

THE
PENSION
connection

A newsletter
for the Pensioners
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.

Your secure pension

Of course, as a retired member, the unfunded liability has no impact on your monthly OPTrust pension. That's because under Ontario's *Pension Benefits Act*, any funding shortfall does not affect the pensions that members and retirees have earned for past service.

> *Funding... continued on page 2*

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

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Drug Cards Coming in November

If you qualify for insured benefits coverage provided by the Government of Ontario, your pay-direct drug card is on its way. Great-West Life (GWL) will mail the drug cards to all eligible OPTrust pensioners in November.

Once you receive your card, simply show it whenever you have a prescription filled anywhere in Canada. When you use your card, your pharmacist will receive instant authorization for your drug coverage. The 90 per cent of eligible drug costs covered by your plan will be charged directly to GWL. You will pay the \$3 deductible, plus the 10 per cent co-payment.



Great-West Life's new drug card for eligible OPTrust pensioners

> *Drug Cards... continued on page 3*



What's more, unlike many other major pension plans, OPTrust is set to eliminate the funding deficit without increasing active members' contribution rates or reducing the benefits they earn in the future.

“ 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

Like most major pension plans, OPTrust experienced a funding deficit as a result of substantial investment losses in 2001 and 2002. The rapid reduction in this shortfall is primarily due to OPTrust's strong investment performance between 2003 and 2006. The Plan's 2007 funding valuation will be ready in mid-2008 and is expected to mark the end of the current funding deficit.

Conservative approach

Key decisions by OPSEU and the Government of Ontario are the reason OPTrust is able to pay down the funding deficit with no impact on contributions or benefits.

In 2002, the sponsors took a conservative approach to the use 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 has allowed OPTrust to maintain normal contribution rates and benefit levels, while gradually eliminating the funding deficit.

OPTrust's 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.

OPTrust is actively managing both the Plan's investment portfolio and pension liabilities, to reduce the risk of future funding shortfalls. We will also continue to provide 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

Enrolment confirmation

To ensure that cards are issued correctly, GWL mailed each eligible pensioner an "enrolment confirmation" form this summer. The form summarized your coverage and listed the dependants who are covered under the plan.

All eligible retirees were asked to verify the information, sign the form and return it to GWL by the September deadline.

(New retirees who started their OPTrust pension after May, 2007, will be automatically included in the drug card program, provided they completed an *Application for Group Insurance at Retirement* form, as part of their retirement package.)

Cards for spouses and dependants

If you have family coverage and returned your enrolment confirmation form, GWL will send you one card for yourself and a second card for your spouse.

Either card can be used for prescriptions for eligible children. Any children aged 21 to 25 who qualify as full-time students under the benefits plan will receive their own cards.

If you did not return the form by the September deadline, you will still receive your own card. However, GWL will not

issue cards or process any claims for your dependants until you have confirmed your family coverage and dependant information.

Insured Benefits Change Form

If you did not receive a confirmation form from GWL – or did not return your completed form – you will need to fill in a *Great-West Life Insured Benefits Change* form (OPTrust 3011). Be sure to provide full information for each of your dependants. You should send your completed *Insured Benefits Change* form to OPTrust. We will forward this information to GWL, who will then issue drug cards as appropriate.

The *Great-West Life Insured Benefits Change* form is available from OPTrust online at www.optrust.com or by phone at 416-681-6100 or 1-800-637-0024.

You should also use the *Great-West Life Insured Benefits Change* form to make any future changes affecting your insured benefits coverage. This includes address changes, updates to your dependant's information or coverage, or changes to your life insurance beneficiaries. Completed forms should be sent to OPTrust.

Parlez-vous français?



For our francophone pensioners, OPTrust offers a French version of *The Pension Connection*. If you would prefer to receive your OPTrust newsletter in French, send us an e-mail at communications@optrust.com or contact our Member and Pensioner Services line at 416-681-6100 or 1-800-637-0024 (toll-free in Canada).

Questions about Your Coverage?



Have questions about your insured benefits coverage or the status of a claim? Contact Great-West Life at 1-800-874-5899 or 416-440-0406. You will need to provide your OPTrust ID number and GWL policy number 157838.

To download Great-West Life claim forms, go to www.greatwestlife.com. You can also view your claim details online through GroupNet, GWL's online service.

Market Drop Puts Focus on Security

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.

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

Investing for the future

As an investor, OPTrust’s goal is to generate the long-term growth needed to pay for your pension years into the future. We therefore anticipate the possibility of short-term swings in Canadian and international markets.

Diversification

One of the ways we manage this risk is by diversifying the Plan’s investments across a range of asset types

and geographical regions. This has two main advantages:

- It increases the Plan’s ability to meet our investment return targets under different economic scenarios.
- It helps limit the impact of downturns affecting individual markets or sectors, reducing 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 gradually recognizing part of each year’s investment gains or losses over a five-year period, “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 past funding gains in separate stabilization reserves. If the Plan experiences a funding deficit, the sponsors can use these reserves to avoid or limit increases in member and employer contribution rates.



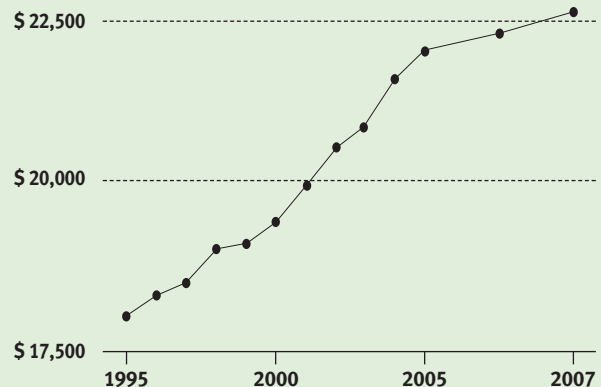
Crunch: As global stock markets fell sharply in August, Canada’s benchmark S&P/TSX Composite Index dropped from a record high 14,626 on July 19 to 12,849 on August 16, before closing the month at 13,660.

Your Secure Pension

The OPSEU Pension Plan is a “defined benefit” plan. This means that unlike RRSPs and other personal investments, the value of your OPTrust pension is not affected by changes in the financial markets.

Your pension is also protected against inflation, increasing each January to reflect changes in the cost of living.

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.



Inflation protection: An OPTrust retiree who had a typical annual pension of \$18,000 in 1995 will receive \$22,846 in 2007. The increase for 2008 will be reported in your December issue of *The Pension Connection*.

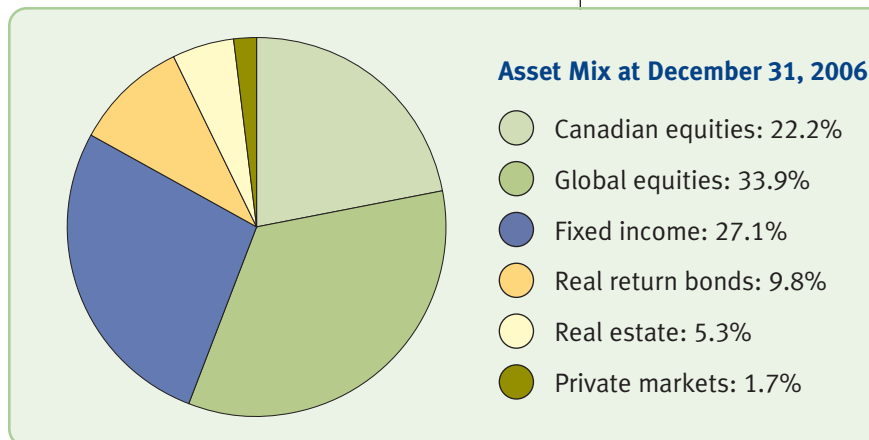
OPTrust's Asset Mix

Diversification is a key part of OPTrust's investment strategy. Simply put, diversification means not putting all your "eggs" in one "basket."

OPTrust applies that philosophy by investing in different types of assets, including Canadian and international stocks, fixed income investments, real estate and private market holdings.

This "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.



A word from the wise: OPTrust retiree René Lahaie shared his pension story in the 2006 OPTrust annual report.

Tell us YOUR pension story

What does retirement mean for you? More time with your family? A chance to travel or pursue other interests? Or maybe your OPTrust pension provides financial security while you work part-time or start your own business.

We'd like to hear your pension stories – and what you've learned about retirement. Where does your OPTrust pension fit into your financial plan? What are the key steps to meeting your retirement goals? And what advice would you give to other OPTrust pensioners and members?

To share your story, just write or e-mail us at the address below. If we use your story in *The Pension Connection* or on our website, we'll send you a special OPTrust portfolio, free.

Send your pension stories to:
The Pension Connection
c/o OPSEU Pension Trust
1 Adelaide St. East, Suite 1200
Toronto, ON M5C 3A7
E-mail: communications@optrust.com

The Pension Connection 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 and pensioners like you have told us it matters.

Last year, as part of this effort we started mailing your *Pension Connection* newsletter without an envelope.

The Pension Connection online

What you may not realize is that there is an even more environmentally friendly alternative – receiving *The Pension Connection* 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 OPTrust to communicate with you. Just check the box to receive *The Pension Connection* electronically.

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

Once you choose *The Pension Connection* 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
- checking and updating your tax and banking information
- communicating directly with OPTrust through secure e-mail.

Getting started

For more information on how to register for *Online Services* – and to sign up for *The Pension Connection* 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 *The Pension Connection*, we are happy to continue sending you a paper 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 T4A statement from OPTrust.
- Step 3** Enter your e-mail address.
- Step 4** Choose a password, and a secret question and answer (in case you forget your password).
- Step 5** Set your communications preferences, including whether you want to receive *The Pension Connection* online.

Need help registering?

Don't have your T4A statement handy? 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.

Online Security and Your Pension

Every day, more Canadians go online to find information, pay bills and make other transactions quickly and easily – and OPTrust pensioners are no exception. That's why more than 15,000 OPTrust members and pensioners have signed up for our secure *Online Services*. Through *Online Services*, you can check and update your personal, pension and banking information, view your T4A statement and update your beneficiary information. The system also lets you communicate directly with OPTrust using secure web-based e-mail.

Of course, increasing convenience should never mean compromising security. That is why *Online Services* uses the same state-of-the-art technology as banks and other financial institutions to protect your privacy and prevent unauthorized transactions.

The “combination” to your “vault”

When you register for *Online Services*, you will be asked to select a secret password. Together with your nine-digit OPTrust ID number, your password is the “combination” to your *Online Services* “vault.” It allows you to access your pension information – while keeping unauthorized users out.

The combination of your OPTrust ID and password are also the equivalent of an electronic signature. This allows you to make changes to your pension, banking and beneficiary information through *Online Services*, without having to submit a document with your hand-written signature.

Security: a shared responsibility

All this means that to keep your *Online Services* account secure, you should NOT share your *Online Services* password with anyone.

OPTrust will not provide anyone – including family members, accountants or other professionals – with access to your *Online Services* account.

This includes situations where there is a power of attorney. In these cases, we

will suspend the retiree's *Online Services* account, and require all requests and transactions to be submitted in writing.

Need personal assistance?

The only situation where we may permit a designated representative to access your *Online Services* account is if you have special needs and require assistance to access your pension information. To allow this access, you must complete an *Authorization for the Release of Personal Information* form (OPTrust 3004), available at www.optrust.com or by calling our Member and Pensioner Services line.

Convenient and Secure

Online Services is a fast and easy way to access your pension information, anywhere, anytime. By keeping your password secret, you can help make sure your *Online Services* account is as secure as it is convenient.

Forgot Your *Online Services* Password?

No problem. Simply go to www.optrust.com, find the *Online Services* logo and click on “Log in now” as usual. When the log-in screen appears, click on “I forgot my OPTrust ID number or password.”

Just follow the prompts and answer the secret question you selected when you registered. We will send you an e-mail with a new temporary password. When you log in again, you will have to answer your secret question again, and then choose a new secret password.

If you run into problems or don't receive your temporary password, please call our Member and Pensioner Services line.





Question: I didn't return my enrolment confirmation form to GWL. What should I do to get drug cards for my dependants?

Answer: If you did not receive your GWL "enrolment confirmation" form, or did not return it to GWL, you will need to complete a *Great-West Life Insured Benefits Change* form (OPTrust 3011) and return it to OPTrust. We will forward the necessary information to GWL, so they can enroll your dependants and issue cards as appropriate.

Question: Can I use my drug card to pay for my physiotherapy and other health costs? What about dental appointments?

Answer: No. Your drug card can only be used to pay for prescription drug costs. For all other eligible expenses, you will still need to pay the full cost up front, and submit a claim to GWL in writing. In some cases, your dentist may be able to submit your claim electronically on your behalf.

Question: My wife died last year. Can I name my adult daughter as beneficiary for my life insurance coverage?

Answer: Yes. You can name any individual or organization as your life insurance beneficiary. If you don't name a beneficiary, your insurance will be paid to your estate. To update your beneficiary, complete the *Great-West Life Insured Benefits Change* form and return it to OPTrust.

Updating Your Insured Benefits Information

Need to update your insured benefits coverage, change your mailing address or confirm your dependants for your drug card? Simply complete the *Great-West Life Insured Benefits Change* form and return it to OPTrust.

For a copy of the form, go to www.optrust.com and click on "Forms for Pensioners" or call our Member and Pensioner Services line.



The Pension Connection is published by OPSEU Pension Trust for its pensioners.

If you have any comments or questions, please contact **Member and Pensioner Services** at:

OPSEU Pension Trust
 1 Adelaide Street East, Suite 1200
 Toronto, Ontario M5C 3A7
 E-mail: email@optrust.com
 Tel: 416-681-6100 in Toronto
 1-800-637-0024 toll-free
 Fax: 416-681-6175
www.optrust.com



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 1 Adelaide Street East, Suite 1200
 Toronto, Ontario
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