Appendix "A" - Historical Overview

The Ontario Public Service Employees Union Pension Plan (the "Plan") was established effective January 1, 1993 as the result of an agreement (the "Sponsorship Agreement") between the Crown in right of Ontario and OPSEU. Pursuant to the Sponsorship Agreement, assets and liabilities in respect of members of the Public Service Pension Plan ("PSPP") who became members of this Plan were transferred from the PSPP to the Plan effective January 1, 1993.

The Transferred Initial Unfunded Liability for the Plan, established at January 1, 1993 in a valuation report prepared by William M. Mercer Limited, was $663 million. The transferable assets disclosed in that same report were established as 32.2% of the total assets of the PSPP.

A. Sponsorship Agreement Regarding Payment of Unfunded Liability and Sharing of Gains

The Sponsorship Agreement lays out the terms for the payment of the Transferred Initial Unfunded Liability determined as at January 1, 1993, the date of the inception of the Plan. It also lays out the manner in which emerging actuarial gains are to be shared between the two sponsors.

The following is a summary of events since the inception of the Plan that relate to the terms of the Sponsorship Agreement:

Initial Valuation as of January 1, 1993

Effective January 1, 1993 a schedule of special payments was established to be paid by the Employer to liquidate the Transferred Initial Unfunded Liability of $663 million over a period of up to 40 years. Over the period April 1, 1994 to March 31, 1997, however, the Sponsorship Agreement specified the following suspensions to Employer required contributions related to the payment of this unfunded liability:

- Employers were not required to make special payments with respect to any actuarial loss or unfunded liability for the period April 1, 1994 to March 31, 1997.
- Over the period April 1, 1994 to March 31, 1995 the Employer contributed reduced amounts in respect of its matching contributions required under the Plan.
- Employer contributions were further reduced in an amount equal to the special payments required to fund Factor 80 benefits by March 31, 1997; this cost was to be borne by the Plan.
- In addition, from April 1, 1994 to March 31, 1997, member contributions were reduced by 1% of salary.

December 31, 1995 Triennial Valuation

A valuation was performed as of December 31, 1995, which was filed with the regulatory authorities. That valuation revealed net actuarial gains totaling $72 million. These were applied directly to reduce the balance of the Transferred Initial Unfunded Liability, which had grown to $782 million from $663 million.

December 31, 1996 Interim Valuation
An interim valuation was performed as of December 31, 1996. That valuation revealed net actuarial gains of $36 million, which were shared equally between the members and the Employer. The Employer's share was used to reduce the amortization period for the payment of the Transferred Initial Unfunded Liability. The members' share was kept in the fund as a reserve.

December 31, 1998 Triennial Valuation
The next valuation was performed as of December 31, 1998, which was filed with the regulatory authorities. That valuation revealed gains over the period 1996 to 1998 inclusive of $1,334 million. These gains were shared equally between the members and the Employer. The members' share was used for benefit improvements, contribution reductions, and a Rate Stabilization Fund of $31 million was left in the fund as a buffer against any future losses that may arise. The Employer share of the gains was used to reduce the balance of the initial unfunded liability to $153 million as of December 31, 1998 and the amortization period to July 2003.

December 31, 1992 Restated Valuation
In accordance with Amendment No. 2 to the Sponsorship Agreement, Buck Consultants prepared the restated 1992 valuation in order to determine the gain or loss attributable to using accurate Plan member data. (The gain or loss is the difference between the net actuarial liabilities in respect of OPSEU Pension Plan members calculated as at December 31, 1992 in a valuation performed by William M. Mercer dated May 28, 1997, and the liabilities from the restated 1992 valuation to be performed by Buck Consultants with purified member data.)

The restated 1992 valuation was completed in March 2002. That valuation revealed a loss in the amount of $98.8 million, including interest to March 31, 2002. (In other words, the net actuarial liabilities determined at December 31, 1992 using purified data were higher than those determined by William M. Mercer.) That loss was paid in full by the Province in April 2002.

December 31, 2001 Triennial Valuation
The December 31, 2001 triennial valuation revealed actuarial gains totaling $867.1 million. In accordance with the Sponsorship Agreement those gains were shared as follows:

1. In accordance with Paragraph 56(a) of the Sponsorship Agreement, gains between the members and the Employer were shared equally until the Transferred Initial Unfunded Liability ("TIUL") was paid off by the Employer's use of its 50% share.

2. Following the application of Paragraph 56(a), 100% of the amount utilized under paragraph 54 was used exclusively for the benefit of the members, in accordance with paragraph 56(b). The amount utilized under paragraph 54 by the Employer to pay down the TIUL was the net actuarial gains for the years 1993 to 1995 (as disclosed in the December 31, 1995 valuation report) plus interest to March 31, 1997 ($72 million + $6 million = $78 million).

3. In accordance with Paragraph 56(c), all remaining gains after application of paragraphs 56(a) and 56(b) were shared equally between the members and the Employer.

The actuarial gains of $867.1 million were thus shared as follows:

Sponsorship Agreement Paragraph	$ 000's Employer Share	Member Share	Total
SA 56(a)	$ 63,415	$ 63,415	$ 126,830
SA 56(b)	0	78,485	78,485
SA 56(c)	330,869	330,869	661,738
Total	$ 394,284	$ 472,769	$ 867,053

In accordance with the Sponsorship Agreement, other agreements between the sponsors and the decisions made by OPSEU at their executive meetings held on September 11-12, 2002 and on January 23, 2003, the gains shown above were allocated as follows:

	$ 000's Employer Share	Member Share	Total
Balance of TIUL	$ 63,415	$ 0	$ 63,415
2002 CBA[(1)]	29,750	5,296	35,046
PDPP Settlement[(1)]	3,499	758	4,257
Benefit Improvements[(1)]	0	243,359	243,359
Contribution Reductions[(1)]	0	77,066	77,066
Rate Stabilization Fund	297,620	146,290	443,910
Total	$ 394,284	$ 472,769	$ 867,053

(1) Described in Sections B.3(c) and (d) below.

December 31, 2003 Valuation

The December 31, 2003 valuation showed an actuarial loss of $255 million. In accordance with Paragraph 56(c) of the Sponsorship Agreement, these losses were shared equally between the members and the Employer. The member and Employer Rate Stabilization Funds were utilized to fund each sponsor's respective share of these losses.

December 31, 2004 Valuation

The December 31, 2004 valuation showed an actuarial loss of $183 million. In accordance with Paragraph 56(c) of the Sponsorship Agreement, these losses were shared equally between the members and the Employer. The member and Employer Rate Stabilization Funds were utilized to fund each sponsor's respective share of these losses.

December 31, 2007 Valuation

The December 31, 2007 valuation showed a surplus of $470 million. In accordance with the Paragraph 56(c) of the Sponsorship Agreement, each sponsor directed that their share of the surplus be allocated to the Rate Stabilization Fund (RSF). Accordingly, the balance of each Sponsor's RSF was increased by $235 million.

B. Benefit Improvements/Plan Amendments

1. Negotiated Improvements

The following benefit improvements were negotiated in collective bargaining agreements between OPSEU and the Government of Ontario in 1996, 1999, 2002 and 2005.

(a) 1996 Collective Bargaining Agreement

(1) Factor 80 Re-Opener. Members laid off between March 28, 1996 and March 27, 1999 who achieved eligibility for Factor 80 benefits before April 1, 1996 could elect to retire under the Factor 80 program with unreduced benefits, even though they had more than 80 points.

(2) Bridge to Unreduced Retirement. Members laid off between March 28, 1996 and March 27, 1999 could continue to accrue pension credits to a maximum of 30 months and such service counted towards early retirement benefit eligibility provided the member made the required contributions to the Plan for the period and could qualify for unreduced retirement within the 30-month period.

(b) 1999 Collective Bargaining Agreement

(1) New Factor 80 and Factor 80 Re-Opener. Any person who is laid off after March 27, 1999 and before April 1, 2002 and who has 80 or more points at the time of lay-off may retire with an unreduced pension.

(2) New Bridge to Unreduced Retirement. Members laid off between March 27, 1999 and December 31, 2001 would continue to accrue pension credits to the date upon which they would have obtained 80 points, provided they continued to contribute during this period. To qualify for this benefit, a laid-off member must meet this 80-point criterion before April 1, 2002.

(c) 2002 Collective Bargaining Agreement

Factor 80 Re-Opener and the Bridge to Unreduced Retirement. These benefits were extended to December 31, 2004. The estimated increase in the net actuarial liability as a result of these extensions was $24.5 million for the Factor 80 Re-Opener and $10.5 million for the Bridge to Unreduced Retirement. The Factor 80 Re-Opener was funded entirely by the Employers and the funding for the Bridge to Unreduced Retirement was shared between the sponsors.

(d) 2005 Collective Bargaining Agreement

Factor 80 Re-Opener. This benefit was extended to December 31, 2008. The estimated increase in the net actuarial liability as a result of this extension was $71.8 million, and was funded entirely by the employers.

2. Utilization of Rate Stabilization Funds

(a) Member RSFs

The Factor 80 retirement benefit was extended from March 31, 2002 to October 31, 2002. The estimated increase in the net actuarial liability as a result of this extension was $36 million as of December 31, 2001. This benefit was funded from the member Rate Stabilization Fund established at the December 31, 1998 triennial valuation.

(b) Employer RSFs

Pursuant to the 2005 Collective Bargaining Agreement, the Factor 80 Re-Opener was extended to December 31, 2008. The estimated increase in the Net Actuarial Liability as a result of this extension was $71.8 million. This benefit was funded from the Employer Rate Stabilization Fund.

3. Utilization and Allocation of Actuarial Gains/Losses

The following is a summary of the utilization of actuarial gains and losses in each of the December 31, 2004, December 31, 2003, December 31, 2001 and December 31, 1998 valuations.

(a) Member Utilization of Actuarial Gains as of December 31, 1998

At OPSEU's Executive Board meeting on August 26, 1999, a motion was passed to utilize the members' share of the actuarial gains accumulated from December 31, 1995 to December 31, 1998 to provide the following benefit improvements and contribution reductions effective December 1, 1999. These benefit improvements utilized $636 million of the members' share of the actuarial gains. The remaining member share of the actuarial gains ($31 million) was left as a Rate Stabilization Fund to offset any future losses that may arise.

(1) The Factor 80 retirement benefit was extended from April 1, 2000 to March 31, 2002. This benefit provides that a member whose age plus service total 80 years prior to April 1, 2002 may elect within 92 days of attaining 80 points to retire and receive an unreduced pension.

(2) The post-retirement survivor benefit under the Plan was increased from 50% to 60% of the member's lifetime pension.

(3) The CPP offset is calculated using the average YMPE over five years instead of the current three years, and is based on 0.675% of the average YMPE instead of 0.7%.

(4) For early reduced retirements occurring during the five-year period beginning December 1, 1999, the 5% per year early retirement reduction from age 65 will be applied from the earliest age at which the member is eligible for an unreduced pension under the permanent retirement provisions of the Plan.

(5) The application of the CPP offset prior to age 65 for members in receipt of a disability pension was eliminated.

(6) Member contributions were reduced by 4% of earnings for 36 months beginning with the pay period that includes December 1, 1999.

With the exception of items (1) and (4), the benefit improvements applied to all active, divested (special deferred) and deferred vested members. Item (1) applied to active and divested members only; item (4) applied to active, divested and deferred members only. In addition, items (2), (3) and (5) also applied to current retirees on a prospective payment basis from December 1, 1999.

(b) Employer Utilization of Actuarial Gains as of December 31, 1998

The Employer applied its share of the actuarial gains to pay down the Transferred Initial Unfunded Liability in accordance with the Sponsorship Agreement.

(c) Member Utilization of Actuarial Gains as of December 31, 2001

The members' share of the actuarial gains accumulated since December 31, 1998 totals $472,769,000. As of December 31, 2001 the following allocations were made:

(1) Pursuant to the 2002 Collective Bargaining Agreement, the Factor 80 Re-Opener and the Bridge to Factor 80 was extended to December 31, 2004. This resulted in a $35 million increase in the net actuarial liability. The portion of the members' share of the actuarial gains used to pay for this increase amounts to $5,296,000.

(2) An amount of $758,000 was allocated towards the Pension Data Purification Project Grievance Settlement between OPSEU and the Province.

(3) At OPSEU's Executive Board meeting on September 11 and 12, 2002, a motion was passed to utilize the members' share of the actuarial gains accumulated since December 31, 1998 to provide the following benefit improvements and contribution reductions. The increase in the net actuarial liability in respect of these amendments has been included in this valuation.

(i) The current Factor 80 retirement benefit has been extended from November 1, 2002 to March 31, 2005. This benefit provides that a member whose age plus service total 80 years prior to April 1, 2005 may elect within 92 days of attaining 80 points to retire and receive an unreduced pension.

(ii) The current "Points-Off" program has been extended from December 1, 2004 to December 31, 2005. Under this program, for reduced early retirements occurring prior to January 1, 2006, the 5% per year early retirement reduction normally applied from age 65 will be applied from the earliest age at which the member is eligible for an unreduced pension under the permanent retirement provisions of the Plan.

(iii) Effective December 1, 2002 the CPP benefit offset is to be based on 0.655% of the average YMPE instead of 0.675%.

(iv) Effective December 1, 2002, where a retired member dies prior to age 65 and leaves a surviving spouse, in addition to receiving 60% of the deceased member's lifetime pension, that spouse will also receive 60% of the member's bridge pension until the month in which the deceased member would have attained age 65, or the death of the spouse if earlier.

(v) For the 36 months beginning with the pay period that includes December 1, 2002, member contributions as a percentage of earnings will be reduced as follows:

- 3% reduction for the first 12-month period;
- 2% reduction for the second 12-month period; and
- 1% reduction for the third 12-month period.

At OPSEU's Executive Board Meeting on January 23, 2003 a motion was passed to extend the benefit improvements (i) to (iv) to divested members.

The temporary benefit improvements (i) and (ii) above apply to active and divested members only. The permanent benefit improvements (iii) and (iv) apply prospectively to all members and pensioners and the contribution reductions in (v) apply to all active members.

The benefit improvements and contribution reductions described in (1) to (3) above utilized $326,479,000 of the members' share of the actuarial gains as of December 31, 2001, leaving remaining gains of $146,290,000. These remaining funds were added to the existing member Rate Stabilization Fund of $2,600,000.

(d) Employer Utilization of Actuarial Gains as of December 31, 2001

The Employer share of the actuarial gains accumulated since December 31, 1998 amounts to $394,284,000. As of December 31, 2001 the following allocations were made:

(1) The amount of $63.4 million was used to pay the balance of the Transferred Initial Unfunded Liability.

(2) The portion of the Employer's share of the actuarial gains used to pay for the extension of the Factor 80 Re-Opener and the Bridge to Factor 80 amounts to $29,750,000, pursuant to the 2002 Collective Bargaining Agreement.

(3) An amount of $3,499,000 was allocated towards the Pension Data Purification Project Grievance Settlement between OPSEU and the Province.

The above allocations of the Employer's share of the gains total $96,664,000 leaving $297,620,000 of gains. In January 2003 the Government advised that the total amount of these remaining gains are to be allocated to a contribution Rate Stabilization Fund.

(e) Allocation of Actuarial Gains/Losses as of December 31, 2003

At OPSEU's Executive Board meeting on January 22, 2004 a motion was passed to reverse the 1% member contribution reduction scheduled for the 12-month period beginning December 1, 2004. This reversal is to become effective January 1, 2005. The resulting gain of $13 million has been allocated to the member Rate Stabilization Fund at December 31, 2003.

The December 31, 2003 valuation showed a loss of $255 million, which represented the deficit under the Plan as of December 31, 2003. The deficit was amortized through total annual payments of $28 million over a period of not more than 15 years. The member and Employer Rate Stabilization Funds were utilized to fund each sponsor's respective share ($14 million) of this deficit.

(f) Allocation of Actuarial Gains/Losses as of December 31, 2004

The December 31, 2004 valuation showed a loss of $183 million, which increased the deficit under the Plan to $428 million. The deficit was amortized through total annual payments of $20 million over a period of not more than 15 years. The member and Employer Rate Stabilization Funds were utilized to fund each sponsor's respective share ($10 million) of this deficit.

(g) Allocation of Actuarial Gains/Losses as of December 31, 2007

The December 31, 2007 valuation showed a net actuarial gain of $841 million , resulting in a surplus of $470 million as of that date. In accordance with the decisions made by the member and Employer sponsors, this surplus was allocated to the member and Employer RSFs. Annual payments from the RSFs to amortize deficits from prior valuations were eliminated and the member and Employer RSFs were each increased $235 million.