 and December 31, 1999 and the changes in its net assets available for benefits, accrued pension benefits and surplus for the years then ended in accordance with Canadian generally accepted accounting principles.

Pricewaterhousecoopers

chartered accountants
toronto, canada

february 9, 2001

We performed an actuarial valuation of the Ontario Public Service Employees Union Pension Plan (the OPSEU Pension Plan) for funding purposes as of December 31, 1998 as stated in Note 6 of these financial statements. In respect of that valuation, we hereby certify that, in our opinion, the assumptions are, in aggregate, appropriate for the purposes of the valuation and the data is sufficient and reliable for the purposes of the valuation. The valuation was prepared, and our opinions given, in accordance with accepted actuarial practice.

As further stated in Note 6 of these financial statements, we have prepared an actuarial valuation of the OPSEU Pension Plan accrued pension benefits for financial statement purposes as at December 31,

2000 in accordance with the Canadian Institute of Chartered Accountants Handbook Section 4100. The valuation was based on an extrapolation of the December 31, 1998 accrued pension benefits determined using the membership data from the December 31, 1998 funding valuation, the projected unit credit cost method prorated on services and management's best estimate assumptions for 2000 financial statement purposes as set out in Note 6. Changes to the actuarial assumptions from those used in the previous valuation for financial statement purposes are disclosed in Note 6. In our opinion, the assumptions are, in aggregate, appropriate for the purposes of the valuation.

In our opinion, the December 31, 2000 actuarial valuation for financial statement purposes was prepared in accordance with accepted actuarial practice.

Peter C. Hirst

peter c. hirst
fellow, institute of actuaries
fellow, canadian institute of actuaries

W. Scott Simpson

w. scott simpson
fellow, society of actuaries
fellow, canadian institute of actuaries

february 9, 2001

Actuaries' Certificate

BUCK
CONSULTANTS

The management of the OPSEU Pension Trust (OPTrust) is responsible for the integrity and objectivity of the financial information presented in this annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and comply with the financial reporting requirements of the *Pension Benefits Act* of Ontario. The financial statements include amounts that must of necessity be based on the best estimates and judgment of management with appropriate consideration as to materiality. Financial information presented throughout this annual report is consistent with the financial statements.

Management has recognized the importance of OPTrust maintaining and reinforcing a high standard of conduct in all of its actions, including the preparation and publication of statements fairly presenting the financial condition of the OPSEU Pension Plan and OPSEU Pension Plan Trust Fund. Systems of internal control and supporting procedures are maintained to provide assurance that transactions are properly authorized, assets are safeguarded against unauthorized use or disposition and proper records

Management Responsibility for Financial Reporting

maintained. The system is augmented by the careful training and selection of qualified staff, the establishment of organizational structures providing for a well-defined division of responsibilities, and the communication of policies and guidelines of business conduct throughout OPTrust.

The Board of Trustees has the ultimate responsibility for the financial statements presented to plan members. An Audit Committee, consisting of Trustees appointed by each of the Government and OPSEU, reviews the financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets on a regular basis with management and with the external auditors to review the scope of the audit and discuss their findings and to satisfy itself that their responsibilities have been adequately discharged.

PricewaterhouseCoopers LLP, the external auditors, have conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed

their opinion upon completion of such examination in their report to the Board of Trustees. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Plan's financial reporting and the adequacy of the system of internal controls.



colleen parrish
plan manager



charlie eigl
treasurer and director,
finance & administrative services

Statement of Net
Assets Available
for Benefits and
Accrued Pension
Benefits and Surplus

<i>As at December 31 (\$ millions)</i>	2000	1999
assets		
Investments <i>(Note 5)</i>	9,972	9,520
Contributions receivable		
Members	7	7
Employers	19	22
Accrued income	14	21
Capital assets, net	5	5
	10,017	9,575
liabilities		
Accounts payable and accrued charges	(15)	(4)
net assets available for benefits	10,002	9,571
Actuarial asset value adjustment	(706)	(928)
actuarial value of net assets available for benefits	9,296	8,643
accrued pension benefits and surplus		
Accrued pension benefits <i>(Note 6)</i>	7,713	7,242
Surplus	1,583	1,401
accrued pension benefits and surplus	9,296	8,643

on behalf of the board of trustees



stanley f. sanderson
chair



paul sharkey
vice-chair

<i>For the years ended December 31 (\$ millions)</i>	2000	1999
net assets, beginning of year	9,571	8,631
increase in net assets available for benefits		
Net investment income <i>(Note 7)</i>	654	970
Contributions <i>(Note 8)</i>	247	335
	901	1,305
decrease in net assets available for benefits		
Retirement pensions	250	213
Refunds and commuted value transfers	80	64
Transfers to other plans	122	71
Operating expenses <i>(Note 9)</i>	18	17
	470	365
net increase in assets available for benefits	431	940
net assets, end of year	10,002	9,571

Statement of
Changes in Net
Assets Available
for Benefits

Statement of
Changes in Accrued
Pension Benefits

<i>For the years ended December 31 (\$ millions)</i>	2000	1999
accrued pension benefits, beginning of year	7,242	7,201
increase in accrued pension benefits		
Interest on accrued pension benefits	546	492
Benefits earned	268	248
Changes in assumptions	109	–
Benefit improvements	–	417
	923	1,157
decrease in accrued pension benefits		
Benefits paid	452	348
Actuarial gains	–	768
	452	1,116
net increase in accrued pension benefits	471	41
accrued pension benefits, end of year	7,713	7,242

Statement
of Changes
in Surplus

<i>For the years ended December 31 (\$ millions)</i>	2000	1999
surplus, beginning of year	1,401	504
increase in actuarial value of net assets available for benefits		
Increase in net assets available for benefits	431	940
Change in actuarial asset value adjustment	222	(2)
	653	938
net increase in accrued pension benefits	(471)	(41)
net increase in surplus	182	897
surplus, end of year	1,583	1,401

Notes to the Financial Statements

1. plan profile

opseu pension plan

The OPSEU Pension Plan (the Plan) provides pension benefits for employees of the Province of Ontario (the Province) in bargaining units represented by the Ontario Public Service Employees Union (OPSEU) and other designated bargaining units. The Plan was established under the terms of the April 18, 1994 Sponsorship Agreement between the Province and OPSEU, which also established the OPSEU Pension Plan Trust Fund (the Fund) to hold the net assets available for benefits of the Plan. These financial statements reflect the aggregate financial position of the Plan, including net assets available for benefits, accrued pension benefits and surplus of the Plan.

The OPSEU Pension Plan is registered under the *Pension Benefits Act of Ontario* and the *Income Tax Act* (Canada), registration number 1012046. The Plan is a Registered Pension Trust as defined in the *Income Tax Act* and is not subject to income taxes.

opseu pension trust

The Sponsorship Agreement establishes the Province and OPSEU as joint sponsors of the Plan. The Board of Trustees of the OPSEU Pension Trust (OPTrust) is responsible for the administration and management of both the OPSEU Pension Plan and the OPSEU Pension Plan Trust Fund, as described in the Trust Agreement between the sponsors. The Board of Trustees comprises five persons appointed by each of the Province of Ontario and OPSEU. The OPSEU Pension Trust (OPTrust), under the direction of the Board of Trustees, is the organization that administers the Plan and manages the Fund.

2. description of the opseu pension plan

The OPSEU Pension Plan is a contributory defined benefit pension plan. Membership within the Plan consists of members represented by OPSEU or other designated bargaining units and employed as follows:

- Civil servants and crown employees of the Province of Ontario
- Alcohol and Gaming Commission of Ontario
- Centre for Addiction and Mental Health (Addiction Research Foundation and Queen Street Mental Health Centre divisions)
- Liquor Control Board of Ontario (represented by Ontario Liquor Boards Employees' Union)
- Ontario Housing Corporation (represented by OPSEU and local 3096 of the Canadian Union of Public Employees)
- Ontario Teachers' Pension Plan Board
- Ontario Pension Board
- OPSEU Pension Trust (includes non-bargaining unit employees)
- Niagara Parks Commission
- New Democratic Party Caucus
- Workers' Compensation Appeals Tribunal

funding

Contributions and investment earnings fund plan benefits. The determination of the value of the benefits and required contributions is based on periodic actuarial valuations.

contributions

The OPSEU Pension Plan is integrated with the Canada Pension Plan (CPP) and required contributions were as follows for 2000:

salary range	maximum salary	contribution percentage	
		employers	members
Below the Year's Basic Exemption (YBE) of	\$3,500	8.0%	4.0%
Between YBE and the Year's Maximum Pensionable Earnings (YMPE) of	\$37,600	6.2%	2.2%
In excess of the YMPE, to a maximum of	\$98,801	8.0%	4.0%

Effective December 1, 1999, member contributions were reduced by 4% of member's salaries for a three-year period, while employer contributions stayed at the higher level. The permanent member contribution rate is the same as the employer rate.

pension benefits

The Plan provides for the payment of a pension benefit equal to 2% of the average of the best five consecutive years of salary, for each year of credited service. An unreduced pension can be received at age 65, or before age 65 if the member's age and credit total 90 (Factor 90) or when the member reaches age 60 and has 20 or more years of credit.

When a member reaches age 65, his or her pension is reduced by an amount that reflects the lower contributions made for earnings between the YBE and the YMPE (referred to as the CPP offset). The CPP offset is 0.675% of the lesser of YMPE or average salary.

There is a time-limited provision that provides for an enhanced retirement opportunity for those members of the Plan whose age and credit total 80 (Factor 80) by March 31, 2002.

Reduced pensions are available to members who retire after age 55 and before age 65 who are not entitled to unreduced benefits. Typically, the pension reduction is equal to 5% for each year that the member is under age 65 when he or she retires. For members retiring between December 1, 1999 and November 30, 2004, the reduction is calculated based on the number of years from the date of retirement to the earliest date at which the member would have been eligible for an unreduced pension (other than Factor 80) had they remained active in the plan.

Annual inflation protection

An adjustment to pension benefits for inflation is made annually based on the Consumer Price Index to a maximum of 8% in any one year. Where the inflation adjustment exceeds 8% in any one year, the excess is carried forward to any subsequent year when the adjustment is less than 8%. The adjustment is made to both current pensions and the future value of deferred pensions.

death benefits

Upon the death of a member or pensioner, death benefits are available to a surviving eligible spouse, eligible children, designated beneficiary or estate. The death benefit may be in the form of a survivor pension, a lump sum payment or both. The Plan provides a 60% survivor pension to an eligible spouse or child(ren) at no cost to the pensioner. In the case of limited life expectancy, provisions exist to access lump sum payouts, provided spouses waive their survivor pension.

disability pensions

A disability pension is available to members with a minimum of 10 years of credit in the Plan and who meet the criteria as established in the Plan document. The amount of the disability pension depends on the years of credit and the average salary of the disabled member.

deferred pensions

Members who terminate from the Plan before age 55 have the option of leaving their money in the Plan and receiving a pension on retirement. In addition, members who are moved to other employers in a divestment situation and enrolled at a new pension plan may be required by law to accept a deferred pension from the OPSEU Pension Plan in order to protect benefits earned.

The value of deferred pensions increases annually by the annual inflation protection adjustment.

termination payments

Subject to certain restrictions, a member who terminates employment may be entitled to transfer the commuted value or refund of contributions to a registered retirement savings plan, to another eligible pension plan or purchase a life annuity. Some refunds of contributions or excess contributions may also be paid in cash, subject to withholding of income taxes.

3. significant accounting policies

Presentation

These financial statements are prepared on the going concern basis in accordance with accounting principles generally accepted in Canada. The statements present the aggregate financial position of the Plan as a separate financial reporting entity independent of the participating employers, bargaining units, plan members and pensioners.

Valuation

Net assets available for benefits are carried at values that approximate their fair value. Accrued pension benefits are valued using assumptions developed by reference to long-term market conditions that may not result in an approximation of fair value.

Use of estimates

In preparing these financial statements, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, income and expenses and related disclosures. Actual amounts could differ from those estimates.

Comparative figures

Certain comparative financial information has been reclassified to conform to the current year's presentation.

investments

Investment transactions are recognized on the trade date.

Valuation of investments

Invested assets are accounted for using market values, as determined by independent third parties, on the valuation date.

category	basis of valuation
Exchange traded equity securities and equity index futures contracts	Closing quoted market price. Where a market price is not available, market value is determined by reference to current market information
Marketable debt securities, including short-term investments and real return bonds	Average of closing bid and ask prices
Non-marketable debt securities	Estimated market values based on the market yields of comparable securities
Real estate	Estimated market values based on annual appraisals

These valuation principles are applied whether the investments are held directly, through pooling arrangements, or through limited liability companies.

Equity index futures contracts are derivative financial contracts whose value is derived from movements in the underlying basket of equity securities upon which they are based.

Income recognition

Investment income comprises earned income (interest and dividends), realized gains and losses on disposal of investments, and unrealized gains and losses resulting from changes in the market value of investments.

category	basis of valuation
Interest income	Accrual basis
Dividend income	Accrual basis on the ex-dividend date
Realized gains and losses for investments sold	Difference between proceeds on disposal and the average cost
Unrealized gains and losses for investments held	Difference between market value and the average cost

Average cost reflects the purchase cost of the investment, including direct acquisition costs.

accrued pension benefits

The value of accrued pension benefits is determined based on actuarial valuations prepared by an independent actuarial firm. Actuarial valuations are prepared every three years for both financial reporting purposes (financial statement valuation) and for determining funding requirements (funding valuation). The same data is used for both the financial statement and the funding valuation. Financial statement valuations are also prepared annually based on data extrapolated from the most recent triennial valuation.

Financial statement valuation

For financial reporting purposes, the Canadian Institute of Chartered Accountants (CICA) requires that pension plans report the actuarial value of accrued pension benefits using management’s best estimate assumptions and the projected benefit method pro-rated on services. This method calculates the actuarial value of pension benefits accrued up to the financial reporting date after the projected benefits have been attributed equally to each year of a member’s service.

Funding valuation

The aggregate funding method considers a time horizon that includes accumulation of benefits and receipt of contributions in future periods. Generally, the actuarial assumptions used to determine the pension liabilities for funding purposes are more conservative than those used for the financial statement valuation. The funding valuation is required by regulatory authorities and is used to identify gains or losses; sponsors make decisions with respect to such gains or losses to effect contribution and/or benefit changes.

Contributions

Contributions from members and employers that are due to the Plan at year-end are recorded as a receivable. Contributions and matching contributions relating to purchases of credit for prior employment or leaves and transfers are recorded when cash is received.

Payments

Payments of pensions, refunds and transfers are recorded in the period in which they are incurred.

Member stabilization fund

The member stabilization fund is the portion of the actuarial gains in the funding valuation identified as belonging to the membership that has been allocated to contribution stabilization. OPSEU is responsible for the decision as to the size of the stabilization fund. The stabilization fund is used as a reserve against future increases in member contributions, resulting from the membership's share of future adverse experience, and may also be reduced to fund future benefit improvements, at the discretion of OPSEU. The fund earns income on the assets retained in the Plan at the assumed investment rate of return used in the funding valuation of the Plan. As at December 31, 2000, \$36 million (1999 – \$33 million), including interest of \$5 million (1999 – \$2 million), was allocated to the Member stabilization fund.

Initial unfunded liability

A funding valuation was performed as at December 31, 1995, which established the balance of the initial unfunded liability of the Plan at \$710 million. The Province of Ontario assumed responsibility for this amount, including accumulated interest, and agreed to its reduction through a combination of payments (\$38 million in 2000) and the application of its portion of actuarial gains. The unfunded liability totaled \$97 million at December 31, 2000 (1999 - \$127 million), after applying \$667 million in actuarial gains disclosed in the December 31, 1998 funding valuation and monthly payments in 1999 and 2000. The monthly payments are sufficient to extinguish the remaining obligation by July, 2003.

The special payments related to the unfunded liability are recorded in the period in which they are received.

Pension data purification adjustment

The Province of Ontario is currently involved in a multi-year project to verify the member data provided to OPTrust when the Plan was established. The adjustment of member data may result in additional obligations between the Province and the OPSEU Pension Plan, which are required to be settled by December 31, 2001.

actuarial asset value adjustment

The actuarial value of investments as at the reporting dates has been determined using a formula that smoothes out the effects of the changes in market values over a four year period. It recognizes the realized gains and losses and the changes in unrealized gains and losses occurring in a particular year evenly over the current and the following three years. The actuarial asset value adjustment reflects the portion of gains or losses not yet recognized for purposes of determining the net assets available for benefits.

capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets.

foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. The market value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end. The resulting unrealized gain or loss is included in the Statement of Changes in Net Assets Available for Benefits.

4. risk management

The Plan is subject to certain risks and engages in risk management practices to help ensure that sufficient assets will be available to fund pension benefits. These risks relate primarily to the uncertainty inherent in achieving sufficient investment returns and in making forecasts with respect to the ultimate pension liability. Investment risk management involves optimizing investment returns in this climate of uncertainty.

The Plan has established an asset mix policy of approximately 60% equities, 33% fixed income securities and a 7% inflation protection component (real return bonds and real estate). The returns on the fixed income component reflect the changes in nominal interest rates, while the equity returns have, over the long term, demonstrated a positive correlation to changes in inflation and salary increases.

risks related to investment returns

Interest rate risk

Interest rate risk arises from interest rate fluctuations that may adversely affect the Plan's cash flows or the value of financial instruments. The potential exposure is as a result of either changes in floating rates reducing cash flows, or changes in the asset values for fixed rate securities (e.g., bonds).

The Plan manages interest rate risk by establishing a target asset mix that provides an appropriate mix between interest-sensitive investments and those subject to other risks. A portion of the interest-sensitive portfolio is actively managed, allowing managers to anticipate interest rate movements to mitigate or take advantage of interest rate movements. The passive portion of the portfolio, held in non-marketable debentures of the Government of Ontario, is subject to changes in market value as interest rates change.

The Plan has exposure to interest risk as follows:

As at December 31 (\$ millions)

	2000				effective yield
	within 1 year	1 to 5 years	over 5 years	total	
Short-term investments	493	-	-	493	4.5%
Government of Ontario debentures	39	328	1,947	2,314	8.4%
Bonds	5	127	902	1,034	5.1%
total	537	455	2,849	3,841	

	1999				effective yield
	within 1 year	1 to 5 years	over 5 years	total	
Short-term investments	167	-	-	167	4.8%
Government of Ontario debentures	29	280	1,987	2,296	8.6%
Bonds	-	204	779	983	5.6%
total	196	484	2,766	3,446	

Credit risk

Credit risk refers to the potential loss arising from a security issuer being unable to meet its financial obligations.

The greatest credit exposure for the Plan is with the Province of Ontario. As of December 31, 2000, the Plan held \$2,394 million (1999 - \$2,358 million) in short term and fixed income investments issued or guaranteed by the Government of Ontario, including special Government of Ontario debentures. The Province is also responsible for the funding of the initial unfunded liability.

Investment restrictions within the Plan have been set to limit the credit exposure to security issuers of bonds and debentures at time of purchase with a minimum rating of "A" or better and short term investments rated as "R-1 low" or better (ratings as provided by the Dominion Bond Rating Service or equivalent). As at December 31, 2000 and 1999, 100% of the short term investment portfolio met the credit rating criteria. As of December 31, 2000, 99.9% (1999 - 100%) of the fixed income portfolio (which includes bonds and the Government of Ontario debentures) was rated "A" or better.

Foreign exchange risk

Foreign exchange risk is the risk that the value of investments will be affected by changes in foreign currency exchange rates for Canadian dollars.

The Plan allows its investment managers to manage the foreign currency exposure on a total return basis.

The Plan's exposure to foreign exchange risk by currency of issue is as follows:

<i>As at December 31 (\$ millions)</i>	2000	1999
Canadian dollar	8,586	7,938
Investments subject to currency risk		
United States dollar	679	743
United Kingdom pound sterling	175	144
Euro (including predecessor currencies)	313	339
Asia Pacific currencies	157	282
Other currencies	62	74
	1,386	1,582
total investments	9,972	9,520

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether specific to the individual security or its issuer, or to factors affecting all securities in the market.

The Plan accepts market risk as a natural consequence of investing. However, investment management practices are designed to optimize the relationship between risk and return. These practices include diversification across investment managers and styles, geographic boundaries and alternate types of investments. In addition, the Plan takes a long term perspective for its investments generally, emphasizing investment strategies and accounting and valuation practices that focus on trends rather than short term fluctuations.

Liquidity risk

Liquidity risk is the risk that the Plan has insufficient cash flows to meet its pension obligations and expenses as they become due.

Cash inflows are derived from member and employer contributions, earned income, principal repayments on fixed income investments and the proceeds from sales of other securities. Excess cash flows, after meeting pension obligations and operating expenses, are re-invested. The Plan forecasts and manages cash flows to ensure it meets its obligations when due, without unintended early liquidation of assets. Currently, cash inflows are in excess of current cash benefit obligations and operating expenses. The Plan has standby lines of credit totaling \$5 million to assist with addressing short-term cash requirements. In addition, 61% (1999 – 58%) of the Plan's investments are marketable and can be liquidated relatively quickly.

5. investments

As at December 31 (\$ millions)

	2000		1999	
	market value	average cost	market value	average cost
Cash	20	20	24	24
Short-term investments	493	493	167	167
Government of Ontario debentures	2,314	1,816	2,296	1,875
Canadian bonds	1,034	923	983	954
Equities				
Canadian	3,184	2,399	2,873	2,134
Foreign	1,383	1,218	1,491	1,068
Foreign pooled equity linked investments	1,501	1,338	1,654	1,326
	6,068	4,955	6,018	4,528
Real estate	43	38	32	29
total investments	9,972	8,245	9,520	7,577

6. accrued pension benefits

actuarial valuation as at december 31, 1998

Buck Consultants prepared the latest triennial valuation of the Plan as at December 31, 1998, which disclosed an actuarial gain, for financial statement purposes, of \$768 million. (The actuarial gains reported under the funding valuation for the three-year period totaled \$1,334 million.)

OPSEU utilized the members' and pensioners' half of the \$1,334 million actuarial gain under the funding valuation to provide benefit improvements, including a three-year contribution reduction, and to establish a member stabilization fund, for a total cost of \$667 million under the funding valuation (\$363 million under the financial statement valuation).

The Province of Ontario's share of the actuarial gain has been used to eliminate its unfunded liability obligations subsequent to July, 2003.

The actuarial gains determined under the funding valuation as at December 31, 1998 have been fully allocated.

actuarial assumptions

During 2000 an experience study was performed to determine the appropriateness of the demographic assumptions used in the latest financial statement and funding valuations. The study recommended certain changes to these assumptions which have been adopted. The significant changes are as follows:

- an increase in the proportion of individuals taking advantage of permanent early retirement provisions
- the elimination of certain gender based differences in retirement and termination assumptions
- the adoption of more current mortality tables.

Concurrently, a review of economic assumptions was performed. This study also recommended certain changes to the assumptions used in the financial statement and funding valuations. After consideration of the study and recommendations, the following assumption changes have been adopted:

- a decrease in the current long-term inflation rate for the funding valuation to 3.5% from 3.75%
- a corresponding decrease in the plan salary escalation rate for the funding valuation to 4.5% from 4.75%
- an increase in the investment return for the financial statement valuation to 7.75% from 7.5%.

The net impact of these demographic and economic assumption changes is an increase in accrued pension benefits of \$109 million for financial statement purposes. These changes also increase the Plan's funding valuation liability by \$235 million (or about 3%) as at December 31, 1998. The financial statement amount is included as a loss in the statement of changes in accrued pension benefits in 2000. The assumption changes will be included in the determination of the next triennial funding valuation to take place as at December 31, 2001.

The assumptions used for the extrapolation of the financial statement valuation as at December 31, 2000 and 1999 are as follows:

	2000	1999
Investment return	7.75%	7.50%
Inflation rate	3.50%	3.50%
Salary escalation*	4.50%	4.50%

* percentage shown plus service related promotion scale

The assumptions are management's best estimate of expected long-term economic trends.

7. net investment income

For the years ended December 31 (\$ millions)

	earned income	2000 realized gains (losses)	unrealized gains (losses)	net investment income
Cash and short-term investments	17	-	-	17
Government of Ontario debentures	197	(20)	77	254
Canadian bonds	57	(1)	83	139
Equities				
Canadian	49	424	45	518
Foreign	18	127	(258)	(113)
Foreign pooled equity linked investments	-	12	(166)	(154)
	67	563	(379)	251
Real estate	2	-	2	4
	340	542	(217)	665
Investment manager fees				(10)
Other investment expenses				(1)
net investment income				654

	earned income	1999 realized gains (losses)	unrealized gains (losses)	net investment income
Cash and short-term investments	10	-	-	10
Government of Ontario debentures	200	(20)	(283)	(103)
Bonds				
Canadian	51	(14)	(5)	32
Foreign	-	-	1	1
	51	(14)	(4)	33
Equities				
Canadian	45	109	344	498
Foreign	21	121	80	222
Foreign pooled equity linked investments	-	130	187	317
	66	360	611	1,037
Real estate	2	-	1	3
	329	326	325	980
Investment manager fees				(9)
Other investment expenses				(1)
net investment income				970

8. contributions

<i>For the years ended December 31 (\$ millions)</i>	2000	1999
members		
Current service	47	118
Prior service	7	5
Long term income protection	6	8
	60	131
employers		
Current service	120	120
Prior service	5	4
Long term income protection	7	8
	132	132
Unfunded liability payments by the Government of Ontario	38	36
Transfers from other plans	17	36
total contributions	247	335

9. operating expenses

<i>For the years ended December 31 (\$ millions)</i>	2000	1999
Salaries and benefits	9	8
Professional and administrative services	3	2
Office premises and operations	2	2
Amortization	2	2
Information technology	1	2
Communications	1	1
total operating expenses	18	17

Audit expenses were \$111 thousand in 2000 (\$106 thousand in 1999).

10. compensation

The Trustees of the Plan serve in a voluntary capacity and do not receive compensation for their services from the Trust. They are, however, reimbursed for travel-related expenses. Expenses for amounts paid to or on behalf of Trustees totaled \$106 thousand (1999 - \$50 thousand) in 2000.

Compensation to the Management team comprises base salaries, pension and insured benefits and vacation entitlement. Salary compensation for the six members of the Management team totaled \$804 thousand in 2000 (1999 - \$706 thousand). Of the total, no individual received more than \$200 thousand in salary compensation in either 2000 or 1999.

Compensation arrangements with the Management team provide for the accumulation of pension benefits covering up to \$98,801 (1999 - \$98,734) of the individual's salary under the OPSEU Pension Plan. Pension coverage above this salary is provided under a supplementary pension arrangement. Both the member and the employer are required to contribute a percentage of the member's salary in excess of \$98,801 (1999 - \$98,734) to these separate arrangements. Insured benefits for management employees are the same as for bargaining unit employees. Management employees earn between four and six weeks vacation a year.

Schedule of
Special Government
of Ontario
Debentures

As at December 31, 2000 (\$ millions)

maturity date	coupon %	market	cost
2001-2005	9.00-9.99	\$ 227	\$ 203
	10.00-10.99	39	36
	11.00-16.99	102	86
		367	325
2006-2010	11.00-12.99	375	293
	13.00-13.99	333	261
	15.00-15.99	160	127
		869	682
2011-2014	10.00-10.99	245	186
	11.00-11.99	833	623
		1,078	809
		2,314	1,816
Accrued Interest		8	8
total		2,322	1,823

As at December 31, 2000

common stocks

Canadian

	number of shares	(\$ millions) market	(\$ millions) cost
Nortel Networks Corp.	7,629,596	368	221
Bank of Montreal	1,881,815	148	86
Toronto Dominion Bank	2,367,840	103	43
Canadian Imperial Bank of Commerce	1,962,879	91	58
Royal Bank of Canada	1,770,604	90	43
BCE Inc.	2,052,870	89	36
Bank of Nova Scotia	2,032,868	88	52
Bombardier Inc.	3,784,100	88	32
Petro-Canada	1,800,250	69	30
Manulife Financial Corp.	1,423,155	67	30
Enbridge Inc.	1,435,872	63	38
Alcan Aluminum Ltd.	1,194,741	61	53
Sun Life Financial Services of Canada Inc.	1,444,700	58	40
Potash Corp. of Saskatchewan Inc.	458,465	54	36
Talisman Energy Inc.	965,364	54	39
Magna International Inc.	801,485	50	59
TransCanada Pipelines Ltd.	2,845,201	49	57
Thomson Corp.	833,950	48	30
TransAlta Corp.	2,077,127	46	35
Telus Corp.	1,036,137	43	39
Anderson Exploration Ltd.	1,250,864	43	25
Celestica Inc.	501,600	41	29
Biovail Corp.	686,070	40	21
Canadian Pacific Ltd.	877,818	38	22
Rogers Communication Inc.	1,459,475	37	46
Trizec Hahn Corp.	1,479,135	34	38
Barrick Gold Corp.	1,387,786	34	40
Franco-Nevada Mining Corp. Ltd.	1,940,794	33	36
Canadian Natural Resources Ltd.	794,385	33	24
Abitibi-Consolidated Inc.	2,374,838	33	37
Suncor Energy Inc.	805,880	31	16
Cameco Corp.	1,113,600	29	30
MDS Inc.	1,284,793	29	21
Molson Inc.	648,265	28	15
C-Mac Industries Inc.	399,935	27	20
Alberta Energy Co. Ltd.	317,247	23	10
Inco Ltd.	910,600	23	26

Schedule of Significant Investments

Investments held by the OPSEU Pension Plan Fund with cost or market value greater than \$10 million.

A full list of investments is available upon request.

Schedule of
Significant
Investments
(cont'd)

<i>As at December 31, 2000</i>	number of shares	(\$ millions) market	(\$ millions) cost
common stocks			
<i>Canadian (cont'd)</i>			
Biochem Pharma Inc.	456,400	22	12
Power Corp. of Canada	584,700	22	12
Quebecor World Inc.	567,965	21	17
Canadian National Railway Co.	471,490	21	14
Onex Corp.	952,562	21	15
Great-West Lifeco Inc.	558,326	21	11
Canada Life Financial Corp.	481,765	20	13
Shaw Communications Inc.	574,030	20	13
Power Financial Corp.	562,900	20	12
Clarica Life Insurance Co.	462,095	19	15
Westcoast Energy Inc.	513,896	19	13
Canadian Hunter Exploration Ltd.	445,195	18	14
Placer Dome Inc.	1,261,490	18	27
Mitel Corp.	1,386,870	17	32
QLT Inc.	398,800	17	17
Royal Group Technologies Ltd.	850,155	16	26
Teck Corp.	1,113,280	16	16
Ballard Power Systems Inc.	165,965	16	5
Oxford Properties Group Inc.	824,815	15	14
Hudson's Bay Co.	954,087	14	23
Agrium Inc.	641,909	14	9
ATS Automation Tooling Systems Inc.	684,875	14	18
Air Canada	971,957	13	15
Cognos Inc.	456,510	13	16
Finning International Inc.	987,140	13	11
ATI Technologies Inc.	1,404,135	12	26
Research in Motion Ltd.	96,500	12	2
Northstar Energy Corp.	122,706	11	6
Emera Inc.	604,730	11	9
Husky Energy Inc.	715,399	11	14
NOVA Chemicals Corp.	348,849	10	10
Methanex Corp.	978,980	9	11
Moore Corp. Ltd.	1,117,749	5	16
Extencicare Inc.	1,333,050	5	12
Co-Steel Inc.	581,345	4	12
Geac Computer Corp. Ltd.	573,780	1	11

<i>As at December 31, 2000</i>	number of shares	<i>(\$ millions)</i> market	<i>(\$ millions)</i> cost
common stocks			
<i>Foreign</i>			
Exxon Mobil Corp.	257,674	34	24
Citigroup Inc.	296,033	23	11
Merck & Co Inc.	158,500	22	17
Vodafone Group PLC	3,700,694	20	18
Bristol Myers Squibb Co.	180,400	20	16
General Electric Co.	262,300	19	12
International Business Machines Corp.	146,700	19	17
United Technologies Corp.	152,500	18	8
Total Fina Elf SA	78,685	18	8
BP Amoco PLC	1,448,600	18	19
HSBC Holdings PLC	797,557	18	14
PepsiCo Inc.	232,700	17	14
American Home Products Corp.	180,400	17	11
Aventis SA	132,752	17	9
Intel Corp.	367,800	17	24
GlaxoSmithKline PLC	384,811	16	15
Heineken NV	179,093	16	9
ING Groep NV	134,800	16	11
Microsoft Corp.	245,500	16	27
Allianz AG	28,062	16	14
Pfizer Inc.	222,150	15	8
Verizon Communications	197,600	15	14
Chase Manhattan Corp.	206,500	14	9
AXA Financial Inc.	63,517	14	9
Tyco International Ltd.	163,500	14	11
E.On AG	142,550	13	11
Akzo Nobel NV	149,400	12	10
Minnesota Mining and Manufacturing Co.	66,000	12	9
AstraZeneca PLC	155,404	12	10
Schering Plough Corp.	136,900	12	9
Mizuho Holdings Inc.	1,241	12	17
Investor AB	511,900	11	11
American International Group Inc.	77,250	11	5
Roche Holdings AG	741	11	12
Endesa SA	438,641	11	14
Zurich Financial Services	11,828	11	6
Chevron Corp.	84,000	11	11
Philip Morris Companies Inc.	159,100	11	8
San Paolo-IMI SPA	431,767	10	9

Schedule of
Significant
Investments
(cont'd)

Schedule of
Significant
Investments
(cont'd)

<i>As at December 31, 2000</i>	number of shares	<i>(\$ millions)</i> market	<i>(\$ millions)</i> cost
common stocks			
<i>Foreign (cont'd)</i>			
National Grid Group PLC	764,400	10	10
Hartford Financial Services Group Inc.	95,600	10	7
Hypovereinsbank	118,300	10	11
Time Warner Inc.	101,000	8	10
Fujitsu Ltd.	312,000	7	13
Lucent Technologies Inc.	325,500	7	20
America Online Inc.	119,000	6	10
AT&T Corp.	207,150	5	13

<i>As at December 31, 2000</i>	number of units	<i>(\$ millions)</i> market	<i>(\$ millions)</i> cost
pooled real estate fund			
<i>Canadian</i>			
Penreal Properties Fund II Ltd.	4,000,000	24	20
BG Preeco 7 Ltd.	18,245,460	19	18
pooled equity funds			
<i>Foreign</i>			
Barclays Global Investors Canada Limited, Hedged Synthetic US Equity Index Fund	26,432,926	797	721
Barclays Global Investors Canada Limited, Hedged Synthetic EAFE Equity Index Fund	32,743,610	704	617

<i>(\$ millions)</i>	coupon (%)	par value	market	cost
fixed income				
<i>Canadian bonds</i>				
Special Ontario Government Debentures	9.50 - 16.95	1,649	2,314	1,816
Government of Canada (2003 - 2027)	4.25 - 10.50	566	715	606
Province of Ontario (2008 - 2027)	5.70 - 9.50	52	62	62
Toronto Dominion Bank (2006 - 2049)	5.60 - 7.60	31	32	31
Royal Bank of Canada (2003 - 2100)	6.05 - 7.288	28	29	29
GMAC of Canada Ltd (2002 - 2003)	6.10 - 6.75	22	22	22
Canadian Imperial Bank of Commerce (2011 - 2014)	7.00 - 9.65	19	21	21
Ontario Electrical Financial Corp. (formerly Ontario Hydro) (2021 - 2026)	8.25 - 10.125	13	18	17
DaimlerChrysler Canada Inc. (2002 - 2004)	6.44 - 6.60	14	14	14
Bank of Montreal (2008)	5.65	14	14	14
Province of New Brunswick (2009 - 2010)	5.25 - 6.375	14	14	14
Bank of Nova Scotia (2012 - 2014)	5.75 - 6.25	13	13	13
Province of Quebec (2009 - 2026)	5.50 - 8.50	12	13	13
Bell Canada International Inc. (2003 - 2005)	6.00 - 6.50	11	11	11
<i>Canadian short-term investments</i>				
Government of Canada Treasury Bills			166	166
Phillips Hager & North institutional short term investment fund			112	112
Royal Bank of Canada			29	29
Province of Quebec			20	20
Province of Alberta			20	20
Macro Trust			17	17
Bell Canada			12	12
DaimlerChrysler Canada Inc.			12	12
Toronto Dominion Bank			11	11
Canadian Imperial Bank of Commerce			11	11
Credit Union Central of British Columbia			11	11

Schedule of
Significant
Investments
(cont'd)

Historical Review

<i>(\$ millions)</i>	2000	1999	1998	1997	1996	1995
changes in net assets						
<i>Income</i>						
Net investment income	654	970	867	981	1,027	979
Contributions						
Members	60	131	137	141	129	155
Employers	132	132	137	127	39	63
Unfunded liability payments	38	36	34	24	–	–
Transfers from other plans	17	36	2	2	54	1
<i>Total Income</i>	901	1,305	1,177	1,275	1,249	1,198
<i>Expenditures</i>						
Pensions payments	250	213	177	141	105	74
Termination payments and transfers	202	135	93	154	38	16
Operating expenses	18	17	17	15	15	12
<i>Total Expenditures</i>	470	365	287	309	158	103
increase in net assets	431	940	890	966	1,091	1,095
net assets						
<i>Investments</i>						
Special Ontario Government debentures	2,322	2,304	2,639	2,562	2,457	2,408
Cash and short-term investments	515	192	210	200	171	97
Bonds	544	549	483	621	404	341
Real return bonds	498	442	420	341	289	89
Equities - Canadian	3,180	2,876	2,247	2,314	2,027	1,601
Equities - foreign	2,884	3,146	2,573	1,654	1,331	1,087
Real estate	43	32	26	15	1	–
	9,986	9,541	8,599	7,707	6,681	5,622
<i>Contributions receivable from:</i>						
Members	7	7	13	13	11	11
Employers	19	22	19	21	20	19
<i>Due from Ontario Pension Board</i>	–	–	–	–	64	32
<i>Capital assets</i>	5	5	3	4	3	3
total assets	10,017	9,575	8,634	7,745	6,780	5,687
liabilities	(15)	(4)	(4)	(5)	(5)	(4)
net assets	10,002	9,571	8,631	7,741	6,775	5,683
Actuarial smoothing	(706)	(928)	(926)	(776)	(596)	(136)
Actuarial value of net assets	9,296	8,643	7,705	6,965	6,179	5,547
Accrued pension benefits	7,713	7,242	7,201	6,648	6,180	6,306
surplus (deficiency)	1,583	1,401	504	317	(1)	(759)
performance (%)						
Rate of return	7.0%	11.4%	11.3%	14.7%	18.3%	21.7%
After inflation	3.8%	8.8%	10.3%	14.0%	16.1%	20.0%
Benchmark	3.3%	14.6%	13.2%	13.7%	17.1%	17.7%
After inflation	0.1%	12.0%	12.2%	13.0%	14.9%	16.0%



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