

OPTions

A newsletter
for the members
of the OPSEU
Pension Trust

OPTrust Set to Eliminate Funding Shortfall by Year-end

OPTrust is on track to eliminate the OPSEU Pension Plan's unfunded liability as of the end of 2007 – 12 years ahead of schedule. That is the bottom line of an interim funding valuation completed by OPTrust's actuaries in June.

The actuarial study estimated the Plan's funding shortfall at \$105 million at the end of 2006, down from \$517 million the previous year.

Contribution rates & benefits

Like most major Canadian pension plans, OPTrust has been managing the impact of substantial investment losses in 2001 and 2002.

However, unlike many of these plans, we are set to eliminate the funding deficit without raising member and employer contributions above the normal rate, or reducing the pension benefits members earn in the future.

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2006.

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Market Drop Puts Focus on Security



Crunch: As global stock markets fell sharply in August, Canada's benchmark S&P/TSX Composite Index dropped from a record high 14,626 on July 19 to 12,849 on August 16, before closing the month at 13,660.

In August, investors around the world experienced a wave of turbulence as problems in the U.S. mortgage sector triggered significant declines in global financial markets.

For OPTrust members and pensioners, the good news is that the Plan has no direct investment in the subprime mortgage market and little exposure to the related "asset-backed" securities that were at the centre of the credit crunch. Like all major institutional investors, however, OPTrust is affected by swings in the broader Canadian and international equity and fixed-income markets.

As a long-term investor, OPTrust anticipates the possibility of significant short-term changes in market returns. Whether this summer's market upheaval will have any impact on the Plan's investment returns for 2007 will be known after the year-end.

> *Security... continued on page 3*



“This is a major achievement... It shows that with sound management of the Plan’s investments and liabilities and prudent funding decisions by OPSEU and the Government of Ontario as sponsors, OPTrust can continue to deliver long-term value for our members and retirees.”

– Jordan Berger
Chair of OPTrust’s Board of Trustees

Investment performance

The rapid reduction in the Plan’s funding shortfall is largely the result of OPTrust’s strong investment performance between 2003 and 2006.

Returns from these years have an impact now because OPTrust “smoothes” investment returns, recognizing part of each year’s investment gains or losses evenly over a five-year period.

As a result, the Plan’s 2007 funding valuation is expected to mark the end of the current funding deficit. The 2007 valuation will be ready in mid-2008 and, unlike the interim valuation, must be filed with Ontario’s pension regulators.

Conservative approach

Normally, pension plans are required to increase contribution rates or reduce future benefits if they have an unfunded liability. However, key decisions by OPSEU and the Government of Ontario helped avoid both of these scenarios.

In 2002, the sponsors took a conservative approach to the allocation of past funding gains. First, while part of the gains was used to pay for a number of temporary and permanent benefit changes, the sponsors were conscious of the need to avoid creating major funding problems in the future. Second, each sponsor set aside part of the gains in separate contribution stabilization reserves.

Since 2003, the sponsors have used these reserves to make payments totaling \$124 million against the current unfunded liability. This created a “breathing space,” allowing OPTrust to maintain contribution rates and benefits levels, while the outstanding deficit was gradually eliminated due to more recent investment earnings.

Funding outlook

In the short-term, OPTrust has a positive funding outlook. Over the longer term, however, like any large investment fund, the Plan will continue to face market risks – and the possibility of future funding shortfalls.

For example, to fund members’ and retirees’ pensions, OPTrust must earn an average investment return of 7% per year. In the absence of stabilization reserves, a shortfall of \$450 million – or about 3.5% of the fund’s \$13.1 billion market value – would be enough to trigger a 1% contribution rate increase.

OPTrust is therefore continuing to actively manage both the Plan’s investment portfolio and its pension liabilities to reduce the risk of future funding shortfalls, as well as providing advice to the sponsors on the stabilization reserves and the use of any future surplus.

FUNDING VALUATION HIGHLIGHTS At December 31, \$ millions	2004	2005	2006
OPTrust’s net assets (market value)	10,474	11,815	13,139
Unfunded liability	428	517	105
Stabilization funds			
Members	185	174	161
Government of Ontario	276	272	266

In the meantime, the market shock helped highlight the fundamental security of your pension – along with a range of tools that OPTrust uses to manage investment risks over the long-term.

A secure pension

The OPSEU Pension Plan is a “defined benefit” plan. This means that when you retire, your pension will be based on your best five-year average salary and your years of credit in the Plan.

Unlike RRSPs and other personal investments, your earned OPTrust pension is not affected by changes in the financial markets. What’s more, your pension is backed by a \$13.1 billion fund and future contributions by more than 47,000 members and the Government of Ontario.

Investing for the future

The value of members’ and retirees’ pensions grows over time. As a result, OPTrust must invest the Plan’s assets to generate the long-term returns needed to pay for members’ earned benefits. This, in turn, means that OPTrust accepts a degree of investment risk.

Diversification

One of the ways we manage this risk is by diversifying the Plan’s investment portfolio across a range of asset types and geographical regions.

Diversification has two main advantages. First, it increases the Plan’s ability to meet our investment return targets under a range of different economic scenarios. Second, it helps limit OPTrust’s exposure to downturns affecting individual markets or sectors.

OPTrust invests in a mix of assets, including Canadian and international stocks, fixed income investments, real-estate and private market holdings. This asset mix is designed to maximize our ability to cover the

projected cost of members’ pensions and reduce the risk of funding shortfalls over the long-term.

Smoothing

“Actuarial smoothing” is another tool that buffers the Plan against short-term market fluctuations. By recognizing part of each year’s investment gains or losses over a five-year period, we stabilize the actuarial value of the Plan’s net assets.

Since the projected cost of members’ and retirees’ pensions rises at a relatively steady pace, smoothing helps avoid sudden changes in the Plan’s funded status.

Stabilization funds

Finally, since 2002, OPSEU and the Government of Ontario have set aside a portion of past funding gains in separate reserves. If the Plan experiences a funding shortfall, the sponsors can use these reserves to avoid or limit increases in contribution rates.

Taken together, these measures are designed with two goals in mind. First, each helps to ensure the long-term security of the OPSEU Pension Plan and your OPTrust pension. Second, they help reduce the impact of market volatility in the short term, stabilizing contribution rates and members’ future benefits.

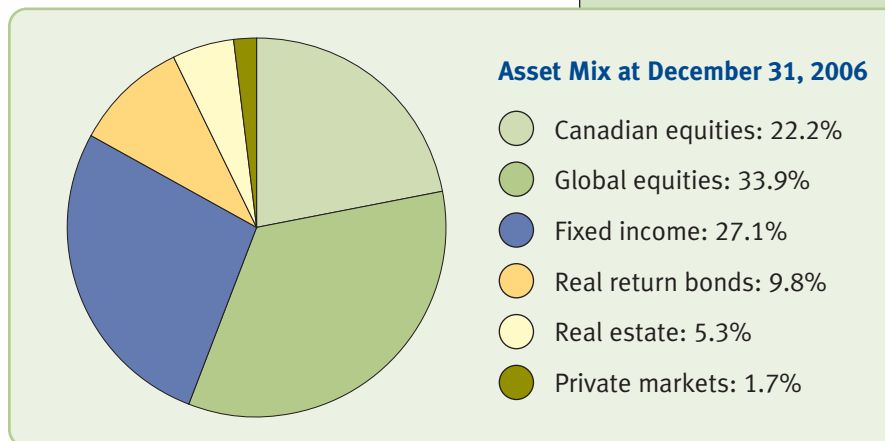
OPTrust’s Asset Mix

OPTrust’s asset mix is designed to achieve the Plan’s target rate of return over the long-term while managing the risk of funding shortfalls. To help meet this goal, OPTrust’s Board of Trustees has approved a series of measures to increase the Plan’s diversification over several years.

When fully implemented, this strategy will:

- raise the Plan’s real estate investment portfolio to 10% of the total fund
- add investments in private equity and infrastructure totaling 25% of the fund over time
- reduce the allocation to Canadian and global public equities and fixed income investments

For more information on OPTrust’s investment strategy, visit www.optrust.com.



Federal Budget Raises Pension Age Limit to 71

The most recent federal budget, tabled in March 2007, introduced two tax measures that broaden the pension options available to OPTrust members.

The changes to Canada's *Income Tax Act*:

- raise the "pension age limit" to 71, up from age 69
- open up an income-splitting option once you retire.

Pension age limit

Together with elimination of mandatory retirement in Ontario last year, the change to the pension age limit means that OPTrust members can now keep working and contributing to the OPSEU Pension Plan up to age 71.

While most OPTrust members will still choose to retire at or before age 65, delaying retirement may be attractive to some who want to continue increasing their future pensions.

If you continue working past age 65, you must start to receive your pension before the end of the calendar year

in which you turn 71. As a result, you must terminate your plan membership by November 30th of that year.

This change does not affect your ability to retire with an unreduced OPTrust pension at age 65 – or earlier, if you qualify for Factor 90 or 60/20.

The increase in the pension age limit also means you can continue contributing to your RRSP – and delay when you convert your RRSPs into retirement income – up to age 71.

Pension income splitting

Once you retire, the budget will also allow you to report part of your OPTrust pension as your spouse's income, for tax purposes. This may help you reduce your combined tax bill or qualify for certain tax credits.

Important: Your pension and your RRSPs are important financial assets. We recommend that you get independent advice from a qualified financial professional before making decisions about your pension and your retirement.

LMDA Update: Transfer Decision Deadline

In January, OPTrust welcomed almost 400 new members who transferred from the federal government to Ontario's Ministry of Training, Colleges and Universities under the federal-provincial labour market development agreement (LMDA).

These members now have an important decision to make about whether to transfer their federal pensions to OPTrust, or leave their past credit with the federal public service plan.

As part of this process, OPTrust sent affected members an "Appendix B2" form in September. This form provides members with estimates of:

- the transfer value of their federal pensions and the service it represents in the OPSEU Pension Plan
- the buyback cost, if there is any shortfall between the available transfer value and the cost of their federal service under the OPSEU Pension Plan.

To help explain the available options, OPTrust has held more than 20 information sessions for these members across the province and sent out three separate mailings, in addition to their regular enrolment information. Members who want to transfer their federal pensions must complete the Appendix B2 form and return it to OPTrust by the December 2007 due date listed on the form.

IMPORTANT:

If you joined OPTrust as part of the LMDA transfer but have not received your Appendix B2 form – or if you have any questions about your options – please contact OPTrust. Simply go to www.optrust.com to send us a secure e-mail, or call us at **416-681-6100** (in Toronto) or **1-800-637-0024** (toll free).

DIRECT contact

We bring your pension plan to you

Want to know more about the OPSEU Pension Plan?

OPTrust's Direct Contact sessions are a great way to learn more about your pension – directly from an OPTrust representative. Non-members who are eligible to join the Plan (e.g., unclassified, contract or casual employees) are also welcome to come and learn more about the benefits of enrolling.

Getting Ready to Retire – Evening Seminars

Our evening seminars are tailored for members who are within 10 years of retirement and cover key features of your pension.

Topics include:

- How your pension grows over your career
- How your pension is calculated and when you can retire
- What your options are if you leave your job
- What happens to your OPTrust pension at age 65
- What other benefits are available, **and more...**

See below for a schedule and information on how to register.



Understanding Your Pension – Lunchtime Sessions & Kiosks

OPTrust staff also offer shorter lunchtime seminars for members at any stage in their careers in workplaces across Ontario. Special sessions for unclassified/contract staff who may be interested in joining are also an option. We can also set up an OPTrust information kiosk in your building, where members – and eligible non-members – can drop by, pick up information and speak to one of our staff.

To book a lunchtime seminar or kiosk for your workplace, you or your human resources representative can contact us at infosessions@optrust.com.

Direct Contact Evening Seminars		5:30 to 7:30 pm
DATE	CITY	LOCATION
October 16, 2007	Chatham	Wheels Inn – 615 Richmond Street
November 6, 2007	Niagara Falls	Old Stone Inn – 5425 Robinson Street
November 20, 2007	North York	Holiday Inn Express – 30 Norfinch Drive
January 10, 2008	Cambridge	Best Western Cambridge – 730 Hespeler Road
January 22, 2008	Huntsville	HV Hidden Valley Resort – 1755 Valley Road
February 12, 2008	Toronto	Ramada Hotel, Toronto Don Valley – 185 Yorkland Blvd.
March 11, 2008	Woodstock	Quality Hotel & Suites – 580 Bruin Blvd.
March 26, 2008	Orangeville	Best Western Orangeville – 7 Buena Vista Drive

Future sessions will be scheduled for other communities across Ontario. To view a complete, up-to-date schedule and register online, go to www.optrust.com, look under “for members” and follow the links.

Register Now

- ⇒ sign up online at www.optrust.com, or
- ⇒ call us at **416-681-6100** or **1-800-637-0024**

Important: Space is limited. Please register at least two weeks in advance. Direct Contact sessions are designed to give you an overview of the OPSEU Pension Plan. OPTrust staff cannot provide personal financial advice.

OPTions Online: The Greener Way to Get Your Pension News



At OPTrust, we're always looking for ways to reduce our environmental "footprint." We have two good reasons for this. First, it's the right thing to do. Second, members like you have told us it matters.

Last year, as part of this effort we started mailing your *OPTions* newsletter without an envelope. This saves roughly half a metric ton of paper – and more than \$6,000 – each year.

OPTions online

What you may not realize is that there is an even more environmentally friendly alternative – receiving *OPTions* online.

All you need to do is sign up for OPTrust's secure *Online Services*. As part of the process, you'll be asked how you want to receive OPTrust communications. Just check the box to receive *OPTions* electronically.

If you're already registered for *Online Services* but still receive *OPTions* in the mail, simply log in, click on "Communicate with OPTrust" and follow the links.

Once you choose *OPTions* online, we'll send you a special e-mail notice when each new issue of the newsletter is posted to our website – often a week or more *before* the print version is in the mail.

Other Online Services features

Of course, there are plenty of other good reasons to sign up for *Online Services*. These include:

- updating your address and contact information
- checking and updating your list of beneficiaries
- receiving and viewing your *Annual Pension Statement* online
- communicating directly with OPTrust through secure e-mail
- checking the status of any ongoing buybacks and managing your payments
- signing up to receive OPTrust news alerts.

Getting started

For more information on how to register for *Online Services* – and to sign up for *OPTions* online – see the box below, or go to www.optrust.com. Of course, if you don't have access to the internet, or prefer the printed version of *OPTions*, we are happy to continue sending you a hard copy, as usual.

Register for OPTrust's Secure Online Services

Online Services. It's fast, convenient and green – and it's easy to register.

- Step 1** Go to www.optrust.com, find the *Online Services* icon and click on "register now."
- Step 2** Enter your personal information. You will need your Social Insurance Number, postal code, date of birth and a copy of your most recent *Annual Pension Statement*.
- Step 3** Enter the e-mail address you want to use to receive information from OPTrust.
- Step 4** Choose a password, then select a secret question and answer (in case you forget your password).
- Step 5** Select your communications preferences, including whether you want to receive *OPTions* online.



Need help registering?

Don't have your *Annual Pension Statement*? No problem. Just call us at **416-681-6100** or **1-800-637-0024**.

Protect your privacy.

Once you are registered, **do not** share your *Online Services* password.

Unclassified Enrolments Push Membership to 5-Year High

More than 1,900 unclassified, contract and casual employees opted to join the OPSEU Pension Plan between May 2006 and June 2007. This is up significantly from the approximately 1,400 non-permanent staff who joined the Plan over the previous 16 months.

The jump in unclassified enrolments helped boost the total number of active members in the Plan to 47,068 as of the end of June. OPTrust's active membership is up by 2,500 since the end of 2005, and stands at its highest level since 2002.

Outreach program

The increase in enrolments follows the launch of a new outreach program by OPTrust. The program is designed to inform eligible non-members about the Plan's benefits and their option to join. Unlike permanent employees, unclassified, contract and casual staff are not automatically enrolled in the Plan when they start their jobs, but they are eligible to join.

In May 2006, OPTrust sent letters and e-mail messages to more than 10,000 eligible employees with the Ontario Public Service, the LCBO and other OPTrust employers. Since then, notices sent to new contract staff each month have reached another 7,500 eligible employees.

This spring, OPTrust also introduced a new series of 20-minute lunchtime seminars for unclassified staff who want to find out more. Information on joining the Plan is also available online at www.optrust.com, including a special brochure and multi-media presentation for eligible non-members.

Advantages of joining

Joining the Plan gives unclassified employees access to the same valuable benefits as other OPTrust members. Key features of the Plan include:

- Easy contributions through automatic payroll deductions
- Employer contributions that cover part of the cost
- A secure, lifetime pension that grows with your salary and years of service
- The option to transfer your pension to an RRSP or another employer's pension plan, if you leave your job before age 55.

For unclassified employees who later become permanent, joining now can also mean a head start on their pensions. That's because contributing now is easier – and often less costly – than buying back credit for unclassified service at a later date.

More members also means a broader funding base for the Plan and greater stability for the future. So when unclassified employees join, it is good for OPTrust's 47,000 other members, too.

Tell a Co-worker

Do you have unclassified, contract or casual co-workers? If so, why not ask them if they know about their option to join OPTrust? Here's how eligible non-members can find out more:

- Visit www.optrust.com and click on "join the plan."
- Register for one of OPTrust's special lunchtime seminars for unclassified employees. Sessions are scheduled for October 30 and November 28 in Toronto. To register or find out about future sessions, send an e-mail to infosessions@optrust.com.
- Call OPTrust at **416-681-6100** (in Toronto) or **1-800-637-0024**.



"Joining OPTrust Made Sense to Me."

For Melanya Aguila, an unclassified communication officer at the Ministry of Government Services, the decision to join OPTrust was easy.

"I had a pension plan at a previous job, so I already knew how valuable a pension is," she told *OPTIONS*.

Security was one factor in Aguila's decision. "I have my own RRSP, but investing is risky," she explained. "So, it is good to know that my OPTrust pension is secure and will keep growing. Plus, I'll have the option of transferring my money if I leave the public service."

Convenience was important, too. "My contributions are automatically deducted from my pay, so it's an easy way to save for the future. And it's great that my employer pays part of the cost, too."

And because she is hoping to land a permanent position, it made sense to Aguila to enroll in the Plan now. "It's important to plan ahead," she said.



Question: I worked as a seasonal employee in the Ministry of Natural Resources for three summers when I was in university. Now, I've started a permanent job in the OPS. Can I buy back my unclassified service?

Answer: Yes. To buy back credit for your previous service, you must submit a buyback application to OPTrust within 24 months of the date you join the Plan. Once we receive your complete application, we will calculate the cost of your buyback and send you a purchase agreement.

Question: I joined OPTrust last year, when my job at the Ministry of the Attorney General was converted to "flexible part time." If I buy back my unclassified service, does the employer pay part of the cost?

Answer: Yes. When you buy back any "prior non-contributory service" with the OPSEU Pension Plan, your employer pays a share of the cost. This applies to previous contract or unclassified service. It also applies to unpaid leaves of absence due to illness, including when you are on WSIB, or if you are on a pregnancy, parental or adoption leave.

Question: I work at the LCBO and applied to buy back credit for six years of casual service when I joined OPTrust in 2003. However, I never made any payments. Can I still complete my buyback?

Answer: Yes. As long as OPTrust received your buyback application within the 24-month time limit, you have up to 10 years and three months from when we mail you your purchase agreement to complete your payments. To make payment arrangements, log onto OPTrust's secure *Online Services*, go to www.optrust.com to send us a secure e-mail, or contact us by phone.

OPTions

OPTions is a newsletter for members of the OPSEU Pension Trust. Its goal is to provide useful and timely information about the OPSEU Pension Plan.

If there is any conflict between statements in this newsletter and the legal documents of the OPSEU Pension Plan, the legal documents will prevail. Please direct any questions about your personal benefits under the Plan to OPTrust. You should contact OPTrust before making any pension-related decisions.

If you have any questions or comments, please contact us.



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