

WANT THE BIG PICTURE?



OPTrust's full annual report, including our audited financial statements and a list of major investments, is available in both English and French. To order a copy, please contact us. The English annual report and our schedule of investments are available on the OPTrust Web site at www.optrust.com.

HOW TO REACH US

Member and Pensioner Services
1 800 637-0024 (toll-free in Canada)
416 681-6100 (Toronto)

Fax
416 681-6175

E-mail
email@optrust.com

Web site
www.optrust.com

OPSEU Pension Trust
1 Adelaide Street East, Suite 1200
Toronto, Ontario
M5C 3A7



Diligence, Service, Security



Diligence, Service, Security

At OPTrust, these values are central to the way we work for you – and almost 73,000 other members and pensioners of the OPSEU Pension Plan.

Our goal is to:

- Generate a rate of return on investments over the long term that supports our pension promise
- Provide you with the finest service and communications
- Give you a real voice in your pension plan, through joint trusteeship.

IN 2002, OPTRUST:

Exceeded our investment benchmark in a year of continued negative returns for Canadian and international stock markets. OPTrust's investment portfolio lost 7.2% compared to a drop of 7.8% in our market-based benchmark.

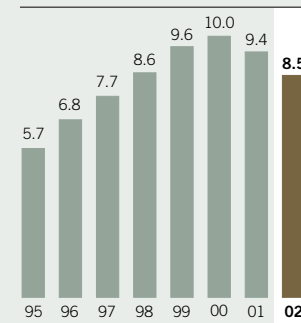
Recognized funding gains of \$867 million, realized over 1999-2001. The gains were shared between OPTrust's members and pensioners and the Government of Ontario. More than half of the gains were set aside in separate funds to stabilize contributions for members and the Government, should the Plan experience a funding loss in the future.

Improved service and communications tailored to the changing needs of our members and pensioners.

Financial Highlights

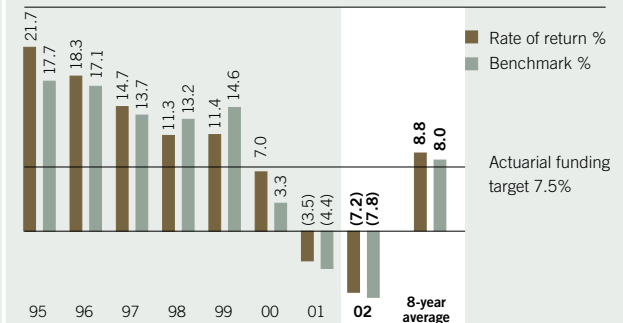
At December 31 (\$ millions)	2002	2001
Net assets available for benefits	8,493	9,426
Actuarial "smoothing" adjustment	1,023	191
Actuarial value of net assets	9,516	9,617
Future cost of pension benefits	8,389	7,832
SURPLUS	1,127	1,785

Net Assets Available for Benefits
At December 31 (\$ billions)



Investment losses and pension payments reduced the Plan's net assets by \$933 million in 2002.

Investment Returns vs. Benchmarks, 1995-2002



OPTrust has outperformed the Plan's market-based benchmark in 6 of the past 8 years. Despite an investment loss of 7.2% in 2002, OPTrust has achieved an average annual return of 8.8% since 1995, exceeding both the 8.0% average for the benchmark and the Plan's 7.5% funding target return.

Working for You

The OPSEU Pension Trust has a clear mandate from our members and pensioners and our sponsors, OPSEU and the Government of Ontario. OPTrust was established in 1995 to provide you with a secure income in your retirement, deliver the finest service and communications, and give you a real voice in how your pension plan is run.

Looking back, the past year was one of both important challenges and major achievements.

Delivering over the Long Term

Like other large institutional investors, the OPSEU Pension Plan was affected by declines on the world's stock markets in 2002, losing 7.2% for the year. Since 1995, however, we have achieved an average annual return of 8.8% – outperforming both our market benchmark of 8.0% and the 7.5% target return needed to fund members' pensions over the long term.

As a result, in 2002 the Plan's "actuarial funding valuation" for the years 1999-2001 identified gains of \$867 million. These gains were largely due to OPTrust's strong investment growth from the late 1990s. Under the joint sponsorship of the Plan, the gains were shared between the Government and OPTrust's members and pensioners.

A Voice for Members and Pensioners

Joint trusteeship also meant you had a say in how the members' \$467 million share of unallocated gains was to be used. As a plan sponsor, OPSEU surveyed every member and pensioner and selected a package of significant plan improvements based on the results. These changes are described in this report.

For its part, the Government used a portion of its gains to eliminate the \$63 million balance of the Plan's initial unfunded liability. The OPSEU Pension Plan is now fully funded, 27 years ahead of schedule.

Shared Risks and Rewards

Under joint trusteeship, OPTrust's members and the Government share the risks associated with the Plan as well as the rewards. If the Plan experiences a funding loss in the future, the shortfall would be made up through increases in members' and employers' contributions.

In 2002, the impact of the Plan's investment losses from 2001 and 2002 was partly delayed by the "actuarial smoothing" of each year's investment returns over a four-year period. As a result, OPTrust's financial statement surplus stood at \$1.1 billion at year-end. However, smoothing also left the Plan with a \$1 billion deferred loss, which will significantly reduce the surplus over the next three years.

OPTrust Chair David Rapaport (right)
and Vice-Chair Stan Sanderson



Planning for the Future

While it is too soon to project the outcome of OPTrust's next funding valuation, the size of the deferred loss is a concern. Accordingly, both sponsors have set aside a portion of the gains in separate stabilization funds, which can be used to offset increases in member and employer contributions if the Plan experiences a funding shortfall.

In the meantime, faced with declining stock market returns, the Trustees commissioned a major study of the Plan's investment portfolio. The results will help position the Plan to meet or exceed our funding obligations over the long term.

The Trustees also take an active approach to protecting the value of OPTrust's investments. In 2002, OPTrust joined the new Canadian Coalition for Good Governance, to promote sound corporate governance and accountability to shareholders. As well, we took on a leading role in a major U.S. class action lawsuit against Nortel Networks Corp.

Serving Our Members and Pensioners

Over the year, we distributed buyback statements to 30,000 members affected by last spring's strike in the Ontario Public Service. We moved quickly to implement the recent plan improvements and notify you about how you will benefit. We also continued to provide the prompt communications and friendly, personal service you value. Meanwhile, we took part in a study benchmarking our service levels and costs against other large pension plans and sought out members' and pensioners' views on how to serve you best.

Looking ahead, we will keep working to ensure the security of OPTrust's pension promise and to deliver services that respond to your changing needs.

David Rapaport
Chair

Stanley F. Sanderson
Vice-Chair

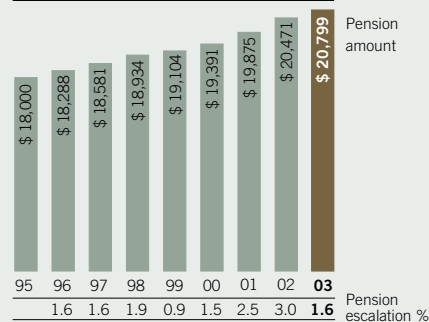
Your OPTrust Pension – Count on It

As a member or pensioner in the OPSEU Pension Plan, you have a unique source of financial security for your retirement. Unlike most RRSPs and other individual investments, the value of your OPTrust pension does not rise and fall depending on market returns.

By contributing to the OPSEU Pension Plan together with your employer, you earn the right to a lifetime pension based on your salary and your years of credit in the Plan. This is sometimes called a “defined benefit” pension.

As long as you continue to earn credit, the value of your pension keeps growing. And once you retire, your pension will increase annually to keep pace with inflation.

Inflation Protection for Pensioners 1995-2003



OPTrust pensions are adjusted annually for inflation. An OPTrust pensioner who received a typical annual pension of \$18,000 in 1995 would receive \$20,799 in 2003. Plan improvements have resulted in additional increases, primarily for those age 65 and older.

CALCULATING YOUR PENSION

Your OPTrust pension is based on the following formula:

	2%
<i>times</i>	Your best five-year average annual salary
<i>times</i>	Your years of credit in the Plan
<i>minus</i>	CPP integration (a reduction at age 65)

- The OPSEU Pension Plan provides early retirement options, inflation protection and survivor benefits.
- For qualifying members, post-retirement health, dental and life insurance benefits are provided separately by the Government of Ontario.

To estimate your own pension, visit our online calculator on the OPTrust Web site at www.optrust.com.

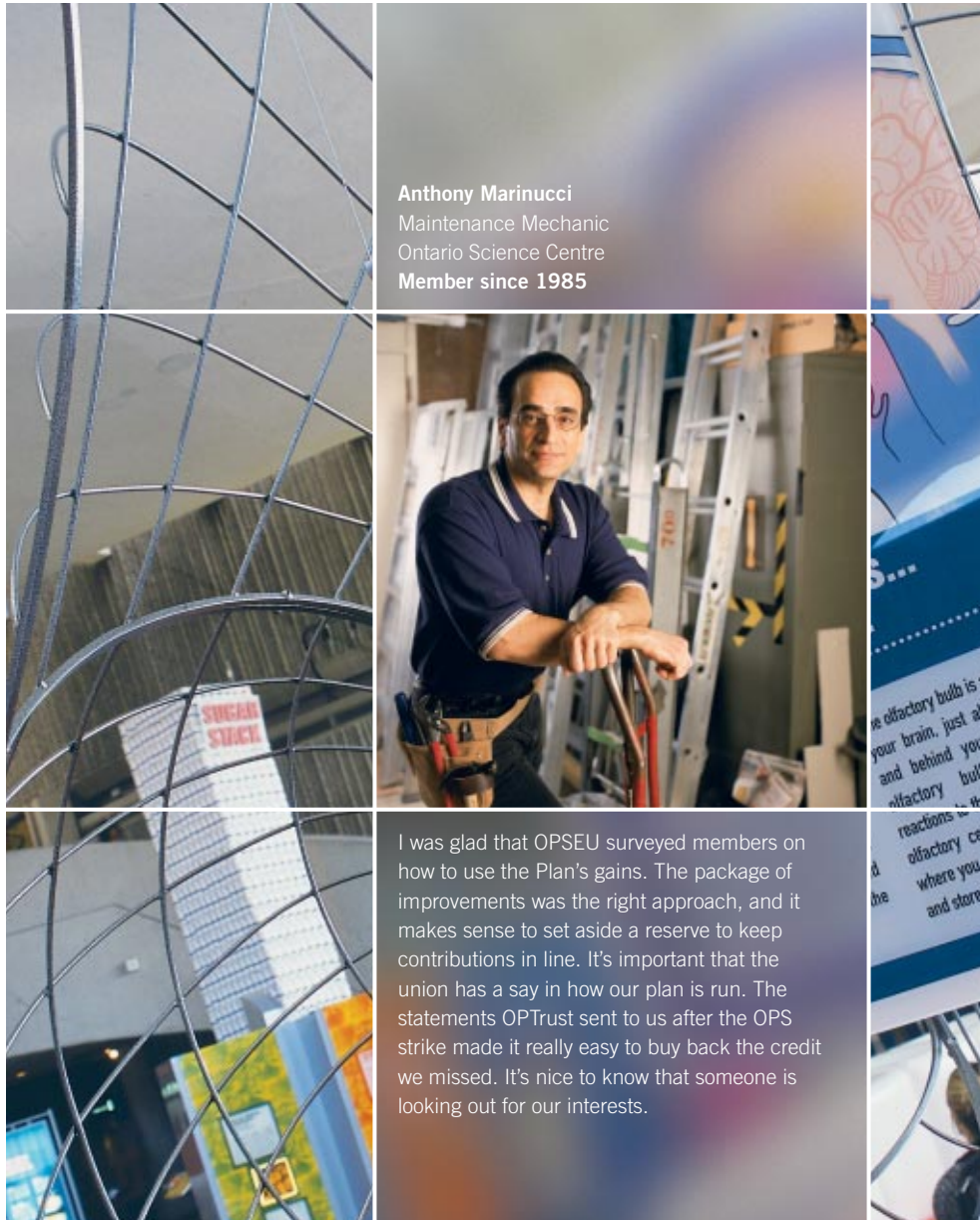
Pat Saunders
Social Worker (retired)
Hamilton Psychiatric Hospital

Pensioner since 1995



I feel very fortunate to have my OPTrust pension. I have my own investments, so it isn't my only source of income, but it is the most secure one. My pension goes up each year to keep pace with inflation, and it was nice to get an additional increase in December because of the Plan's gains. I work as a volunteer with the Hamilton Police Service. My pension lets me contribute to my community without having to worry about a paycheck.

Delivering Plan Improvements



Anthony Marinucci
 Maintenance Mechanic
 Ontario Science Centre
 Member since 1985

I was glad that OPSEU surveyed members on how to use the Plan's gains. The package of improvements was the right approach, and it makes sense to set aside a reserve to keep contributions in line. It's important that the union has a say in how our plan is run. The statements OPTrust sent to us after the OPS strike made it really easy to buy back the credit we missed. It's nice to know that someone is looking out for our interests.

In December 2002, OPTrust implemented a package of substantial improvements to your pension plan. The changes were paid for with the membership's share of the Plan's \$867 million in funding gains. After a \$6 million reduction to cover previously negotiated benefits, the members' and pensioners' unallocated gains totalled \$467 million. As a plan sponsor, OPSEU chose the improvements based on survey responses from more than 15,000 members and pensioners. The changes include:

Temporary Retirement Options

- Extending OPTrust's Factor 80 early retirement option to March 31, 2005. Under Factor 80, active and divested members can retire with an unreduced pension if their age plus credit total *exactly* 80 years.
- Extending the "Points Off" program to December 31, 2005. This provision increases the pension payable to active and divested members and deferred pensioners who retire with a *reduced* pension at age 55 or older.

Permanent Benefit Improvements

- Increasing members' and retirees' pensions at age 65 by lowering the reduction for Canada Pension Plan (CPP) integration.
- Improving survivor benefits when an OPTrust retiree dies before age 65 by delaying CPP integration until the date on which the retiree would have turned 65.

Extended Contribution Reduction

- Since 1999, members' contributions have been reduced by 4% of earnings. This reduction was set to expire on November 30, 2002. Contributions will now rise more gradually, by steps of 1% of the member's earnings per year, starting in December 2002. As a result, member contributions are not scheduled to reach the normal rate of 8% of earnings until December 2005.

Contribution Stabilization

- Finally, OPSEU set aside \$146 million to stabilize member contributions in the future. If the Plan experiences a funding loss, the members' stabilization fund can be used to offset the impact on member contributions, providing added security in a period of low investment returns.

Enhancing Service

Throughout 2002, OPTrust responded quickly to important events affecting our members and retirees.

Following the eight-week strike by OPSEU members in the Ontario Public Service, we mailed more than 30,000 statements informing members of the option to buy back credit for the strike. By year-end, 19,400 members had opted for one of the convenient buyback options, maximizing the value of their pensions.

Over the summer, we provided OPSEU with technical assistance in surveying members and pensioners about the use of the gains. Once the plan changes took effect, we distributed personalized notices to every member and pensioner. We also recalculated our retirees' pension entitlements, implementing immediate increases for the more than 7,600 who qualified, in time for their December pension payment.

Seeking Your Input

When it comes to evaluating OPTrust's service, the experts are members and pensioners like you. In 2002, through focus groups and surveys, you told us that:

- You value the personal service you receive from OPTrust staff.
- You give high marks to the information we provide you, including our newsletters and booklets.
- You want more online access to pension information through OPTrust's Web site.
- A key area for improvement is the time it takes to process complex transactions, such as buybacks and transfers.

Together, this information will help us focus resources on your service priorities.

Responding to Your Needs

In 2002, we continued to provide prompt telephone access to our staff. Over the year we responded to more than 61,000 calls from members and pensioners, a 50% increase from 2001. On average, callers waited less than 10 seconds before being answered in person by an OPTrust staff member. We also completed more than 88,000 transactions, 33% more than the previous year.

In 2003, our Member and Pensioner Services staff will focus on improving transaction times and eliminating the remaining backlog of outstanding cases.

Charlene Tardiel

Correctional Officer
Toronto Youth Assessment Centre

Member since 1999



I'm in an unclassified position, so I didn't have to join the pension plan, but it seemed like a smart investment. It's an easy way to save for the future, and it's great that my employer matches my contributions. I hope to stay with the Government, so it made sense to enrol with OPTrust up front, rather than making a buyback later. My pension is guaranteed and the survivor benefits are important, too. It is a security factor for myself and my daughter.

Keeping You Informed

To make decisions about your pension and your retirement, you need clear, timely information about your pension. In 2002, we:

- mailed more than 235,000 personalized pension statements, estimates and notices to OPTrust members and pensioners
- delivered pension information sessions for more than 1,200 members and pensioners in 30 different Ontario communities
- kept you up to date through our Web site, which received more than 70,000 visits over the year, a 250% increase from 2001.

In 2003, we will continue adding functions to our Web site, launch a new annual statement for pensioners and start a series of lunchtime seminars in members' workplaces. We will also introduce a new outreach program to inform contract, "unclassified" and other non-permanent employees about their option to join the OPSEU Pension Plan.

OPTRUST'S CHANGING MEMBERSHIP

At December 31	2002	2001
Active members	46,361	48,221
Number of new members enrolled	3,120	4,237
Number of members terminating or retiring	4,598	5,971
Former members with entitlements in the Plan	4,326	3,944
Current Pensioners	17,713	16,282
Deferred Pensioners	4,252	3,206
TOTAL MEMBERS AND PENSIONERS	72,652	71,653

OPTrust's active membership declined in 2002, while the number of pensioners continued to grow. These changes reflect the maturing of the Plan's membership base, the availability of Factor 80 and other early retirement options, and ongoing changes in Ontario's public sector.

Investing for the Future

To pay for members' and retirees' pensions, OPTrust's investments must grow by an average of 7.5% per year over the long term. Since 1995, OPTrust has earned an average annual return of 8.8%, generating significant funding gains for the Plan. Over the shorter term, however, the continued decline in global stock prices has had a negative impact on most large investment funds, including OPTrust.

2002 Investment Results

In 2002, Canadian and international stock markets registered double-digit losses for the second year in a row. Against this backdrop, OPTrust's diversified portfolio registered a loss of 7.2%. This result bettered the 7.8% drop of the Plan's weighted benchmark portfolio, which measures the performance of the markets OPTrust invests in.

Diversification

Diversification is a key part of OPTrust's investment strategy. Over time, individual markets and investments will rise and fall as part of the business cycle. By investing in a mix of different asset types, and in different regions, we increase the opportunities for growth while limiting exposure to downturns affecting individual markets or sectors.

2002 INVESTMENTS, RETURNS VS. BENCHMARKS

At December 31, 2002	Investments (\$ millions)	Rate of return (%)	Benchmark (%)
Canadian equities	\$ 2,022	(10.2)	(12.4)
Global equities	\$ 2,787	(21.8)	(20.9)
Fixed income	\$ 3,090	9.8	8.7
Real return bonds	\$ 551	15.2	15.3
Real estate	\$ 41	8.7	8.2
FUND TOTAL	\$ 8,491	(7.2)	(7.8)

In 2002, strong returns from OPTrust's fixed income investments and real return bonds helped offset losses from OPTrust's stock portfolios.

	<p>Joseph Yan Lab Technologist Liquor Control Board of Ontario</p> <p>Member since 1980</p>	
		
	<p>I just received a notice from OPTrust that I will qualify for Factor 80 in 2003 because of the recent improvements in the Plan. I haven't made a decision yet, but it's great to have the option available. Either way, my pension is very important to me. Features like indexation and survivor benefits make a real difference, too. My pension represents security for the future.</p>	

Planning for the Future

In 2002, we carried out a detailed study of our current asset mix and other potential asset allocations. This study projected how the Plan's investments will perform under a wide range of possible future market scenarios. The results will be used to determine whether changes to the asset mix will help meet the Plan's funding obligations, while reducing the risk of contribution increases over the long term.

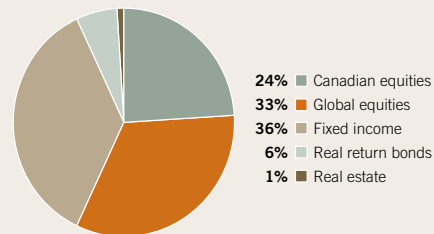
Managing the Plan's Investments

OPTrust's equities and a portion of the fixed income portfolio are managed externally by professional investment managers. Each manager is given specific guidelines and monitored by OPTrust's Investment Division, which also researches investment opportunities, tracks and analyses performance and monitors factors affecting investment risk.

Schedules of the Plan's significant investments and a list of external investment managers are available in OPTrust's full annual report and on our Web site at www.optrust.com.

OPTrust's Asset Mix

At December 31, 2002



OPTrust's \$8.5 billion investment portfolio includes a diversified mix of Canadian and international equities and Canadian fixed income and inflation-sensitive investments.

Financial Snapshot

Funding Valuation

Every three years, OPTrust's independent actuaries complete a "funding valuation" of the Plan. This compares the Plan's assets to the projected cost of members' and pensioners' current and future pension benefits.

In 2002, the funding valuation for 1999-2001 identified \$867 million in funding gains, reflecting OPTrust's strong investment earnings from the late 1990s. As a result, OPSEU was able to allocate \$467 million to improve benefits, extend a modified contribution reduction for members and set aside \$146 million to stabilize member contributions in the future.

A Fully Funded Plan

Part of the Government of Ontario's share of gains was used to eliminate the \$63 million balance of the Plan's initial unfunded liability. The OPSEU Pension Plan is now fully funded for the first time – 27 years ahead of schedule.

After a \$34 million reduction for the cost of negotiated benefits, the Province used its remaining \$297 million in gains to establish its own contribution stabilization fund.

Financial Statements

OPTrust's annual financial statements provide a second measurement of the Plan's financial position. At the end of 2002, the Plan's net assets stood at \$8.5 billion, down \$933 million from the previous year due to investment losses and pension payments.

The 2002 financial statements show a surplus of \$1.1 billion, compared to \$1.8 billion in 2001. The surplus represents the difference between i) the "actuarial value" of the Plan's net assets, after the smoothing of investment losses, and ii) the cost of members' and pensioners' earned benefits. However, the surplus is not a funding gain that can be shared between the membership and the Government of Ontario.

Actuarial Smoothing

Investment returns can vary considerably from year to year in response to changing economic conditions. To cushion the short-term impact of these fluctuations, OPTrust holds each year's investment gains or losses in a "smoothing" reserve, to be recognized evenly over a four-year period.

In 2002, OPTrust recognized smoothed earnings from 1999 and 2000, while part of the losses from 2002 was held back for recognition in future years. This reduced the impact of these losses on the Plan's 2002 financial statement surplus. At the same time, smoothing resulted in a deferred loss of \$1.0 billion at year-end, which will significantly reduce the surplus over the next three years.

Financial Outlook

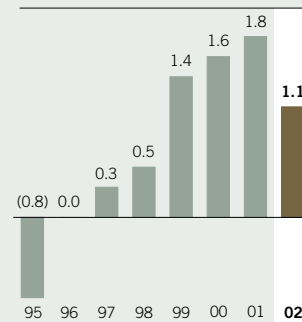
Over the short term, the size of the deferred loss and the possibility that stock markets may be slow to recover are a concern. It is too soon to project the outcome of the Plan's next funding valuation, currently scheduled for 2005. Should the valuation identify a funding loss, the shortfall would be made up through increased member and employer contributions.

For this reason, OPSEU and the Government of Ontario have set aside a portion of the gains in separate contribution stabilization funds. These funds can be used to offset contribution increases that may be required in the future. At the end of 2002, the members' contribution stabilization reserve totalled \$160 million, including interest. The Government of Ontario's stabilization fund totalled \$315 million, including interest.

Over the longer term, OPTrust's investments are expected to match or exceed the 7.5% target rate of return needed to meet the Plan's funding requirements. In the meantime, OPTrust will continue to carry out interim actuarial valuations on a yearly basis. These studies will allow us to identify any emerging trends that could affect the cost of members' and retirees' pension benefits.

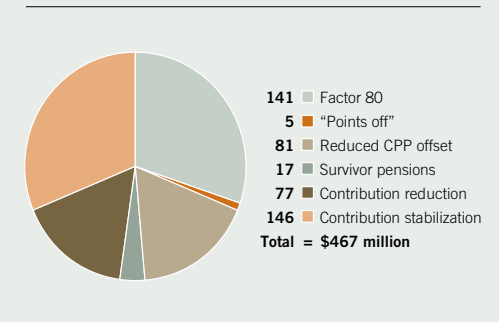
OPTrust's detailed financial statements are available in our full annual report and on our Web site at www.optrust.com.

Financial Surplus (Deficiency)
At December 31 (\$ billions)



OPTrust's financial statement surplus declined by \$658 million in 2002.

Allocation of Members' and Pensioners' Gains
(\$ millions)



An additional \$6 million of members' gains was used to pay for previously negotiated benefits. Together, the plan changes will benefit every OPTrust member and pensioner, either now or in the future.

We Report to You

The OPSEU Pension Trust was established to give members and the Government of Ontario an equal voice in the administration of the OPSEU Pension Plan and the investment of the Plan's assets, through joint trusteeship.

As sponsors, the Government of Ontario and the Ontario Public Service Employees Union (OPSEU) each appoint five Trustees to OPTrust's Board. The Trustees work together, in a voluntary capacity, to serve the interests of OPTrust's 73,000 members and pensioners.

BOARD OF TRUSTEES

(At December 31, 2002)

David Rapaport, Chair*

Project Co-ordinator
Ministry of Education

Stanley F. Sanderson, Vice-Chair**

Former Vice-President (retired)
Assante Capital Management Ltd.

Robert Bellamy**

Former Vice-Chairman (retired)
Burns Fry Limited

Jennifer Brown**

Vice-President, Pensions
Ontario Municipal Employees Retirement
System (OMERS)

Alicia Czekierda*

Secretary, Robarts/Amethyst Schools
Ministry of Education

Heather Gavin*

Administrator, Central Services
Ontario Public Service Employees Union
(OPSEU)

Don Jordan*

Occupational Health and Safety Officer
Ministry of Labour

Daniel Kott*

Forest Technical Specialist
Ministry of Natural Resources

Tony Ross**

Former Vice-Chair (retired)
Merrill Lynch Canada

Deborah Stark**

Assistant Deputy Minister
Research and Corporate Services
Ministry of Agriculture and Food

One Trustee left the Board in 2002.

OPTrust thanks him for his work on behalf of the Plan's members and pensioners.

Paul Sharkey*

Court Interpreter/Translator
Ministry of the Attorney General

* Appointed by OPSEU

** Appointed by the Government of Ontario

OPTRUST MANAGEMENT, ADMINISTRATION DIVISION

Colleen Parrish, LLB

President and Plan Manager

Robert Breens

Vice-President, Policy and Communications

Charlie Eigl, CA

Vice-President, Finance

Bill Foster

Vice-President, Member and Pensioner Services

Graeme Isdale

Vice-President, Information Technology

OPTRUST MANAGEMENT, INVESTMENT DIVISION

Morgan Eastman

Chief Investment Officer

Anca Drexler

Manager, Investment Operations

Bob Korkie

Head, Investment Research and Risk
Management

PROFESSIONAL ADVISORS TO THE TRUSTEES

Actuaries

Buck Consultants

Auditors

PricewaterhouseCoopers LLP

Custodian

Royal Trust Corporation of Canada

Investment Consultants

Hewitt Associates (James P. Marshall)

Legal Counsel

Koskie Minsky

While this report summarizes certain provisions of the OPSEU Pension Plan, it 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.