

**ANNUAL HIGHLIGHTS FOR
MEMBERS AND PENSIONERS 2001**



Focusing on Pension Security



OPSEU Pension Trust

Fiducie du régime de
retraite du SEFPO

IN 2001, OPTRUST:

Exceeded our investment benchmark in a year of negative returns for Canadian and international stock markets. Our investment loss of 3.5% compares favourably to the 4.4% drop in our market-based benchmark. Since 1995, the OPSEU Pension Plan has achieved an average annual return of 11.3%, outperforming the benchmark return of 10.5%.

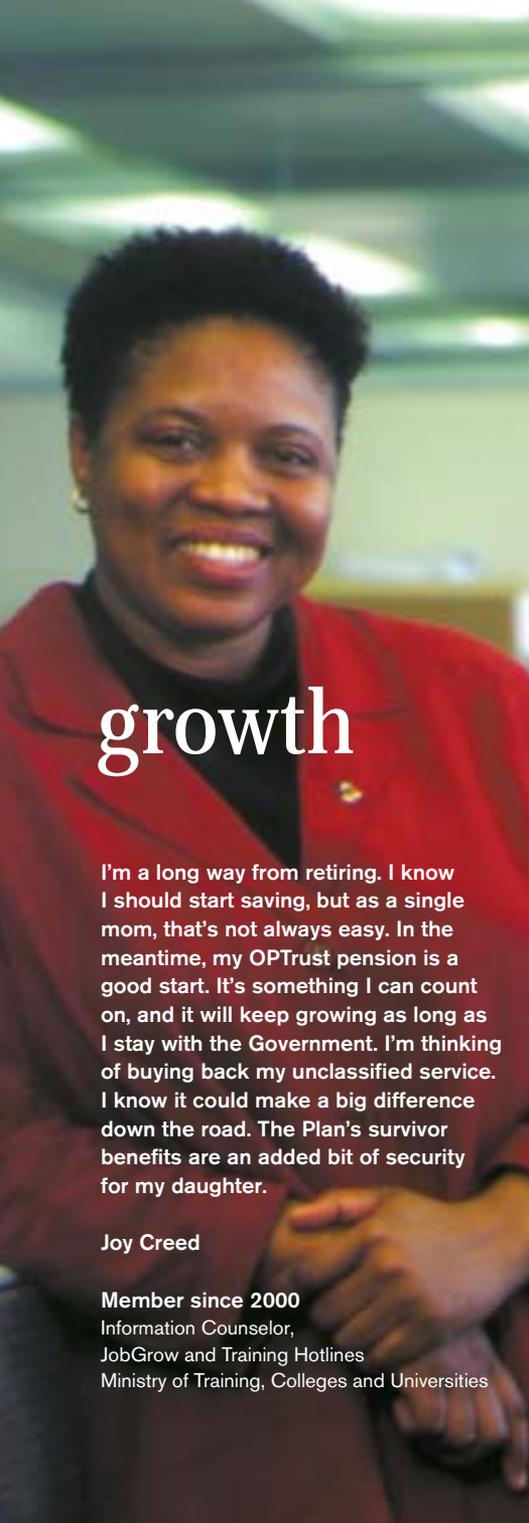
Increased the surplus for financial statement purposes to record levels. Because OPTrust recognizes investment earnings over a four-year period, strong returns from 1998, 1999 and 2000 more than offset losses in 2001.

Improved client service. By keeping you informed about your pension and improving the way we serve you, we are responding to priorities identified by members and pensioners like you.

At OPTrust, pension security means:

- **generating a rate of return on investments over the long-term that supports our pension promise**
- **providing you with the finest service and communications**
- **giving you a real voice in your pension plan through joint trusteeship.**

What does a secure pension mean to you?

A portrait of Joy Creed, a Black woman with short dark hair, smiling. She is wearing a red blazer over a black top. The background is a blurred office setting with green and white lights.

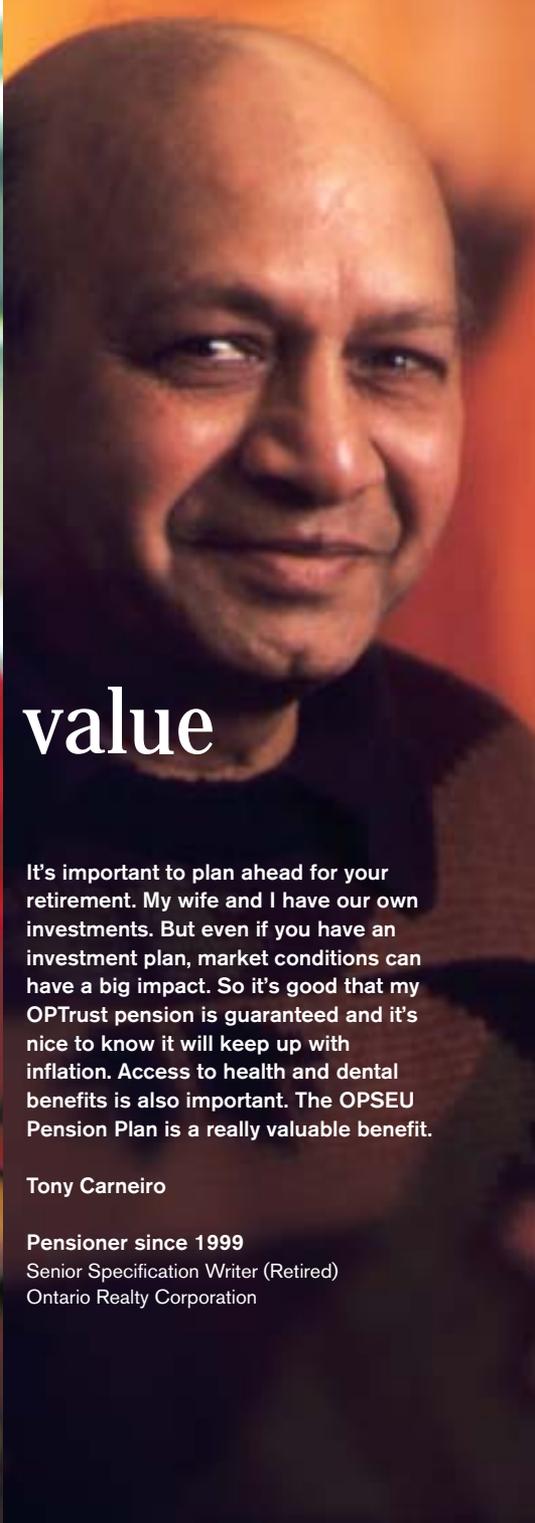
growth

I'm a long way from retiring. I know I should start saving, but as a single mom, that's not always easy. In the meantime, my OPTrust pension is a good start. It's something I can count on, and it will keep growing as long as I stay with the Government. I'm thinking of buying back my unclassified service. I know it could make a big difference down the road. The Plan's survivor benefits are an added bit of security for my daughter.

Joy Creed

Member since 2000

Information Counselor,
JobGrow and Training Hotlines
Ministry of Training, Colleges and Universities

A portrait of Tony Carneiro, a man with a shaved head, smiling. He is wearing a dark sweater. The background is a blurred orange and red wall.

value

It's important to plan ahead for your retirement. My wife and I have our own investments. But even if you have an investment plan, market conditions can have a big impact. So it's good that my OPTrust pension is guaranteed and it's nice to know it will keep up with inflation. Access to health and dental benefits is also important. The OPSEU Pension Plan is a really valuable benefit.

Tony Carneiro

Pensioner since 1999

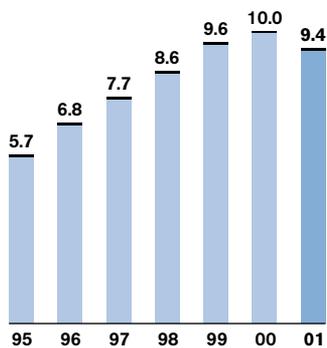
Senior Specification Writer (Retired)
Ontario Realty Corporation

Financial Highlights

At December 31 (\$ millions)		2001		2000
Net assets available for benefits	\$	9,426	\$	10,002
Actuarial value of net assets		9,617		9,296
Future cost of pension benefits		7,832		7,713
Surplus		1,785		1,583
Rate of return on investments		-3.5%		7.0%

Net Assets Available for Benefits

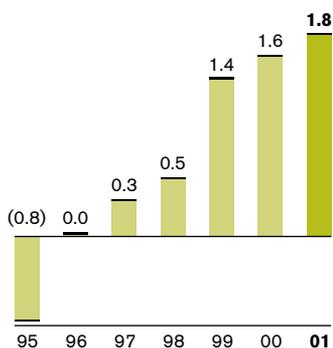
At December 31 (\$ billions)



OPTrust incurred an investment loss in 2001 for the first time since inception, reducing the Plan's net assets at year-end.

Financial Surplus (Deficiency)

At December 31 (\$ billions)



The "smoothing" of investment earnings from 1998-2001 contributed to the continued growth of OPTrust's financial statement surplus. The surplus is not a "gain" that can be used to reduce contributions or improve benefits. However, it is an important measure of the Plan's continued strength.

The Meaning of Security

MESSAGE FROM THE CHAIR AND VICE-CHAIR

The OPSEU Pension Trust exists for one reason: to provide a secure retirement income to you and more than 71,000 other members and pensioners of the OPSEU Pension Plan. As Trustees, we are responsible to you – and to the Plan’s sponsors, the Ontario Public Service Employees Union (OPSEU) and the Government of Ontario – for ensuring that this pension promise is met, now and into the future.

A GUARANTEED PENSION

In 2001, losses on the world’s major stock markets highlighted the value of an OPTrust pension. Through your contributions – and those made by your employer – you earn the right to a lifetime pension. Your pension is calculated using a set formula, based on your years of service and average salary.

Unlike most RRSPs and other individual investments, the value of your OPTrust pension is guaranteed. Once you retire, your pension will be adjusted annually for inflation. That adds up to stability now and security for your future.

A LONG-TERM PERSPECTIVE

To pay for your pension, OPTrust invests to achieve long-term growth, while keeping risk within acceptable limits. Like that of all major institutional investors, however, the Plan’s annual return is closely tied to the performance of the markets. With the global retreat of stock prices in 2001, OPTrust posted an investment loss of 3.5% for the year.

More important than the single-year return is OPTrust’s ability to grow the pension fund over a much longer period. Since 1995, we have achieved an 11.3% average annual return on investments. As a result, the Plan has reduced its unfunded liability, enhanced benefits, reduced member contributions and built up the reserve that was used to offset the investment loss experienced in 2001.

STABILITY

Investment returns vary based on a wide range of factors. That is why OPTrust maintains a diversified investment portfolio. This allows us to moderate exposure to market risks, while positioning the Plan for growth over the long-term. In 2001, we improved the Plan’s diversification by increasing the proportion of the fund invested in international stocks.



OPTrust Chair Stan Sanderson (left) and Vice-Chair Paul Sharkey

We also enhance the stability of the Plan by recognizing – or “smoothing” – each year’s investment returns over a four-year period. As a result, earnings held in reserve from 1998-2000 more than offset the portion of the 2001 losses recognized at year-end. This contributed to a \$202 million increase in the financial statement surplus to \$1.8 billion. The unrecognized portion of the 2001 investment loss will reduce the surplus over the next three years.

Every three years, OPTrust reviews the Plan’s funding status. Any “gains” (or losses) are shared equally between the members and pensioners and the Government of Ontario. The results of the next funding valuation will be ready in mid-2002.

DELIVERING SERVICE

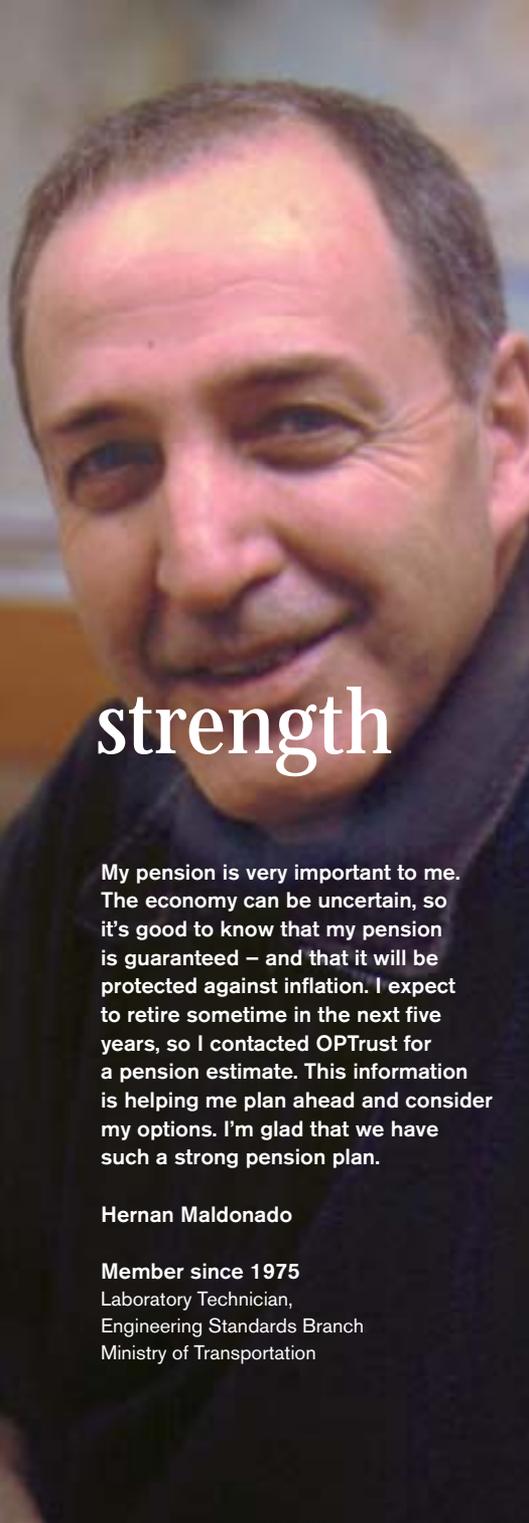
In addition to a secure pension, members and pensioners have told us that you count on OPTrust for useful information and prompt, reliable service. In 2001, we took a number of steps to better meet these needs:

- We launched a new client service system to give you faster telephone access to our staff, better follow-up on major transactions and a continued focus on personal service.
- We redesigned our Web site and newsletters and launched a new series of pension information seminars in communities across Ontario.
- We initiated an ongoing client satisfaction survey to track improvements, identify areas where we can do better, and help us continue to respond to your needs.

Looking ahead, OPTrust is committed to ensuring the long-term security of the pension promise, and to responding to your changing needs.

Stanley F. Sanderson
Chair

Paul Sharkey
Vice-Chair



strength

My pension is very important to me. The economy can be uncertain, so it's good to know that my pension is guaranteed – and that it will be protected against inflation. I expect to retire sometime in the next five years, so I contacted OPTrust for a pension estimate. This information is helping me plan ahead and consider my options. I'm glad that we have such a strong pension plan.

Hernan Maldonado

Member since 1975

Laboratory Technician,
Engineering Standards Branch
Ministry of Transportation



investment

As a contract – “or seasonal unclassified” – employee, I didn't have to join the pension plan, but it seemed like a good investment in the future. Now, I'm even more convinced it was the right thing to do. My OPTrust pension is the most important part of my retirement plan. I was very pleased when the OPSEU Pension Plan was created. It matters to me that my union is a sponsor of the Plan and is keeping on top of how it is invested and administered.

Dale Abel

Member since 1990

Staff Interpreter,
Sir James Whitney School for the Deaf
Ministry of Education

Meeting Your Service Needs

OPTrust completed 79,444 pension transactions in 2001, a 37% increase from the previous year.

We provided more than 31,000 pension estimates and quotes, up almost 60% from 2000.

Over 2,200 members and pensioners attended one of OPTrust's pension information seminars, held in more than 60 communities across Ontario.

For OPTrust's members and retirees, pension security means two things. First, it means a guaranteed benefit based on the Plan's pension formula, and a retirement income that is protected against inflation. Second, it means access to information and services that meet your immediate needs and help you plan for the future.

LISTENING TO YOU

At OPTrust we are always looking for ways to serve you better. In 2001, we launched a new client satisfaction survey, to get your views on the services you receive. Together with other feedback from members and pensioners, the results paint a clear picture of your service priorities – and how well OPTrust measures up.

IMPROVING SERVICES

This input helped shape our new “client-centred” approach to delivering services. Improvements include a new client service line that provides faster toll-free access to more than 30 OPTrust staff. Each transaction is now assigned to a single OPTrust representative, to give you a single point of contact and more consistent follow-up. At the same time, we've maintained our commitment to providing the prompt and courteous personal service that you've told us you value.

MEMBERSHIP SNAPSHOT

At December 31	2001	2000
Active members	48,221	50,993
Number of new members enrolled	4,237	3,640
Number of members terminating or retiring	5,971	4,440
Former members with entitlements in the Plan	3,944	2,906
Current pensioners	16,282	14,711
Deferred pensioners	3,206	1,929
Total members and pensioners	71,653	70,539

While OPTrust's active membership declined in 2001, the number of pensioners continued to grow. The Plan's changing demographics reflect the maturing of the membership base, the availability of Factor 80 and other early retirement options and continued changes in Ontario's public service.

OPTRUST'S PENSION FORMULA

At retirement, OPTrust members receive a lifetime pension, based on the following formula:

2% of Average Salary

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

times Credit

(years of credited service in the Plan)

less CPP Integration

(a reduction at age 65)

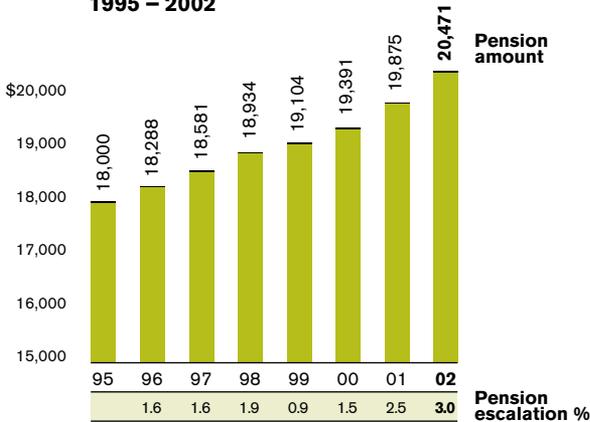
KEEPING YOU INFORMED

To make decisions about your pension and your retirement, you need clear, practical information about your pension plan.

In 2001, we made this information easier to access and use by:

- launching a new series of pension information seminars
- redesigning our Web site to include sections for members and pensioners
- providing on-line access to a new, more powerful pension estimate calculator, as well as our newsletters, booklets and commonly used forms
- creating an interactive multimedia introduction to the Plan for new members, available on CD-ROM or on our Web site
- improving our newsletters for members (*OPTions*) and pensioners (*The Pension Connection*) to make them more engaging and informative.

**Inflation Protection for Pensioners
1995 – 2002**



OPTrust pensions are adjusted annually for inflation. A pensioner who received a typical annual pension of \$18,000 in 1995 would receive \$20,471 in 2002.

Investing for a Secure Future

Since 1995, OPTrust has earned an average return of 11.3% per year, exceeding both our 7.5% target return and the market benchmark of 10.5%.

Despite a loss of 3.5% for 2001, OPTrust outperformed our benchmark in a year of challenging market conditions.

To pay for members' pensions, OPTrust's investments must grow by an average of 7.5% per year. This target is an important yardstick for measuring OPTrust's investment performance, particularly over the long-term. Since the Plan's launch in 1995, we have earned an average annual return of 11.3%.

Over the shorter term, investment results will vary from year to year, in response to changing market conditions. For this reason, OPTrust also compares our investment returns to indexes, or "benchmarks," that reflect the performance of particular markets. For example, the Toronto Stock Exchange (TSE) 300 Index is the benchmark for OPTrust's Canadian equity portfolio.

2001 INVESTMENT RESULTS

In 2001, OPTrust posted an investment loss of 3.5%, marking the first year in which the Plan's portfolio has lost value. While this contrasts with the strong results of previous years, our performance bettered the -4.4% return for the Plan's benchmark. In 2001, OPTrust's foreign and Canadian stock portfolios suffered losses, reflecting the global downturn in equities. These declines were partially offset by an 8.0 % return for our fixed income investments.

DIVERSIFICATION

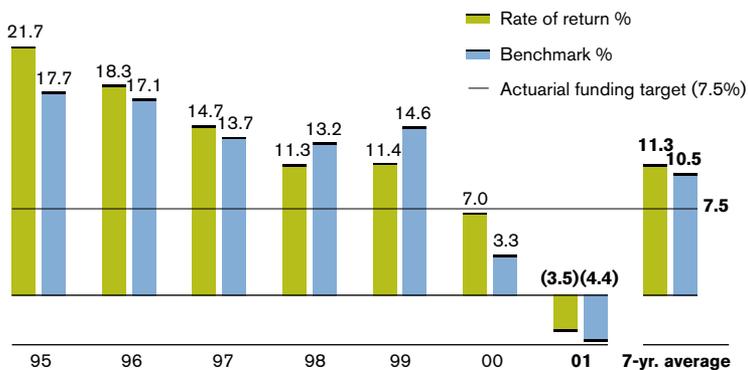
Different markets, sectors and individual investments will rise and fall as part of the normal business cycle. That is why diversification is central to our investment strategy. Diversification means not putting all the Plan's eggs in one basket. By investing in a range of asset types, and in different regions, OPTrust aims to diversify investment risk while enhancing the prospects for long-term growth.

2001 INVESTMENTS, RETURNS AND BENCHMARKS

At December 31	Investments (\$ millions)	OPTrust's Return (%)	Benchmark Return (%)
Canadian equities	2,193	-4.5	-12.6
Global equities	3,550	-12.7	-11.6
Fixed income	3,111	8.0	8.1
Real return bonds	494	0.2	0.6
Real estate	45	9.0	10.7
Fund total	9,393	-3.5	-4.4

Negative performance in Canadian and global equities over the year was partly offset by the strong performance of OPTrust's fixed income investments.

Returns vs. Benchmarks 1995-2001



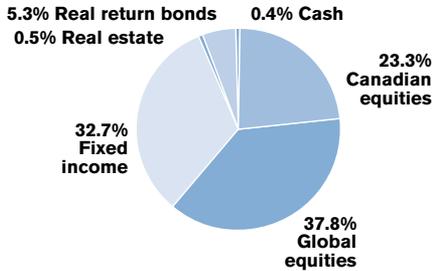
Investment returns have bettered the Plan's market-based benchmark in 5 of the past 7 years. The 7-year average return exceeded both the actuarial target and the benchmark return.

MANAGING THE PLAN'S INVESTMENTS

OPTrust's equity investments and a portion of the fixed income portfolio are managed externally by professional investment managers. These managers are given specific investment guidelines and are monitored by OPTrust's Investment Division. The Trustees have approved significant enhancements to the Office of OPTrust's Chief Investment Officer, which began in 2001. These changes will improve our ability to research investment opportunities, track and analyse performance, and manage investment risks and costs.

OPTrust's Asset Mix

At December 31



2001

In 2001, OPTrust increased our investment in global equities. This change broadens the Plan's diversification, reducing risks tied to individual markets, while enhancing the prospects for stable growth over the long term.

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.

Financial Overview

Investment earnings from previous years offset the recognized portion of the 2001 loss, contributing to an increase in the financial statement surplus to \$1.8 billion at year-end.

The 1999-2001 funding valuation, due in mid-2002, will determine if gains are available to pay down the unfunded liability, reduce contributions, improve benefits, or to be set aside to stabilize contributions in the future.

FINANCIAL STATEMENTS

Each year, OPTrust's financial statements provide a snapshot of the OPSEU Pension Plan's financial position and report on key indicators of the Plan's health. These include the Plan's net assets, the "actuarial value" of these assets after the smoothing of investment returns, the projected cost of members' and pensioners' earned benefits, and the surplus for financial statement purposes.

SMOOTHING INVESTMENT INCOME

Investment returns vary from year to year in response to changing market conditions. To cushion the impact of these fluctuations, OPTrust holds each year's investment returns in a reserve, to be recognized over a four-year period. This actuarial adjustment – or "smoothing" – helps provide a more stable base for our long-term pension obligations.

In 2001, OPTrust recognized smoothed earnings from 1998-2000, while part of the 2001 loss was held back for recognition in future years. This contributed to the increase in the financial statement surplus at year-end, despite an investment loss of \$359 million. The unrecognized portion of the 2001 loss will reduce investment earnings recognized over the next three years. At year-end, the total value of the smoothing reserve represented a deferred loss of \$191 million.

FUNDING STATUS

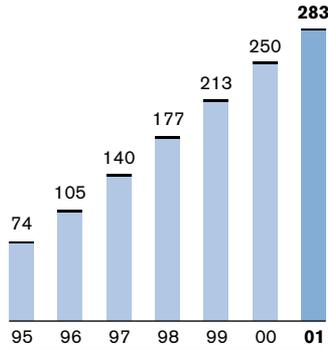
Every three years, OPTrust completes an "actuarial funding valuation" of the Plan. This valuation compares the available assets to the projected cost of members' and pensioners' current and future benefits. The next funding valuation, for the years 1999 to 2001, will be ready in mid-2002.

GAINS ALLOCATION

Any gains will be divided between the members and pensioners and the Government of Ontario. The Government must first use its share of any gains to pay down any unfunded liability it owes. Any additional amount can be used to lower employer contributions, improve benefits or be set aside as a contingency fund, at the Province’s discretion. The members’ share of any gains can be used, at OPSEU’s discretion, to reduce member contributions, improve benefits or add to a stabilization fund against possible future losses.

Any changes to OPTrust’s benefits or contribution rates require an amendment to the Plan approved by both sponsors. While the Plan’s \$1.8 billion financial statement surplus is not a funding gain, it is an indication that gains may be identified in the upcoming funding valuation.

Pension Payments
(\$ millions)



Pension payments continued to increase in 2001 reflecting annual inflation adjustments and an increase in the number of pensioners, as eligible members continue to access the Plan’s early retirement options.

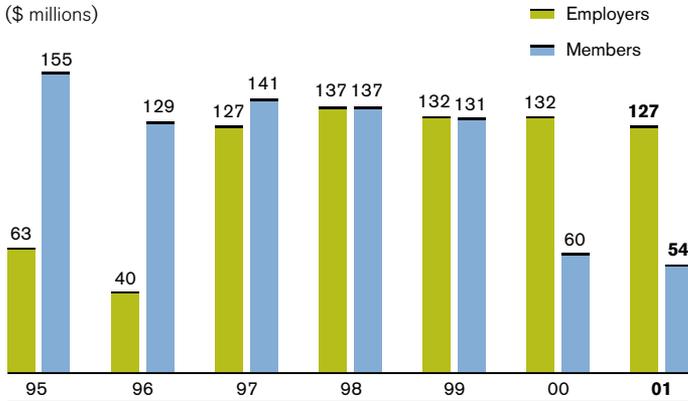
ACTUARIAL ASSETS, EARNED BENEFITS AND SURPLUS

At December 31 (\$billions)	Actuarial value of assets	Earned pension benefits	Surplus
1995	5.5	6.3	-0.8
1996	6.2	6.2	-
1997	7.0	6.7	0.3
1998	7.7	7.2	0.5
1999	8.6	7.2	1.4
2000	9.3	7.7	1.6
2001	9.6	7.8	1.8

The financial statement surplus continued to grow in 2001 as smoothed investment income from prior years more than offset the recognized portion of current year losses, increasing the actuarial value of net assets.

Contributions

(\$ millions)



Starting in December 1999, member contributions were reduced by 4% of salary £ until November 30, 2002. Employer contributions have continued at the normal rate.

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

Board of Trustees (At December 31, 2001)

Stanley F. Sanderson, Chair**
Former Vice-President (retired)
Assante Capital Management Ltd.

Paul Sharkey, Vice-Chair*
Court Interpreter/Translator
Ministry of the Attorney General

Robert Bellamy**
Former Vice-Chairman (retired)
Burns Fry Limited

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

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

David Rapaport*
Project Co-ordinator
Ministry of Education

Tony Ross**
Former Vice-Chair (retired)
Merrill Lynch Canada

The following Trustees left the Board in 2001. OPTrust thanks them for their significant contributions to the success of the OPSEU Pension Plan.

Jordan Berger*
Supervisor, Strategic Planning and
Policy Development
Ontario Public Service Employees Union (OPSEU)

Len Hupet*
First Vice-President/Treasurer
Ontario Public Service Employees Union (OPSEU)

Janine Johnson*
Northern Caseworker
Ministry of Community and Social Services

Paul Scott**
President and CEO
Ontario Clean Water Agency

* OPSEU Appointee

** Government of Ontario Appointee

GET THE BIG PICTURE



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

OPTrust Management, Administration Division

Colleen Parrish, LLB
President and Plan Manager

Robert Breens
Director, Policy, Communications and Trustee Support

Charlie Eigl, CA
Treasurer and Director, Finance and Administrative Services

Bill Foster
Director, Member and Pensioner Services

Graeme Isdale
Director, Information Technology

To May 2001:
Dan McArthur
Director, Policy, Communications and Trustee Support

OPTrust Management, Investment Division

Morgan Eastman
Chief Investment Officer

Bob Korkie
Head, Investment Research and Risk Management

Anca Drexler
Manager, Investment Operations

Professional Advisors to the Board

Actuary
Buck Consultants

Auditors
PricewaterhouseCoopers LLP

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.

How to reach us

CLIENT SERVICES

1 800 637-0024 (toll-free in Canada)
416 681-6100 (Toronto)

GENERAL INFORMATION

1 800 906-7738 (toll-free in Canada)
416 681-6161 (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

