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# Our jointly sponsored Defined Benefit plan retirement income at a reasonable cost —

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**105%**  
funded

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Fully funded on a going-concern basis

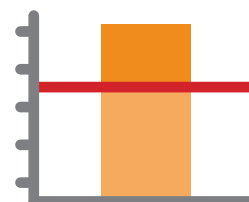


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**\$7.1**  
billion

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Assets to pay pensions



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**13.9%**  
net return  
for 2013

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14.5%  
gross return

WE DELIVER

**VAIL**

is efficient at delivering predictable  
making it a model for modern pension plans.

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**\$37,400**

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Average annual pension at retirement in 2013. For all retired members and survivors, the average pension is \$23,700



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**93%**

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Of retired members reported they feel the Plan offers excellent or good value



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Over  
**70¢**

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Of every pension dollar paid comes from investment income. The remaining amount is shared equally by members and their employers

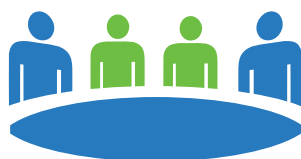
**VALUE**

# WE PROVIDE STABILITY



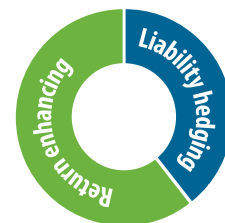
**\$525 million**  
funding reserve

105% funded on  
going-concern basis



**Joint governance**  
by members  
and employers

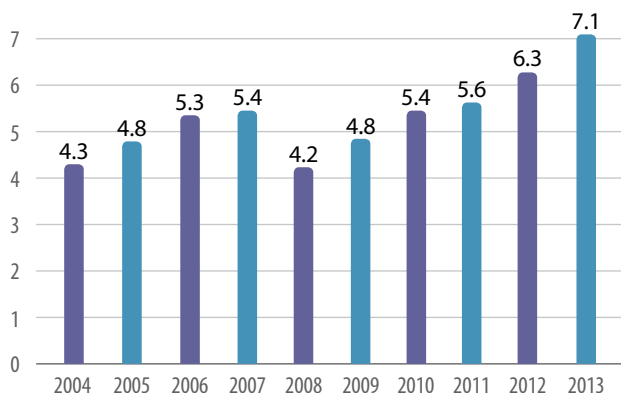
Equal sharing  
of decisions  
50/50 cost sharing



**Well-diversified**  
asset mix

Sophisticated  
Risk-appropriate

**Growth in net assets**  
(\$ billions, at end of each year)



**Contribution  
stability  
until at least 2019**

**Formal Funding Policy  
drives decisions**

Focus is on long-term financial  
health of Plan

Balanced use of reserves, stability  
contributions and conditional benefits

# WE'RE READY FOR GROWTH



**\$860**  
million

2013 investment  
income



**1,500**  
net new members

730 retired in 2013

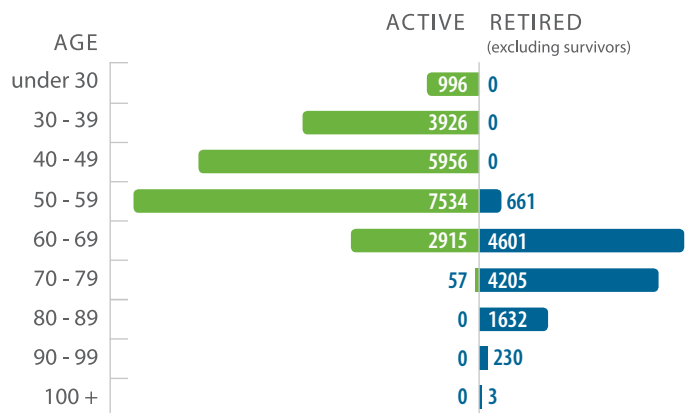


**New pension  
administration  
system**

Risk management  
Efficiencies

Plan is growing  
with a healthy  
mix of active and  
retired members

## Demographic profile



# WE VALUE YOUR TRUST

THE CAAT PENSION PLAN IS JOINTLY GOVERNED BY MEMBERS AND EMPLOYERS, WHICH MEANS THOSE WHO BEAR THE RISKS HAVE SEATS AT THE GOVERNANCE TABLE AND SHARE COSTS AND RESPONSIBILITIES EQUALLY.

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Although our staff works closely with participating employers and member groups, we are a separate entity and must, by law, act in the financial best interest of the Plan and its members. The Plan governors operate in a bicameral system consisting of the Board of Trustees and a Sponsors' Committee. The 12 Trustees on the Board are responsible for overseeing Plan management, the administration of pensions, and the investment of Plan assets. Trustees govern by consensus.

The eight members of the Sponsors' Committee are responsible for the Plan design and contribution rates and their decisions require unanimous agreement.

The Trustees and members of the Sponsors' Committee are appointed in equal numbers by employer and employee representative organizations and are entrusted with the authority to make prudent and sometimes difficult decisions to ensure the long-term sustainability of the Plan.

## PRUDENCE AND FORESIGHT PAYS DIVIDENDS

The resilience of our governance structure has proven to be a distinguishing feature of the Plan and has been vital to its success. Our colleagues on the Board and the Sponsors' Committee are singularly focused on providing an appropriate, secure pension benefit at a reasonable cost.

The Plan's prescriptive Funding Policy ensures fairness by sharing risks and responsibilities. The CAAT Pension Plan is fully funded on a going-concern basis, with growing funding reserves to help absorb economic shocks or unexpected demographic trends and secure conditional inflation protection increases. The Plan's reserve is currently \$525 million.

The Plan filed a valuation with the Financial Services Commission of Ontario earlier this year, providing contribution and benefit stability for the next four years.

## ONTARIO COLLEGES & UNIVERSITIES PENSION PLAN

We look forward to universities joining with us to build an even stronger plan with secure benefits, predictable costs, and lower risk.

As the multi-employer pension plan in the postsecondary education sector, we are well equipped and ready to welcome interested Ontario universities and their members to the Plan. When the first university merges with us we will become the Ontario Colleges & Universities Pension Plan. We will adapt our existing visual image to the new name to underscore that although we will have changed, we will still be the same well-governed Plan.

This past year we also laid the groundwork for changes to the governance structure if these mergers begin. The addition of like-minded institutions and members will continue to build on the Plan's established tradition of joint governance. New seats on our Sponsors' Committee and Board of Trustees will be allocated as universities merge with the Plan; however, the college system will retain at least half the representation, regardless of how many universities join.

We look forward to universities joining with us to build an even stronger plan with secure benefits, predictable costs, and lower risk.

### CONTINUITY

Membership on the Board of Trustees did not change in 2013 but we saw two members join the Sponsors' Committee. Co-Chairs Marilou Martin and Jeff Zabudsky welcomed Patrick Kennedy, an employee representative and president of OPSEU Local 415, which represents faculty at Algonquin College, and Steve Hudson, an employer representative and vice-president, academic at Niagara College. Mr. Kennedy joined July 1, 2013, while Dr. Hudson joined on January 1, 2014. They were appointed when the terms of Edward (Ted) Montgomery and Barb Cameron ended.

The Board remains steadfast in its commitment to work with all stakeholders and to transparency to help keep the Plan sustainable and strong for current and future beneficiaries.

We are proud of the management team and the exemplary work they are doing on behalf of members and employers. Under the extremely capable leadership of Derek Dobson, the team of talented professionals with pension and investment expertise has set and achieved standards of excellence and established the Plan as a model for the sector.



**Darryl Bedford,**  
Chair

**Donald Walcot,**  
Vice-Chair



Donald Walcot, Vice-Chair (left)  
and Darryl Bedford, Chair

# DEDICATED PENSION EXPERTS

THE ANNUAL REPORT PROVIDES AN IMPORTANT OPPORTUNITY TO COMMUNICATE WITH STAKEHOLDERS ABOUT OUR NOTABLE ACCOMPLISHMENTS, THE CHALLENGES WE FACE, AND THE DIRECTION WE'RE HEADING.

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We ended 2013 in a sound financial position and with a larger funding reserve. Plan assets increased to \$7.1 billion, while the reserve grew, to \$525 million (on a going-concern basis). This sizable reserve ensures stable contribution rates at least until 2019, it's not sufficient to reduce the stability contributions prescribed by the Plan's Funding Policy.

Our investments earned a net annualized rate of return of 13.9%, moving the important five-year annualized net rate of return to 11.1%. We continue to outperform our composite benchmark, this year by 2.1%, resulting in \$130 million of added value. The Plan's investment returns place us among top-performing<sup>1</sup> Canadian pension plans.

We have doubled our efforts to work more closely with our employers to deliver a consistent level of service throughout the college system. We recently began the test phase of a new pension system, which will go live later this year, to further

enhance our service to members and employers while reducing risk.

Our Stakeholder Engagement Survey was an important initiative in 2013. We received 4,700 responses, mostly from active and retired members, and the results confirmed that members overwhelmingly value and depend on their pensions. As well, employers see pensions as an important advantage to attract and retain top talent. Both members and employers also value the independence of the CAAT Pension Plan and the shared risk and responsibility that are the attributes of its joint-governance structure.

## THE CHALLENGES AHEAD

The CAAT Plan has done well, but broader, pension-related issues continue to emerge. Most Canadians are not saving enough for retirement and the number with a workplace pension continues to decline, a trend most pronounced in the private sector. Some argue that pensions are too expensive, but as individuals and as

a country, we can't afford not to save for retirement. Failure to do so will place an unsustainable burden on essential social programs, such as healthcare and education.

We will continue using our pension expertise to help inform the public debate by presenting the facts such as, the jointly sponsored defined benefit (DB) pension plan model remains extremely efficient at providing retirement income. Pension plans also provide billions for long-term investments in Ontario and Canada. They help members and their families retire with enough income to live with dignity. Their members are less likely to need social programs and they pay taxes.

The CAAT Plan is working with nine other public sector pension plans from across the country to add our collective voice to the pension debate. Through the Canadian Public Pension Leadership Council, a group that was created in November 2013, and

<sup>1</sup> Universe Source: The Bank of New York Mellon Corporation, that includes pension plans, endowments, and foundations.



“ The CAAT Pension Plan ended 2013 in a sound financial position. By year-end, the Plan had grown to \$7.1 billion in assets, with a healthy funding reserve of \$525 million. ” – Derek Dobson

one I'm honoured to co-chair, we are lending our knowledge and expertise to the discussion so that good, long-term, and sustainable policy can be created to benefit everyone.

#### MERGERS WITH UNIVERSITY PENSION PLANS

We continue to make steady progress on voluntary mergers with interested university pension plans. The principle that has guided our discussions is to act in the best interest of Plan members. This means the Plan will not assume responsibility for a university plan's past shortfall. In addition, the Plan will retain at least 50% of governance roles for colleges and their members.

A good deal of work has been done by the Plan since the start of this initiative more than two years ago. In preparation, the CAAT Pension Plan governors have already approved a name change, effective when the first university joins. The new name would be: Ontario

Colleges & Universities Pension Plan, shortened to *OCU Pension Plan*.

Our success as an organization has been recognized, for the second consecutive year, in being named one of the Best Small and Medium Employers in Canada, as determined by Aon Hewitt and Queen's University School of Business. This year we ranked 13th, up from 29th the previous year.

Our strategic priorities to deliver value, provide timely education and service, reduce and manage risk, and control long-term costs, continue to drive our success as the postsecondary education sector pension plan.



**Derek W. Dobson,**  
*CEO and Plan Manager*



# MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FOLLOWING INFORMATION PROVIDES ANALYSIS OF THE OPERATIONS AND FINANCIAL POSITION OF THE CAAT PENSION PLAN AND SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND ACCOMPANYING NOTES FOR THE YEAR ENDED DECEMBER 31, 2013.

The CAAT Pension Plan provides employees of Ontario's 24 community colleges and seven related employers with defined benefit pensions. These pensions are financed by equal contributions from members and employers and, to a greater extent, by the investment returns on those contributions. The Plan has 22,000 members who work full or part-time, 13,100 retired members and surviving spouses, and 1,700 members with a deferred pension they will collect at retirement.

The Plan carries out its work by defining and administering lifetime pensions, estimating the long-term cost of those pensions, then setting contribution levels and investing these contributions to secure the benefits. Our expertise in managing through the myriad risks faced by pension plans – from demographic to economic and investment market – while ensuring regulatory compliance creates value for our members and their employers.

As a jointly sponsored pension plan, members and employers have equal say in Plan decisions through their

representatives on the Plan's two governing bodies: the Board of Trustees and the Sponsors' Committee. The governors are appointed by the three Plan sponsors: Colleges Ontario on behalf of the college boards of governors, the Ontario College Administrative Staff Association (OCASA), and the Ontario Public Service Employees Union (OPSEU).

**Our expertise in managing through the myriad risks faced by pension plans creates value for our members and employers.**

The Plan further improved its financial position in 2013 while continuing to assume a level of risk appropriate for our liabilities and the tolerances of the sponsors. The Plan's most recent filed actuarial valuation shows the Plan is 105% funded on a going-concern basis, as at January 1, 2014. Reserves rose to \$525 million from \$347 million in the prior year.

The market value of the Plan's assets, as of the end of 2013, was \$7.1 billion, up from \$6.3 billion in the prior year.

## STRATEGY AND PRIORITIES

In 2013, we renewed our strategy to define and reinforce the value of the Plan for members and employers. This aligns with our mission: to improve the financial security of members in retirement with appropriate and secure benefits supported by stable and affordable contribution rates.

### Our strategic priorities:

#### Delivering value –

A superior, well-managed Plan that fulfills the pension promise at a reasonable cost.

#### Providing timely education and service –

Transparent disclosure of information that helps members better understand their benefit and its value and how the Plan is managed on their behalf.

#### Reducing and managing risk –

The Plan's Funding Policy and well-diversified asset mix help us manage contribution volatility and intergenerational equity.

#### Controlling long-term costs –

The Plan is long-established, efficient, and low-cost to run.

# BENEFITS AND ADMINISTRATION

Our legal, actuarial, and pension administration experts ensure adherence to complex federal and provincial regulations, as well as quality and efficiency in the calculation of benefits and delivery of service. They also work closely with employers to support them to perform local administration work.

## PLAN FUNDING

The Plan's actuarial valuation, as at January 1, 2014, shows the Plan 105% funded on a going-concern basis. Funding reserves rose to \$525 million from \$347 million in the previous filed valuation as at January 1, 2013.

This improvement in the Plan's funded position is consistent with the course the Plan governors have set to achieve steady gains while assuming a level of risk appropriate to our long-term liabilities – the lifetime pensions owed to our members.

Based on this latest valuation, we were able to announce that conditional inflation protection increases on service

earned after 2007 will be granted to retired members through to at least January 1, 2018.

A previously scheduled 0.4% increase to 2013 contribution rates that was announced in 2011 took effect in 2014 for a blended average rate of 12.2% of pay (11.2% up to and 14.8% above the YMPE<sup>1</sup>). Those rates will remain stable until at least the next filed valuation.

In 2013, rising interest rates provided latitude to increase our valuation discount rate to further improve the Plan's funded position. We chose to maintain the discount rate to reflect the desired level of benefit security.

Pension funds value their assets for actuarial valuation purposes using a smoothing calculation that helps to reduce the volatility in the level of assets affecting funded status and, in turn, contribution rates. With this valuation we moved to smoothing the returns of all asset classes over a five-year period. In previous valuations only equity returns were smoothed. The change, which added \$237 million to the value of assets compared to the prior smoothing method, was appropriate because we have significantly increased the allocation of assets to classes other than public bonds and equities. It also better aligns the valuation of assets with the way we value liabilities (pensions owed to members), which are no longer tied to a discount rate based on fixed-income yields.

On the other side of the balance sheet, an additional \$80 million was added to liabilities in anticipation of further increases to life expectancy based on updated mortality tables issued by the Canadian Institute of Actuaries. This increase would have been larger had the Plan not already adopted in prior valuations a member life-expectancy assumption of 88 years, based on its own demographic projections for its membership.

We use balanced assumptions about factors that affect the valuation of Plan assets and liabilities. Key assumptions are listed in Note 9 on page 42 of the financial statements.

## VALUATION

Going-concern funding results (modified aggregate basis)	January 1, 2014 Filed valuation
<b>ASSET VALUES:</b>	(\$ millions)
Market value of net assets	\$7,127
Smoothing adjustment	(343)
Present value of future contributions	
Basic contributions	\$2,842
Supplemental contributions	\$1,124
<b>Total actuarial value of assets</b>	<b>\$10,750</b>
Liabilities for accrued benefits	\$7,650
Present value of future benefit for active members	\$2,554
Provision for indexation adjustments relating to post-2007 service for 4 years following valuation date	\$21
<b>Total actuarial liabilities</b>	<b>\$10,225</b>
Funding reserve	\$525

<sup>1</sup> Year's Maximum Pensionable Earnings, set annually by the federal government for purposes of the Canada Pension Plan. The 2014 YMPE is \$52,500.

## FUNDING POLICY AT A GLANCE

FUNDING LEVERS →	RESERVES	CONTRIBUTIONS	CONDITIONAL BENEFITS	BENEFITS
<b>LEVEL 6</b>	Further build, up to tax limit	Consider reducing basic	Consider improving benefits, for example granting ad-hoc inflation protection on other service	
<b>LEVEL 5</b>	Additional allocation to withstand up to a 7.5% increase in liabilities	Basic only	Inflation protection paid on conditional service for all periods	
<b>LEVEL 4</b>	Allocate to withstand up to a 1% change in discount rate and to fund future inflation protection increases on conditional service	Basic + 1% or 2% stability	Inflation protection paid on conditional service for all periods	
<b>LEVEL 3*</b>	Allocate to withstand up to a 0.5% change in discount rate	Basic + 3% stability	Inflation protection increase on conditional service for current period + catch-up on missed periods	
<b>LEVEL 2</b>	Fully used	Basic + 3% stability	Inflation protection increase on conditional service for current period	Restoration of any temporary reductions
<b>TEMPORARY LEVEL 1</b> – until December 30, 2017**	Fully used	Basic + 3% stability	No inflation protection increase on conditional service	Temporary reduction to benefits earned in future
<b>LEVEL 1</b>	Fully used	Basic + 3% stability + Consider other increases	No inflation protection increase on conditional service	Consider reduction to benefits earned in future

\* Level as at January 1, 2014

\*\* As part of the Jointly Sponsored Pension Plan Framework Agreement negotiated with the provincial government in late 2012, the Funding Policy was amended to add a temporary Funding Level 1 to reflect a contribution rate freeze in effect from January 1, 2013 to December 30, 2017. During this period, if a valuation shows the Plan at Funding Level 1,

the Plan would be amended to temporarily reduce benefits. Reduced benefits could be restored when the Plan reaches a funding level of 100%, at Level 2. Since the agreement was reached, the Plan filed a valuation as of January 1, 2014 that covers the period of this agreement. Therefore, no changes are required.

### PRUDENT, POLICY-DRIVEN DECISIONS

The Plan has steadily improved its funded position since 2010 through prudent decisions by the Plan governors that have been guided by the Funding Policy.

### CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS IN 2013

	(\$ millions)
Net assets Dec. 31/12	\$6,260
Investment income	\$860
Contributions received	\$368
Benefits paid	(344)
Administrative expenses	(18)
Net changes in assets available for benefits	\$867
<b>Net assets Dec. 31/13</b>	<b>\$7,127</b>

Amounts do not add due to rounding

The policy is intended to keep Plan funding healthy over the long term to protect promised benefits while minimizing contribution rate volatility and considering equity across generations of Plan members. To manage through short-term volatility to reach those longer term goals, the policy prescribes the use of reserves, stability contributions, and conditional benefits at each of six levels of Plan financial health. The Plan's funding level is measured at each filed actuarial valuation and the actions prescribed at that level are implemented.

By adhering to this disciplined approach to funding decisions, the Plan governors have:

- Avoided benefit reductions under the Jointly Sponsored Pension Plan Framework Agreement negotiated with the provincial government in 2012

- Announced that conditional inflation protection increases on service earned after 2007 will be granted to retired members through to at least January 1, 2018
- Adopted increased member life expectancy assumptions ahead of updated mortality tables from the Canadian Institute of Actuaries
- For a fourth consecutive year, increased reserves available to manage through market volatility
- Filed a valuation to support stable contributions through 2019.

In making funding decisions, the Plan governors consider intergenerational equity.

As of its latest filed valuation, at January 1, 2014, the Plan is at Level 3 of the Funding Policy (same as the previous valuation as at January 1, 2013).

## PLAN CHANGES

### Immediate eligibility for part-time employees

In 2013, the Plan announced that beginning January 1, 2014 it would provide part-time and contract employees the option to join the Plan immediately upon hire. All existing part-time and contract employees also became eligible to join as of that date. The change removed the requirement for these employees to complete 24 consecutive months of employment to qualify to enroll.

The decision improves equity in the Plan, making membership immediately available to all college employees who might benefit from it. The change also simplifies compliance and related administrative processes associated with monitoring eligibility of part-time and contract employees.

Enrolment continues to be mandatory for full-time employees while optional for those who work part time or on contract because membership may not be appropriate for those who work irregularly.

Plan Text amendments were completed during the year to effect the change, and

to address the rules for past service purchases that apply to contract employees. Implementing the eligibility change improved risk management while requiring changes to administrative processes and related communications for employers and the Plan, as summarized on page 14.

### Portable benefits, equitably valued

In 2013, the Plan adopted a uniform methodology for determining the value of pension benefits being transferred into or out of the Plan. It now relies solely on *Pension Benefits Act (Ontario)* regulations and its own assumptions to value transfers rather than on a multitude of reciprocal transfer agreements with other plans. The new methodology ensures equity between all members who purchase or transfer service.

The change is consistent with the Plan's commitment to portability, which is intended to help members build and consolidate their pensions throughout their careers, based on service with any registered pension plan in Canada.

### New employers

The Plan welcomed two more employers, OPSEU Local 415 and OPSEU Local 562.

## SERVICE DELIVERY

Improving the timeliness and quality of transactions with members and employers was an area of focus in 2013, even as we worked toward the implementation of our new pension administration system.

We pursued these goals to enhance the value we provide in delivering pension benefits while lowering risk and controlling costs.

### Staffing and structure

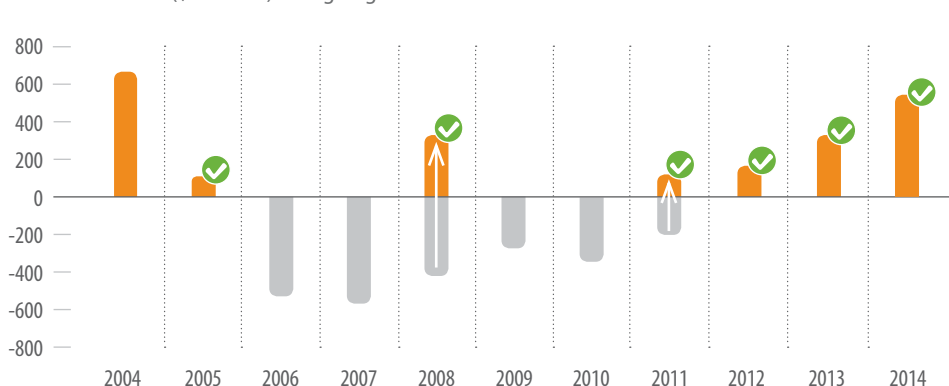
A senior client services role was created to lead the member and employer services teams.

The new head of client services initiated meetings with senior human resources staff at colleges to better understand the diverse needs of their organizations within the colleges sector.

Refinements were made to the alignment of member and employer-focused units, including assigning each employer a designated pension analyst and adding client service representatives to be the first point of contact for members. These changes helped streamline the handling of an increased volume of calls and other transactions, while improving the service

## FUNDING VALUATIONS HISTORY (as at January 1st)

From 2004-2014 (\$ millions) on a going-concern basis



### Funding adjustments:

- Reserve
  - Deficiency
  - Valuation filed
- Contribution rates increased by 1.5% effective 2004.
  - Contribution rates increased by 1% in each of 2008, 2009 and 2010.
  - Contribution rates increased by 0.8% in 2012 and 0.4% in each of 2013 and 2014 to help offset increased longevity.

We strive to communicate in simple and engaging ways. We do this for transparency and because we know that members need clear information.

experience for members and employers through more personalized information and education.

#### Services for members

We introduced an annual pension statement for retired members that explains the impact of inflation protection increases on each retired member's individual benefit and illustrates the survivor pension payable to their spouse.

Staff conducted 24 workplace presentations to supplement our comprehensive print materials and website to help members better understand their pensions and prepare for retirement.

#### Continuing education and support for administrators

We continued to conduct instructional webinars and monthly teleconferences for employer administrators on topics ranging from part-time enrolment and service purchases to annual data collection. In all, 25 of these were held in 2013.

We also improved the navigation of the administrative content in the employer section of our website to make it easier to find and use information and tools.

#### Support for immediate eligibility for part-time employees

To assist employers in notifying newly hired part-time and contract employees of their immediate eligibility to join the Plan, staff worked with an employer group to develop a streamlined process that

integrates with college hiring practices. The Plan also assumed the responsibility for notifying all existing part-time and contract employees in the college system of their eligibility to join, mailing notices to 32,500 individuals.

To support employers in properly calculating service, earnings, and contributions for members who work part-time or on contract, we released new guidelines and tools and held training webinars.

#### Effective communications

We strive to communicate in simple and engaging ways. We do this for transparency and because we know that members need clear information to understand and make decisions about their benefits. We also know that the more members understand about their pensions the more they value them.

We tailored information about the Plan and estimator tools to suit part-time employees considering joining. A 'roadmap' that accompanies their notice of eligibility encourages these prospective members to take a Pension Road Test on our website to get estimates of both their contributions and future pension. The communication process is designed to lead part-time employees from awareness to feeling equipped to determine if enrolment is right for them. In 2013, our communications team received an APEX Award for the annual report and an Ovation Award from the International

Association of Business Communicators for an internal blog.

We also redesigned our website in 2013 to deliver more content and functionality together with improved navigation and updated graphics.

#### BUILDING CAPACITY Pension administration system replacement

This complex initiative to replace the systems that calculate benefit entitlements will lead to more efficient processing, lower operational risk, and improved reporting and analysis.

Data transfer from the prior system was completed near the end of 2013. Following testing and staff training, the system was released to our Client Services team in early 2014. Efficiency goals will begin to be realized later in 2014. Later phases will include self-serve transaction sites for members and employers.

#### Office relocation

To better accommodate the growth in our membership, investment capabilities, and risk management-related systems that we have experienced over the past several years, we relocated our offices to 250 Yonge Street in Toronto.

# MERGING WITH INTERESTED UNIVERSITIES

Throughout 2013, we have been in discussions with several university pension plans examining mergers with the CAAT Plan. We are also in the early stages of discussions with faculty associations, administrative staff, and management from several other university pension plans who have asked that these exploratory talks remain confidential for now.

The Ontario government has encouraged pension plans, especially single employer plans such as those at universities, to find efficiencies and better manage pension risks.

## MANAGING RISK

The CAAT Plan Board of Trustees and the Sponsors' Committee reviewed the implications of the mergers in detail and concluded mergers are decidedly beneficial for members, colleges, universities, and taxpayers.

As universities join,

- the probability and timing of reaching the Plan's Funding Policy Level 4 improves – at this level, member and employer stability contributions can be reduced
- the probability of the Plan remaining fully funded in more adverse economic scenarios improves

- the probability of paying conditional indexation in more adverse economic circumstances improves
- growth in the Plan membership also improves contribution rate stability.

The principle guiding the Plan's discussions is to act in the best interest of Plan members. This means the Plan will not assume responsibility for a university pension shortfall. Changes would be made to the governance structure as university membership in the Plan grows. The Plan will retain at least 50% of governance roles for colleges and their members, even if university members outnumber college members and university assets grow to be larger than those from the college system.

## ALIGNMENT OF INTERESTS

The demographic profiles of university and college members are comparable, with similar career entry, age at retirement,

and life expectancy. This demographic alignment further reduces risk for the Plan.

## NEW NAME AND GOVERNANCE STRUCTURE IN PREPARATION

In preparation for a possible merger, the CAAT Plan governors approved a name change, effective when the first university joins: Ontario Colleges & Universities Pension Plan.

Another preparatory decision adjusts the Plan governance structure to reflect the joint nature of the Plan and ensure the college system retains at least 50% of the seats. Changes to the Plan's *Sponsorship and Trust Agreement* acknowledge that universities and their members may join the Plan while keeping the strong foundation built by the college system.

## Stakeholder Engagement Survey reveals strength of full funding, joint governance

The Plan conducted a comprehensive survey of a wide range of stakeholders during September 2013. The survey was conducted with the assistance of ClearPicture Corporation, a Canadian research provider. Each of 24 stakeholder groups received a tailored questionnaire to measure their perceptions relevant to the Plan's strategy to deliver value, stability, and growth.

Approximately, 4,700 individuals responded to the survey, including 3,500 active and 1,000 retired members. There were 37 respondents representing colleges and other employers. Other respondents included Plan sponsors and staff, representatives of universities, other pension plans and industry groups, and government officials.

### HIGHLIGHTS INCLUDE:

- **Importance of having a fully funded pension plan:** 99% of active members and 97% of employer representatives said it's very important or important to them to have a fully funded pension plan.
- **Solid reputation:** 84% of active and 90% of retired members said the Plan has an excellent or good reputation.
- **Strong support for joint governance, Plan independence:** 82% of active members and 92% of employer representatives reported that sharing pension risks and rewards through joint sponsorship is very important or important. In addition, 90% of active members and 84% of employer representatives said having an independent organization solely focused on providing their pension is very important or important to them.

## MANAGING INVESTMENTS

The CAAT Pension Plan investment management team oversees the Plan's investment strategy as set out by the Board of Trustees. The five-member team of investment professionals selects investment management firms and funds that meet its criteria and quality standards and monitors their performance against targets for both returns and risks. The end result is a well-diversified portfolio that reduces overall risk while balancing benefit security with affordability.



The investment team oversees the activities of approximately 40 investment and fund managers in a variety of asset classes with a balanced mix of investment approaches.

### DIVERSIFIED INVESTMENT PORTFOLIO

Developing an appropriate mix of liability-hedging and return-enhancing investments is the result of comprehensive studies that take into consideration our liabilities, our long-term expected real rate of return, and risk tolerance.

Return-enhancing investments offer the potential for higher returns than bonds. The policy target weight for these investments is 57%. Investments include public equities – Canadian, global developed and emerging markets – and private equities.

Liability-hedging investments are used to hedge the inflation and interest rate sensitivity of our liabilities. The policy target weight for these investments is 43%. They include investments such as nominal and real-return bonds, infrastructure, commodities, and real estate.

**Julie Cays,**  
*Chief Investment Officer*

### MARKET OVERVIEW

World equity markets performed well in 2013. The economies of the U.S. and Europe continued to improve during the year while central banks continued their commitment to low interest rates.

Non-Canadian developed markets, such as U.S. and EAFE (Europe, Australia, and the Far East), outperformed the Canadian and emerging markets, but all experienced positive returns. The Canadian equity markets lagged other global markets mainly because of its large weight in the underperforming materials sector, while the emerging markets index suffered because of countries reliant on foreign capital.

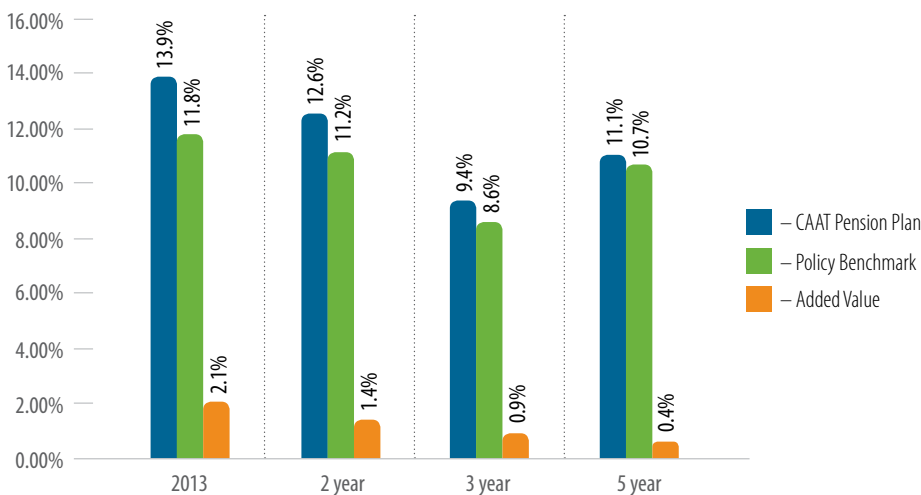
Nominal and real yields on Canadian government bonds rose during the year, with negative implications for Canadian fixed income returns.

The value of the Canadian dollar fell significantly in 2013 relative to most major currencies, with the exception of the Japanese Yen. By the end of the year, the Canadian dollar was down almost 7% relative to the U.S. dollar, and almost 11% relative to the Euro.



“ We achieved a net return of 13.9%, compared to the policy benchmark of 11.8%, adding \$130 million in value. ” – Julie Cays

### CAAT PENSION NET RETURN VS. POLICY BENCHMARK



### TOTAL RETURNS

The Plan delivered sound positive investment performance for the fifth consecutive year with a 2013 return of 14.5% before investment fees of 60 basis points.

Assets of the CAAT Pension Plan totalled \$7.1 billion at December 31, 2013, compared to \$6.3 billion the previous year, and income from investments was \$860 million. The Plan returned 13.9% net of fees, compared to the policy

benchmark return of 11.8% for value-added of \$130 million.

Since the economic crisis of 2008, the CAAT Pension Plan's well-diversified investment portfolio has earned an annualized rate of return of 11.1% net of investment fees (11.7% before fees).

Performance in each asset class is measured relative to a relevant benchmark return, as listed in the table on page 18.

### Canadian equity (13.1% of total investments)

Canadian equities totalled \$930 million at December 31, 2013, compared to \$806 million the previous year, and returned 20.8% compared to the benchmark return of 13.0%.

### Global developed markets equity (32% of total investments)

Global equities in developed markets totalled \$2,276 million at December 31, 2013 and returned 38.9%, compared to the benchmark return of 36.4%.

The global developed equity portfolio is split between broad global, non-North American, and U.S. mandates.

The broad global mandates were the most significant contributors to the added value. International mandates also outperformed, while U.S. mandates slightly underperformed.

### Emerging markets equity (9.5% of total investments)

The emerging markets equity portfolio totalled \$677 million and returned 6.9%, compared to the benchmark return of 3.9%.

### Private equity (2.8% of total investments)

Private equity assets totalled \$200 million at year end and returned 21.1%, compared to a public equity-based benchmark return of 34.0%. This lag was not unexpected in a year of high public equity returns, since a large portion of the CAAT Plan's private equity portfolio was valued at acquisition-cost at year end.

The CAAT Plan private equity portfolio consists of 19 fund investments made through 15 different general partner relationships. The target allocation is 5% of assets.

The Plan's private equity investments are geographically dispersed, but with an emphasis on North America. This is expected to remain the case.

### Infrastructure (4.4% of total investments)

By year end, infrastructure assets totalled \$311 million and returned 8.3%, compared to the benchmark return of 6.7%. The Plan began its investment in infrastructure in 2006 and has a target allocation of 10% of assets.

The infrastructure portfolio is globally diversified, largely in core, income-producing assets.

### NET PERFORMANCE IN EACH ASSET CLASS IS MEASURED RELATIVE TO A RELEVANT BENCHMARK RETURN

ASSET CLASS	BENCHMARK
<b>Return enhancing</b>	
Canadian equity	S&P/TSX Composite
Global developed equity	MSCI World ex Canada
Emerging markets equity	MSCI Emerging Markets
Private equity	MSCI ACWI + 3%
<b>Liability hedging</b>	
Nominal bonds	DEX Long Bond Index
Real-return bonds	Actual returns
Infrastructure	CPI + 5%
Real estate	IPD
Commodities	S&P GSCI Index

### INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

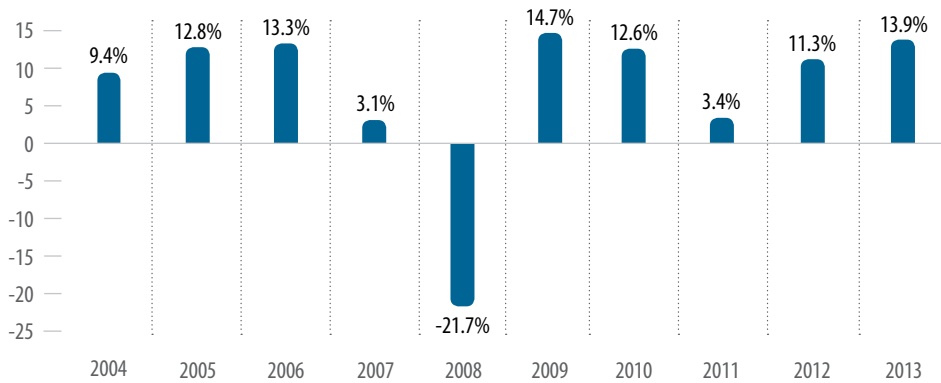
as at December 31, 2013 (net of expenses)

ASSET CLASS	CAAT PLAN INVESTMENTS (\$ Millions)	2013 RETURN	BENCHMARK	VALUE ADDED
<b>Return enhancing</b>				
Canadian equity	\$930	20.8%	13.0%	7.8%
Global developed equity*	\$2,279	38.9%	36.4%	2.5%
Emerging markets equity	\$677	6.9%	3.9%	3.0%
Private equity	\$200	21.1%	34.0%	(12.9)%
<b>Liability hedging</b>				
Nominal bonds	\$1,582	(5.9)%	(6.2)%	0.3%
Real-return bonds	\$399	(12.1)%	(12.1)%	0.0%
Infrastructure	\$311	8.3%	6.7%	1.7%
Real estate	\$379	10.8%	10.6%	0.2%
Commodities	\$356	5.7%	5.4%	0.3%

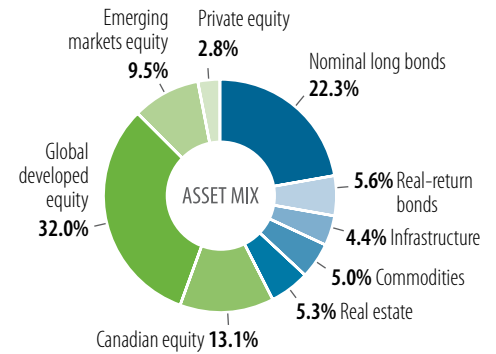
\*Global developed equity includes U.S. equity, international equity, and global equity portfolios.

## ANNUAL RATES OF RETURN

(net of investment management fees)



## WELL-DIVERSIFIED \$7.1 BILLION IN INVESTMENTS



### Real estate (5.3% of total investments)

Real estate, held entirely in Canadian assets, totalled \$379 million at year end and returned 10.8%, compared to the benchmark return of 10.6%. The assets are held in a pooled fund that is well diversified by Canadian geographic region, property type, and investment strategy.

### Nominal long bonds (22.3% of total investments)

The nominal long bonds portfolio totalled \$1,582 million at December 31, 2013, compared to \$1,301 million the previous year, and returned -5.9%, compared to the benchmark return of -6.2%.

### Real-return bonds (5.6% of total investments)

Real-return bonds totalled \$399 million and returned -12.1%.

### Commodities (5.0% of total investments)

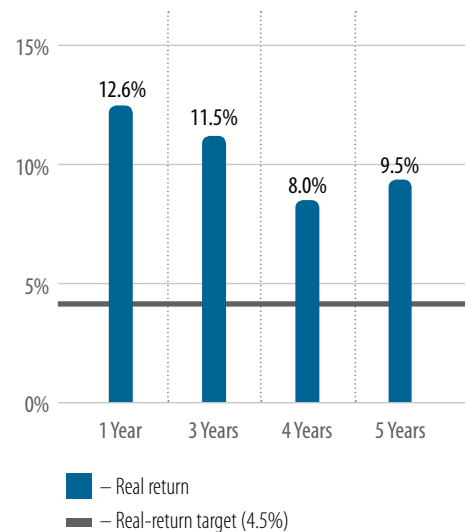
By year end, this asset class totalled \$356 million and returned 5.7%, compared to the benchmark return of 5.4%. The CAAT Plan began allocating to commodities using a passive strategy in 2012.

### Currency management

The CAAT Plan employs a currency hedging program to manage the risk inherent in holding non-Canadian currencies.

In 2013, the currency hedge detracted 1.1% from returns due to the weaker Canadian dollar.

## ANNUALIZED NET REAL RATE OF RETURN COMPARED TO TARGET



The graph above shows the CAAT Plan's real rate of return (after inflation), compared to the 4.5% long-term real rate of return target.

The Plan's five-year annualized rate of return is 11.1%, net of expenses.

## RESPONSIBLE INVESTING

The primary investment goal of the CAAT Plan is to maximize risk-adjusted returns. To this end, the Responsible Investing Policy covers three areas of investment activities: 1) proxy voting, 2) corporate engagement and 3) integrating environmental, social and governance (ESG) factors into investment processes where appropriate.



**Kevin Rorwick**  
*Chief Financial Officer*

### PROXY VOTING

The Responsible Investing Policy states that the Plan will vote the proxies attached to its shareholdings thoughtfully and responsibly and that shareholder proposals dealing with ESG factors will be examined on a case-by-case basis taking into account the effects of the proposals on shareholder value.

We encourage corporations to improve disclosure on ESG factors and risks so that investors, including the investment managers working for the Plan, are better able to take such factors into account when looking at the risk and return prospects of investments in their portfolios.

Votes are generally cast in favour of proposals that corporations adopt policies that embrace the International Labour Organization's Conventions, the Ceres Principles on the Environment, and the OECD Guidelines for Multinational Enterprises.

### CORPORATE ENGAGEMENT

The CAAT Pension Plan joins with other institutional investors in Canada to encourage regulators and the management of corporations to strive for better governance practices and more comprehensive disclosure of environmental, social, and governance risks.

#### Canadian Coalition for Good Governance

We have been a member of the Canadian Coalition for Good Governance (CCGG) since 2005. The CCGG was formed to represent the interests of institutional investors in promoting, "good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders." Members of the CCGG believe that good governance practices contribute to a company's ability to create value for its shareholders. The 47 members of the CCGG include a range of institutional investors – pension plans, mutual fund and other third party money managers – and represent combined

### Exercising proxies in 2013

In 2013, the Plan voted over 12,000 proxy issues at meetings of companies in the CAAT Plan portfolio. There were 516 shareholder proposals raised. The Plan voted for 364 of these proposals.

There were 45 of these shareholder proposals related to health, the environment, and better disclosure of environmental risk factors, through reporting on policies and sustainability practices; the CAAT Plan voted in favour of 39.

There were 12 proposals relating to human rights policies and operations in high-risk countries; the CAAT Plan voted in favour of 11.

Members of the CAAT Plan investment team are active members of the Pension Investment Association of Canada whose stated mission is “to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.”

assets of nearly \$2 trillion. Julie Cays, CIO at the CAAT Pension Plan, was elected to the CCGG Board of Directors in 2013 and as part of this role participates in meetings with representatives of boards of directors of Canadian corporations.

Along with many submissions made to the various governmental agencies, some of the notable contributions by CCGG in 2013 include a submission to the Ontario Securities Commission on the Canadian Securities Administrators’ paper on proxy voting infrastructure, a submission on disclosure regarding gender diversity on boards and in senior management, and a submission to NASDAQ that firms listed on that exchange adopt majority voting.

Representatives of the CCGG also engage directly with board members of Canadian corporations to discuss governance issues, such as compensation practices and board composition.

#### **Pension Investment Association of Canada (PIAC)**

Members of the CAAT Plan investment team are active members of the Pension Investment Association of Canada whose stated mission is “to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.” PIAC sets out to develop, monitor, and promote sound standards of corporate governance in Canada.

PIAC made numerous submissions in 2013, including several on governance-related topics. These included a submission to

the TSX regarding listing requirements for emerging markets issuers, submissions to the Ontario Securities Commission on proxy voting infrastructure and on gender diversity, and a submission to the Canadian Securities Administrators on proposed changes to the early warning system for take-over bids.

Julie Cays is a past Chair of PIAC and is the current Chair of the Governance and Nominating Committee. Kevin Fahey, Director, Investments for the CAAT Plan, joined the PIAC Board this year and also serves on the Corporate Governance and the Audit committees.

#### **Institutional Limited Partners Association**

Institutional Limited Partners Association (ILPA) is a global industry association composed of limited partner investors in private equity funds. The CAAT Plan is an active member of ILPA and has endorsed the Private Equity Principles of the association. These principles promote the alignment of interest, good governance, and transparency that form the basis of effective relationships between limited and general partners. The principles urge general partners to disclose “extra-financial risks, including environmental, social and corporate governance risks, at fund and portfolio company levels” in their reporting to limited partners.

#### **Carbon Disclosure Project and Related Water Disclosure**

The goal of the Carbon Disclosure Project (CDP) is to accelerate “solutions to climate change and water management by

putting relevant information at the heart of business, policy, and investment decisions.” The CAAT Plan is a signatory to the CDP and the related CDP Water Disclosure initiatives.

CDP plays a role in enhancing the disclosure by corporations on carbon emissions and water management. Annual information requests are sent by CDP to corporations across the globe (including over 200 in Canada). This request was signed by more than 767 institutional investors in 2013, up from 655 last year, representing \$102 trillion in assets.

#### **Extractive Industries Transparency Initiative**

The CAAT Plan is a signatory to the Extractive Industries Transparency Initiative (EITI), which aims to improve transparency and accountability by corporations and governments in developing countries around expenditures and revenues from oil, gas, and mining.

#### **INCORPORATING ESG CONSIDERATIONS INTO THE INVESTMENT PROCESS**

An annual questionnaire is sent out to the Plan’s investment managers and general partners asking a series of questions about how ESG factors are integrated into their investment processes.

The responses to the ESG survey indicate that many of the Plan’s investment managers are considering the impact of ESG factors when making investment decisions.

# TRUE JOINT GOVERNANCE: MEMBERS AND EMPLOYERS HAVE EQUAL SAY ON PLAN DECISIONS

THE CAAT PENSION PLAN'S JOINT GOVERNANCE STRUCTURE IS BICAMERAL, WITH TWO GOVERNING BODIES – THE SPONSORS' COMMITTEE AND THE BOARD OF TRUSTEES.

**The Sponsors' Committee has eight members:** four representing the employees, three of whom are appointed by OPSEU and one by OCASA, and four representing the employers, who are appointed by Colleges Ontario on behalf of the college boards of governors.

#### THE CURRENT SPONSORS COMMITTEE MEMBERS ARE:

**Michael Gallagher**, OCASA representative; **Steve Hudson**, Colleges Ontario representative; **Patrick Kennedy**, OPSEU representative; **Kim Macpherson**, OPSEU representative; **Marilou Martin**, Co-Chair, OPSEU representative; **Peggy McCallum**, Colleges Ontario representative; **Brian Tamblyn**, Colleges Ontario representative; **Jeff Zabudsky**, Co-Chair, Colleges Ontario representative.

Steve Hudson assumed his responsibilities January 1, 2014, following the retirement of **Barbara Cameron** who served as a Colleges Ontario representative from 1999 to 2013. Pat Kennedy assumed his responsibilities July 1, 2013, following the retirement of **Edward (Ted) Montgomery**.



Kim Macpherson

Steve Hudson

Peggy McCallum

Jeff Zabudsky

Marilou Martin

NOT SHOWN: Michael Gallagher, Patrick Kennedy, Brian Tamblyn

**Members and employers have equal representation on both these groups through their governors who are appointed by the Plan sponsors: Colleges Ontario on behalf of the college boards of governors, the Ontario College Administrative Staff Association (OCASA), and the Ontario Public Service Employees Union (OPSEU).**

This structure is recognized as a model for its success in shared decision making.

As fiduciaries, Trustees are legally bound to act in the interests of all Plan members. The Board establishes policies for investing contributions and administering benefits. It also sets the levels of investment and

funding risk that are appropriate for the Plan's long-term obligations.

Sponsors' Committee members primarily represent the interests of the respective groups that appointed them. The Committee's focus is determining how to best balance contribution rates and benefit design.

**The Board of Trustees has 12 members:**

six representing the employees, four of whom are appointed by OPSEU, one by OCASA and one on a rotating basis by these employee organizations; and six representing the employers, who are appointed by Colleges Ontario on behalf of the college boards of governors.

**THE CURRENT MEMBERS OF THE BOARD OF TRUSTEES ARE:**

**Darryl Bedford**, Chair, Employee Trustee; **Stephen Campbell**, Employer Trustee; **Harry Gibbs**, Employer Trustee; **Alec Ip**, Employee Trustee; **Lynda Rattenbury**, Employee Trustee; **John Rigsby**, Employer Trustee; **Alnasir Samji**, Employer Trustee; **Michael Seeger**, Employee Trustee; **Don Smith**, Employee Trustee; **Beverley Townsend**, Employer Trustee; **Don Walcot**, Vice-Chair, Employer Trustee; **Donald Wright**, Employee Trustee.



Don Walcot

Alec Ip

Stephen Campbell

Darryl Bedford

Beverley Townsend

Harry Gibbs

Alnasir Samji

Donald Wright

Don Smith

NOT SHOWN: Lynda Rattenbury, John Rigsby, Michael Seeger

**Equal representation extends to the sub-committees of the Board of Trustees that make recommendations to the Board in particular areas of focus:**

- **Finance and Administration Committee** – is concerned with Plan design, funding and administration, legislation, litigation, and the appointment and evaluation of actuarial and legal advisors. This committee also provides oversight of human resource and information systems and reviews the operations, project, and capital budgets for the Plan.
- **Investment Committee** – with support from staff, develops and recommends the Statement of Investment Policies and Procedures and related policies such as those concerning rebalancing, responsible investing, and investments in derivatives. It reviews compliance with investment policies and the performance of the fund. It also recommends the appointment of the custodian.
- **Audit Committee** – reviews the effectiveness of the organization

in controlling and managing risk. It ensures the reliability of financial reporting and reviews the annual financial statements. It recommends the appointment of the external auditor and receives the auditor’s report. The committee also maintains a protected disclosure policy for Plan staff and governors and has the authority to retain independent counsel to advise or assist in the conduct of an investigation.

- **Appeals Committee** – hears member appeals of the interpretation of Plan rules.

**UNDERPINNINGS OF GOOD GOVERNANCE**

**Sound policies**

Plan governors conduct scheduled reviews of the policies that guide them in carrying out their responsibilities. In 2013 the governors affirmed three policies and made amendments to 19 others, as listed below.

**Continuing education**

During a two-day retreat and at their regular meetings, governors participated in sessions delivered by staff and other

industry experts on subjects ranging from prospects for Canada’s retirement system and defining risk tolerance and appetite, to strategy and resource planning, and balancing service and cost.

Members of the Investment Committee also received presentations by external providers on global real estate and risk exposures.

Throughout the year, several governors also attended pension industry conferences and seminars.

**Joint committee on universities joining**

In June 2013, the governors convened a joint meeting to review the Plan’s proposal for mergers with interested universities. The Sponsors’ Committee and Board of Trustees received updates at its regular meetings throughout the year. Topics included an expanded governance structure, the pricing of past service benefits, should a university wish to transfer these into the Plan, and various administration matters.

The focus of the governors and staff remains on ensuring that growth will benefit stakeholders.

**2013 REVIEW OF GOVERNING POLICIES**

**Affirmed**

- CEO and Plan Manager Review Policy
- Protected Disclosure Policies, Board and Plan Staff
- Sponsors’ Committee Planning Policy

**Amended**

- Appeals Subcommittee Terms of Reference
- Application Criteria for New Employers
- Board of Trustees Communications Policy
- Board of Trustees Confidentiality Policy
- Board of Trustees Monitoring and Reporting Policy
- Board of Trustees Procurement Policy
- Board of Trustees Self-Assessment Policy
- Business Plan Policy
- Policy on Investment in Derivative Instruments

- Reciprocal Transfer Agreements Policy
- Role of Board Officers: Chair and Vice-Chair
- Sponsors’ Committee Advisor Selection and Review Policy
- Sponsors’ Committee Code of Conduct Policy
- Sponsors’ Committee Communications Policy
- Sponsors’ Committee Confidentiality Policy
- Sponsors’ Committee Monitoring and Reporting Policy
- Sponsors’ Committee Protected Disclosure Policy
- Sponsors’ Committee Self-Assessment Policy
- Statement of Investment Policies and Procedures



# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Colleges of Applied Arts and Technology Pension Plan (the "Plan" or "CAAT Pension Plan") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements are in accordance with Canadian accounting standards for pension plans. Many amounts are based on the best estimates and judgements of management with appropriate consideration as to materiality. The financial statements have been approved by the Board of Trustees.

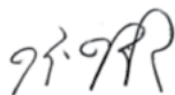
CAAT Pension Plan maintains books of account, systems of information, and systems of financial and management control, which provides reasonable assurance that accurate financial statement information is available, that assets are protected and that resources are managed efficiently. These systems include careful hiring and training of staff, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities, and the communication of policies and guidelines through the organization.

The Board of Trustees is ultimately responsible for the financial statements of the CAAT Pension Plan. The Board of Trustees oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.

The Plan's external auditors, Deloitte LLP, are directly accountable to the Audit Committee and have full and unrestricted access to the committee. They discuss with the committee their audit and related findings as to the integrity of the Plan's financial reporting and adequacy of internal control systems in the context of their financial statement audit. Deloitte LLP have conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they considered necessary to express their opinion.



**Derek W. Dobson**  
*CEO & Plan Manager*  
April 15, 2014



**Kevin Rorwick**  
*Chief Financial Officer*

# INDEPENDENT AUDITOR'S REPORT

To the Administrator of the Colleges of Applied Arts and Technology Pension Plan (the "Plan")

We have audited the accompanying financial statements of the Plan which comprise the statement of financial position as at December 31, 2013, and the statements of changes in net assets available for benefits, changes in pension obligations and changes in deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2013, and the changes in its net assets available for benefits, changes in its pension obligations and changes in its deficit for the year then ended in accordance with Canadian accounting standards for pension plans.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

April 15, 2014

Toronto, ON

# CAAT PENSION PLAN ACTUARIES' OPINION

Mercer (Canada) Limited was retained by the Colleges of Applied Arts and Technology Pension Plan Board of Trustees (the "Board") to perform an actuarial valuation of the assets and the going concern liabilities of the Colleges of Applied Arts and Technology Pension Plan (the "Plan") as at December 31, 2013, for inclusion in the Plan's financial statements.

The valuation of the Plan's actuarial liabilities was based on:

- Plan provisions in effect as December 31, 2013;
- membership data provided by the Board as at December 31, 2012;
- methods prescribed by Section 4600 of the Chartered Professional Accountants of Canada Handbook for pension plan financial statements; and
- assumptions about future events (for example, returns on assets, inflation levels, future retirement rates) which have been communicated to us as the Board's best estimate of these events.

The objective of the financial statements is to fairly present the financial position of the Plan on December 31, 2013 as a going concern. This is different from the regulatory valuation (the actuarial valuation required by the *Pension Benefits Act (Ontario)*), which establishes a prudent level for future contributions.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent the Board's best estimate of future events based on market conditions at the end of 2013, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation are appropriate for the purposes of the valuation, and that the assumptions used in the valuation are in accordance with accepted actuarial practice. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice in Canada.



**Manuel Monteiro, F.C.I.A.**

*April 15, 2014*



**Paul Forestell, F.C.I.A.**

# STATEMENT OF FINANCIAL POSITION

(\$ thousands)	December 31	
	2013	2012
<b>ASSETS</b>		
Investment assets		
Investments (Note 3)	\$ 7,346,000	\$ 6,339,821
Accrued income	14,219	14,075
Unsettled trades receivable	72,353	72,247
Derivative-related receivables (Note 5)	28,032	9,487
Employer contributions receivable	12,576	11,216
Member contributions receivable	12,843	12,228
Other assets (Note 7)	6,306	5,236
	<b>7,492,329</b>	<b>6,464,310</b>
<b>LIABILITIES</b>		
Investment liabilities		
Unsettled trades payable	325,850	183,934
Derivative-related liabilities (Note 5)	26,060	9,819
Accounts payable and accrued liabilities (Note 8)	13,283	10,651
	<b>365,193</b>	<b>204,404</b>
<b>Net assets available for benefits</b>	<b>\$ 7,127,136</b>	<b>\$ 6,259,906</b>
<b>Pension obligations (Note 9)</b>	<b>7,669,567</b>	<b>7,231,559</b>
Regulatory surplus (Note 10)	524,820	346,698
Measurement differences between regulatory and accounting deficit (Note 10)	(1,067,251)	(1,318,351)
<b>Deficit</b>	<b>\$ (542,431)</b>	<b>\$ (971,653)</b>

The accompanying notes to the financial statements are an integral part of this financial statement.

Approved by the Board of Trustees  
Colleges of Applied Arts and Technology Pension Plan



Darryl Bedford,  
Chair



Donald Walcot,  
Vice-Chair

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(\$ thousands)	Year ended December 31	
	2013	2012
<b>Increase in net assets available for benefits</b>		
Contributions (Note 11)	\$ 368,457	\$ 354,767
Investment income (Note 12)	859,965	624,391
	<b>1,228,422</b>	979,158
<b>Decrease in net assets available for benefits</b>		
Benefits (Note 13)	343,642	332,420
Administrative expenditures (Note 14)	17,550	13,995
	<b>361,192</b>	346,415
<b>Net increase in net assets available for benefits</b>	<b>867,230</b>	632,743
Net assets available for benefits, beginning of year	6,259,906	5,627,163
<b>Net assets available for benefits, end of year</b>	<b>\$ 7,127,136</b>	\$ 6,259,906

The accompanying notes to the financial statements are an integral part of this financial statement.

## STATEMENT OF CHANGES IN PENSION OBLIGATIONS

(\$ thousands)	Year ended December 31	
	2013	2012
<b>Accrued pension obligations, beginning of year</b>	<b>\$ 7,231,559</b>	\$ 7,028,718
<b>Increase in accrued pension obligations (Note 10)</b>		
Interest on accrued benefits	421,794	416,908
Benefits accrued	212,579	203,724
Changes in actuarial assumptions	68,614	(89,995)
Experience losses	78,663	4,624
	<b>781,650</b>	535,261
<b>Decrease in accrued pension obligations</b>		
Benefits paid (Note 13)	343,642	332,420
<b>Net increase in accrued pension obligations</b>	<b>438,008</b>	202,841
<b>Accrued pension obligations, end of year</b>	<b>\$ 7,669,567</b>	\$ 7,231,559

# STATEMENT OF CHANGES IN DEFICIT

(\$ thousands)	Year ended December 31	
	2013	2012
<b>Deficit, beginning of year</b>	<b>\$ (971,653)</b>	\$ (1,401,555)
Increase in net assets available for benefits	<b>867,230</b>	632,743
Net increase in accrued pension obligations	<b>(438,008)</b>	(202,841)
<b>Deficit, end of year</b>	<b>\$ (542,431)</b>	\$ (971,653)

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### NOTE 1 – DESCRIPTION OF THE PLAN

The Colleges of Applied Arts and Technology Pension Plan (the "Plan" or "CAAT Pension Plan") is a multi-employer jointly sponsored pension plan covering employees of the Colleges of Applied Arts and Technology in Ontario, and other related employers. The following description of the Plan is a summary only. A complete description of the Plan provision can be found in the Colleges of Applied Arts and Technology Pension Plan Text, the official Plan document.

#### General

The Plan is a contributory defined benefit pension plan with benefits being financed by equal contributions from participating employees and employers, and by investment earnings. The Plan has three sponsors: Colleges Ontario, acting on behalf of the Boards of Governors of the colleges, the Ontario College Administrative Staff Association ("OCASA"), and the Ontario Public Service Employees Union ("OPSEU").

The Plan is registered under the Ontario Pension Benefits Act with the Financial

Services Commission of Ontario ("FSCO") and the Canada Revenue Agency (Registration Number 0589895) as a registered pension plan not subject to income taxes.

A separate supplementary plan exists to provide benefits to the Plan's members (other than Board staff) who are impacted by benefit restrictions under the Income Tax Act (Canada). Because the supplementary plan is a separate trust, the net assets of the supplementary plan are not included in the financial statements of the Plan. The Plan has no liabilities with respect to insufficient funding (if any) of the supplementary plan.

#### Funding

Plan benefits are funded by contributions and investment earnings. The Plan's funding policy aims to secure the pension promise and achieve long-term stability in contribution rates for both employers and members. Actuarial funding valuations are conducted to determine pension liabilities and the funded position of the Plan,

based on contribution and benefit levels approved by the Sponsors' Committee.

#### Retirement Pensions

A retirement pension is available based on the number of years of credited service, the average of the best five consecutive annual salaries, and the age of the member at retirement. A member is eligible for an unreduced pension at the earlier of i) age 65, ii) as soon as the sum of their age plus pensionable service totals at least 85, or iii) at age 60 with at least 20 years of pensionable service. Members may retire before this date with a reduced pension, subject to eligibility requirements.

#### Death Benefits

Upon the death of the member or pensioner, benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate.

#### Portability

Members vest immediately upon joining the Plan and are entitled to a deferred

pension if they terminate employment with their employer prior to retirement. Prior to July 1, 2012, members who had been in the Plan less than two years were entitled to a refund of contributions made by them, plus interest.

Members not eligible for an immediate pension may also opt to transfer the commuted value of their benefit to another pension plan if that plan permits, or registered retirement vehicle after two years from the date of their last contribution, subject to locking-in provisions and certain age restrictions.

#### Escalation of Benefits

Pension benefits in pay are increased in January each year for inflation at 75% of the increase in the average Consumer Price

Index as at September 30th of the prior year, subject to a maximum pension increase of 8% in any one year with any excess carried forward. Inflation adjustments on the portion of a pension based on post-2007 service is conditional on the Plan's funding position. Inflation adjustments on the portion of a pension based on service prior to 1992 were previously funded on an ad hoc basis out of prior funding surpluses and further increases are scheduled to end with the January 2014 increase.

#### Funding Policy

The Plan's Funding Policy determines the use of any funding surplus as determined by the last filed actuarial valuation. In the event of a going-concern funding surplus, the policy provides for specified decreases to contribution rates, and/or inflation

adjustments for pre-1992 and post-2007 service pensions, and/or the build-up of contingency reserves. In the event a funding deficit is determined, inflation protection on post-2007 service would not be paid, and a decrease in future benefit accruals and/or an increase in contribution rates is required. Effective for December 31, 2012, in accordance with an agreement with the Province of Ontario, the Funding Policy was amended to include temporary measures in effect for valuations filed on or before December 30, 2017 for which in the event a funding deficit is determined, there would be no increases to contributions beyond those announced prior to December 31, 2012 and that future benefit accruals would be reduced.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

These financial statements present the information of the Colleges of Applied Arts and Technology Pension Plan as a separate financial reporting entity independent of the sponsors and Plan members.

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans (*Section 4600 – Pension Plans* of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook ("Section 4600")). As required under Section 4600, the Plan has valued and made certain disclosures on financial instruments in accordance with International Financial Reporting Standards (see below and Note 6). Accounting standards for private enterprises in Part II of the CPA Canada Handbook are used for accounting policies that do not relate to the Plan's investment portfolio or pension obligations, to the extent that those standards do not conflict with the requirements of Section 4600.

#### Investments

Purchases and sales of investments are recorded as of the trade date and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of investments is determined as follows:

- Short-term investments are valued at cost adjusted for foreign exchange, which in conjunction with accrued interest receivable, approximates fair value.
- Publicly traded equity securities are valued at the closing market price. Where a market price is not available, fair value is determined by reference to current market information.
- Fixed income securities are valued using an average of closing bids from market participants.

- Investments in underlying funds are valued using net asset values obtained from the managers of the fund, which are determined with reference to the fair value of the underlying investments of the fund.
- Infrastructure and private equity investments are held through ownership in limited partnership arrangements. Fair value is determined by the limited partnership's manager, using the most recent financial information obtained from underlying investments, and/or forecasts of future financial performance and then applying appropriate valuation techniques such as market comparables and/or discounted cash flows. Underlying infrastructure investments are often valued using a discounted cash flow to equity model, reflecting an extended cash flow forecasting period and a higher predictability of cash flows.

- The fair value of real estate investments is determined by the external manager using the most recent financial information obtained from the individual property managers. Real estate properties are appraised semi-annually by external, independent, professional real estate appraisers who are accredited through the Appraisal Institute of Canada. Real estate appraisals are performed in accordance with generally accepted standards and procedures, and are based primarily on the discounted cash flow and income capitalization methods.
- Derivative financial instruments are recorded at fair value using pricing models generally used by market participants. The fair value is provided by established pricing vendors and is determined using valuation models requiring the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices as well as the impact of counterparty credit risk where applicable. In limited circumstances, the fair value input/assumptions may not be supported by observable market data.

### Investment Income

Realized gains and losses on the sale of investments are determined using the average cost of securities sold. The change in the difference between fair value and the cost of investments at the beginning and end of each year is recorded as change in unrealized appreciation (depreciation) of investments. Interest, dividends, and distributions from pooled funds, are recorded on the accrual basis. Dividend income is accrued as of the ex-dividend date.

Transaction costs are incremental costs directly attributable to the purchase or sale of investments. Transaction costs incurred are expenses and are recorded separately as a deduction from Investment Income.

### Foreign Exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. The market value of foreign currency denominated assets and liabilities is translated using the year-end rates of exchange. The resulting gains and losses from changes in these rates are recorded as part of the realized gain (loss) for investments sold and as part of the change in unrealized appreciation (depreciation) of investments held at year-end.

### Contributions

Contributions due to the Plan are recorded on an accrual basis.

### Benefits

Payments of pensions, refunds, and transfers out of the Plan are recorded in the period in which they are paid. Any benefit payment accruals not made are reflected in pension obligations.

### Pension Obligations

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made as at the beginning of the year and then extrapolated to year end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events.

### Use of Estimates

Preparation of the financial statements requires management to make estimates and assumptions based on the information available as at the date of the financial statements that affect the reported values of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of recorded pension obligations and the fair value of investments and investment related receivables and liabilities. Actual results could differ from those presented.

### Income Taxes

The Plan is exempt from Part 1 tax under paragraph 149(1)(o) of the Income Tax Act (Canada).

### Future Accounting Pronouncement – IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and tentatively shall be applied to annual periods after 1 January 2018. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The Plan is currently assessing the impact of IFRS 9, however the extent of the impact has not yet been determined.



## NOTE 3 – INVESTMENTS

### 3(a) – Summary of Investments

(\$ thousands)	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Short-term investments	\$ 709,190	\$ 704,625	\$ 562,231	\$ 561,383
Fixed income (Note 3b)	1,939,952	1,923,894	1,793,049	1,596,756
Equities (Note 3c)	3,838,283	3,177,314	3,289,782	2,973,492
Infrastructure	296,532	267,402	236,892	228,825
Real estate	378,826	250,000	339,188	250,000
Private equity	183,217	142,972	118,679	102,021
	<b>\$ 7,346,000</b>	<b>\$ 6,466,207</b>	<b>\$ 6,339,821</b>	<b>\$ 5,712,477</b>

### 3(b) – Fixed Income

Investments in fixed income include the following issuers:

(\$ thousands)	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Government of Canada	\$ 812,354	\$ 790,529	\$ 734,864	\$ 636,603
Provincial Governments	770,834	786,259	699,310	636,128
Municipal Governments	8,684	8,695	8,312	7,488
Corporate	260,248	255,574	255,815	227,021
Foreign	87,832	82,837	94,748	89,516
<b>Total Bonds</b>	<b>\$ 1,939,952</b>	<b>\$ 1,923,894</b>	<b>\$ 1,793,049</b>	<b>\$ 1,596,756</b>

Government bonds include those issued or guaranteed by the government.

The maturity of investments in fixed income as at December 31 is as follows:

	2013	2012
	Fair Value	Fair Value
1 – 5 years	\$ 32,713	\$ 38,228
6 – 10 years	185,825	174,840
11 – 20 years	636,128	552,323
Greater than 20 years	1,085,286	1,027,658
<b>Total Fixed Income</b>	<b>\$ 1,939,952</b>	<b>\$ 1,793,049</b>

**3(c) – Equity Investments**

Canadian and non-Canadian equities include securities issued and traded in the following geographical regions:

	2013		2012	
	Fair Value (\$ thousands)	%	Fair Value (\$ thousands)	%
United States	\$ 1,192,307	31.1	\$ 1,204,799	36.6
Canada	986,835	25.7	812,822	24.7
Europe (excluding United Kingdom)	375,054	9.8	321,268	9.8
United Kingdom	136,599	3.6	133,000	4.0
Japan	319,598	8.3	198,032	6.0
Other Asia / Pacific	86,395	2.2	149,305	4.6
Latin America	33,762	0.9	53,086	1.6
Other Emerging Markets	707,733	18.4	417,470	12.7
<b>Total Equity</b>	<b>\$ 3,838,283</b>	<b>100.0</b>	<b>\$ 3,289,782</b>	<b>100.0</b>

**3(d) – Summary of Significant Investments**

At December 31, 2013 the Plan held the following investments each having a fair value or cost exceeding 1% of the fair value or cost of total investments:

(\$ thousands)	Fair Value	Cost
<b>Short-Term Investments</b>		
United States Treasury Bills	\$ 361,946	\$ 359,635
<b>Fixed income</b>		
CIBC Pooled Long-Term Bond Index Fund	\$ 399,608	\$ 402,385
Government of Canada Bonds	704,899	682,327
Province of Ontario Bonds	254,223	264,318
Province of Quebec Bonds	189,538	189,420
<b>Equities</b>		
Blackrock Global Fixed Income Alpha Offshore Fund	\$ 211,128	\$ 205,590
Bridgewater Pure Alpha Fund II	200,906	143,923
GMO Emerging Markets Opportunities Fund	217,941	208,919
MSCI Emerging Markets Index	131,508	130,375
SPDR S&P 500 EFT Trust	95,261	85,564
Toronto Dominion Bank	76,985	45,630
<b>Infrastructure &amp; Real estate</b>		
Greystone Real Estate Fund	\$ 378,826	\$ 250,000
An European Based Infrastructure Fund	72,948	65,867

**3(e) – Securities Lending**

The Plan engages in securities lending to enhance portfolio returns. Credit risk associated with securities lending is mitigated by requiring the borrower to provide daily collateral in the form of cash and readily marketable investments of greater market value than the securities loaned. As at December 31, 2013, the Plan's investments included loaned securities with a fair value of \$1,161,589 thousand (2012 – \$989,240 thousand). The fair value of collateral received in respect of these loans was \$1,215,645 thousand (2012 – \$1,033,097 thousand). Net income earned from securities lending for the year was \$2,549 thousand (2012 – \$2,239 thousand) and is included in Other Income in Note 12.

## NOTE 4 – CAPITAL AND INVESTMENT RISK MANAGEMENT

The Plan defines its capital as the excess or deficiency of net assets available for benefits over pension obligations. Net assets available for benefits, consisting of investments and other assets, are managed to fund future pension obligations. The extent that net assets available for benefits are greater than or less than pension obligations is reflected as surplus or deficit. The objective of managing the Plan's capital is to ensure that the Plan is fully funded on a going-concern basis to pay the Plan's benefits over the long term.

The primary risks associated with pension obligations are changes in the key assumptions used to estimate the amount of the obligation. The investment return assumption reflects estimated future investment returns and is sensitive to long-term interest rates. The salary escalation rate is subject to future wage settlements and inflation. Longevity assumptions are a key risk due to the increasing longevity of Canadians. The Board of Trustees monitors the reasonableness of such assumptions, and adjusts them as required.

The objective of investment risk management is to achieve a diversifying of risks and returns in a fashion that minimizes the likelihood of an overall reduction in total fund value and maximizes the opportunity for gains over the entire portfolio. This is achieved through asset diversification to limit exposure to any single issuer or component in the capital markets.

Investment risk management relates to the understanding and active management of risks associated with invested assets. Investments are primarily exposed to currency, interest rate, market, credit, and liquidity risk. The Plan first established a Statement of Investment Policies and Goals (now named Statement of Investment Policies and Procedures – the "Statement") in July 1996 that addresses the manner in which funds can be invested. The Statement requires diversification of investments within asset classes and sets limits on the exposure to individual investments. Investments are selected and held in accordance with the criteria and

limitations set forth within the Statement and in accordance with relevant legislation. The Board of Trustees approves the policies in the Statement and reviews them at least annually. The Statement was last reviewed on December 3, 2013. There were no significant changes made.

The Statement designates nine broad classes of assets. A set of benchmarks has been identified to measure performance against each class's annual rate of investment return. The total investments annual rate of return is measured against a composite index made up of the weighted average of each class's benchmark return using the actual allocation of assets to weight the various classes. The Plan's relative annual rate of return expectation is to equal or exceed the composite index. Over a long-term period of at least 10 years, the rate of return less inflation is expected to exceed 4.5%. The Plan's assets were allocated within the allowed allocation ranges as at December 31, 2013. The asset allocation and associated benchmark index is as follows:

Asset Class	Benchmark Index	2013		2012	
		Allocation Range	Actual Allocation	Allocation Range	Actual Allocation
<b>Liability hedging assets</b>		<b>38-48%</b>	<b>38.8%</b>	38-48%	41.5%
Nominal long bonds	DEX Long Bond	10-30%	18.5%	10-30%	19.7%
Real-return bonds	Actual returns	0-10%	5.6%	0-10%	7.5%
Infrastructure	CPI + 5%	Actual - 12%	4.4%	Actual - 12%	4.0%
Real estate	IPD Canadian Property	3-7%	5.3%	3-7%	5.4%
Commodities	S&P GSCI Total Return	3-7%	5.0%	3-7%	4.9%
<b>Return enhancing assets</b>		<b>52-62%</b>	<b>59.7%</b>	52-62%	56.8%
Canadian equity	S&P/TSX Composite	11-15%	14.2%	11-15%	13.3%
Global developed equity	MSCI World ex Canada	25-35%	33.2%	25-35%	32.9%
Emerging markets equity	MSCI Emerging Markets	8-12%	9.5%	8-12%	8.5%
Private equity	MSCI ACWI + 3%	Actual - 7%	2.8%	Actual - 7%	2.1%
Cash, cash equivalents, and other	Not applicable	Not applicable	1.5%	Not applicable	1.7%
<b>Total investments</b>			<b>100.0%</b>		100.0%

The annual rate of return for each asset class, gross of investment manager fees and net of transaction costs, as well as the annual rate of return of the associated benchmark, as at December 31 was as follows:

Asset Class	2013		2012	
	Rate of Return	Benchmark Return	Rate of Return	Benchmark Return
<b>Liability hedging assets</b>				
Nominal long bonds	(5.7%)	(6.2%)	5.5%	5.2%
Real-return bonds	(12.1%)	(12.1%)	2.7%	2.7%
Infrastructure	10.8%	6.7%	13.0%	5.8%
Real estate	11.7%	10.6%	12.5%	9.8%
Commodities	5.8%	5.4%	Not applicable	Not applicable
<b>Return enhancing assets</b>				
Canadian equity	21.1%	13.0%	10.7%	7.2%
Global developed equity	39.8%	36.4%	14.5%	14.3%
Emerging markets equity	7.6%	3.9%	16.7%	16.0%
Private equity	25.3%	34.0%	21.9%	17.2%
<b>Total investments</b>	<b>14.5%</b>	<b>11.8%</b>	<b>11.8%</b>	<b>10.4%</b>

### Currency Risk

Currency risk exposure arises from the Plan's holdings of foreign currency denominated investments where investment values fluctuate due to changes in foreign exchange rates. To manage this risk, the Plan has instituted currency hedging strategies as explained in Note 5. Currency exposures as at December 31 are as follows:

(\$ thousands)	2013			2012
	Gross Exposure	Hedged Amount	Net Exposure	Net Exposure
United States Dollar	\$ 2,627,101	\$ (1,035,557)	\$ 1,591,544	\$ 1,492,119
Euro	392,981	(248,979)	144,002	115,856
Japanese Yen	315,732	(141,761)	173,971	116,594
Hong Kong Dollar	66,765	-	66,765	66,284
Swiss Franc	25,576	-	25,576	18,862
British Pound Sterling	143,053	(19,493)	123,560	76,634
Other currencies	351,412	(150,764)	200,648	150,197
<b>Total foreign</b>	<b>3,922,620</b>	<b>(1,596,554)</b>	<b>2,326,066</b>	<b>2,036,546</b>
<b>Canadian Dollar</b>	<b>3,197,768</b>	<b>1,584,861</b>	<b>4,782,629</b>	<b>4,205,331</b>
	<b>\$ 7,120,388</b>	<b>\$ (11,693)</b>	<b>\$ 7,108,695</b>	<b>\$ 6,241,877</b>

The previous chart includes all investment assets and liabilities as shown on the Statement of Financial Position.

A 5% increase/decrease in exchange rate between the Canadian dollar and a foreign currency would result in a corresponding gain/loss of 5% of the net exposure to that currency. A 5% increase/decrease in exchange rate between the Canadian dollar and all foreign currencies as at December 31, 2013 would result in a gain/loss of \$116,303 thousand (2012 – \$101,827 thousand).

#### Interest Rate Risk

Interest rate risk refers to the potential adverse effect on the fair value of the Plan's assets or liabilities due to fluctuations in interest rates. The values of the Plan's assets,

liabilities and funded status are all affected by changes in both nominal and real interest rates.

Interest rate risk depends mainly on the timing and size of cash flows, and one measure of this risk is duration. Duration relates the impact of changing interest rates on assets and liabilities and is measured by calculating the average timing of cash flows. More distant cash flows (longer duration) are more sensitive to changes in interest rates than cash flows in the shorter term.

As at December 31, 2013, the duration of the fixed income portfolio was 13.4 years (2012 – 14.1 years). If interest rates were to rise by 1%, the fair value of the fixed

income portfolio would decline by approximately \$231,000 thousand (2012 – \$239,000 thousand). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income portfolio would increase by approximately \$234,000 thousand (2012 – \$241,000 thousand).

#### Equity Market Risk

Equity market risk is the risk that the value of a public equity asset class performs differently than its benchmark. A 10% change in the value of the benchmark would result in the following percentage change in the value of the public equity asset class as at December 31 based on the historical relationship of performance between the individual stocks in the portfolio and the benchmark:

	2013		2012	
	% Change	Gain / Loss	% Change	Gain / Loss
Canadian equity	9.7%	\$97,822	9.2%	\$76,613
Global developed equity	10.0%	\$236,021	10.2%	\$208,762
Emerging markets equity	9.3%	\$62,965	9.7%	\$51,632

#### Credit Risk

Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Plan limits credit risk by investing in the debt of corporations that have a minimum credit rating of BBB or R-1 (short term) as determined by a recognized credit rating agency. Up to 5% of the market value of Fixed Income may be invested in high yield securities with a credit rating below BBB. Credit exposure to any single counterparty is limited to maximum amounts as specified in the Statement.

In addition, the Plan has credit risk associated with the positive fair values of derivative instruments, where the counterparty owes the Plan. The Plan manages this risk with its Policy on Investments in Derivative Instruments, which limits investments in derivative investments to counterparties with a minimum credit rating of A from at least two recognized credit agencies. The Plan also indirectly guarantees the underlying reference obligations when writing credit derivatives. The maximum potential exposure is the notional amount of the written credit derivatives.

The following table presents the maximum exposure at December 31 to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of any collateral held. The table includes financial assets subject to credit risk only; other financial assets, mainly equity securities, as well as non-financial assets are excluded.

(\$ thousands)	2013	2012
Short-term investments	\$ 709,190	\$ 562,231
Fixed income	1,939,952	1,793,049
Derivative-related receivables	28,032	9,487
Interest receivable	9,484	7,178
Loaned securities	1,161,589	989,240
Credit default derivatives – written	7,350	21,593
<b>Total maximum exposure</b>	<b>\$ 3,855,597</b>	<b>\$ 3,382,778</b>

The credit quality of the Plan's fixed income portfolio as at December 31 was as follows:

(\$ thousands)	2013	2012
AAA	\$ 916,211	\$ 778,300
AA	429,433	410,474
A	506,572	540,808
BBB or lower	87,736	63,467
	<b>\$ 1,939,952</b>	<b>\$ 1,793,049</b>

## NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is a financial contract, the value of which is derived from changes in the value of underlying assets, indexes, interest rates, or currency exchange rates. The use of derivatives as a substitute for direct market transactions entails risks similar to the actual purchase and sale of the security upon which the derivative is based. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges.

Notional amounts of derivative contracts represent the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows. It does not represent the potential gain, loss, or net exposure associated with the market or credit risk of such transactions. Rather, it serves as the basis upon which the returns from, and the fair value of, the contracts are determined.

The Plan utilizes derivatives in the form of futures, foreign exchange forward contracts, swaps, options, and credit derivatives as part of its investment strategy. The Plan uses derivatives to increase or decrease exposure to a market.

Derivative financial instruments are specifically used for:

- Reducing the cash exposure in the equity manager and operating accounts through the use of futures contracts. This is accomplished by converting cash exposure to capital markets exposure as per the Plan's long-term asset mix policy.
- Rebalancing of the actual asset class positions to the asset mix policy, within tolerance ranges, through the use of futures contracts and delayed settlement instruments. This strategy adjusts the weighting of asset classes using synthetic long and short positions.

## Liquidity Risk

Liquidity risk refers to the risk that the Plan does not have sufficient cash to meet its current liabilities, including benefit payments, and to acquire investments in a timely and cost-effective manner.

The Plan maintains a portfolio of highly marketable assets, specifically Canada and provincial government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. As at December 31, 2013, the fair value of such bonds held by the Plan was \$1,583,188 thousand (2012 – \$1,434,174 thousand). In addition, the Plan's portfolio of short-term investments of \$709,190 thousand (2012 – \$562,231 thousand) primarily represents cash or near cash assets that are available to meet payment obligations.

- Foreign exchange forward contracts are used for short-term currency purchases or sales related to the execution of foreign currency denominated transactions. Foreign exchange forward contracts are also used for passive currency hedging (50% of non-Canadian equity holdings excluding emerging markets), for active currency strategies that increase or decrease the hedge ratio (within defined limits) in order to generate additional return, and for a 100% hedge on non-Canadian Infrastructure investments.
- Derivative instruments such as interest rate swaps, credit default swaps, options, and futures are used to gain exposure in markets where no physical securities are available or as risk neutral substitutes for physical securities. Options are utilized to gain exposure to the price volatility of an underlying security or index.

The chart below lists the types of derivative financial instruments employed by the Plan together with the corresponding notional and fair values.

(\$ thousands)	2013			2012		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Positive	Negative		Positive	Negative
<b>Equity</b>						
Futures	\$ 822,721	\$ 22,360	\$ (6,272)	\$ 352,096	\$ 2,712	\$ (1,616)
<b>Fixed Income</b>						
Futures	443,652	356	(1,137)	92,247	18	(141)
Swaps	409,262	43	(172)	140,372	-	-
Options	133,286	25	(279)	(27,801)	104	(48)
<b>Currency</b>						
Forwards	1,858,931	-	(11,693)	1,736,879	-	(4,133)
Options	26,478	1	-	40,286	24	-
Swaps	-	-	-	47,200	-	(505)
<b>Credit Default Swaps</b>						
Purchased	24,903	-	(81)	47,697	233	(207)
Written	7,350	31	(7)	21,593	309	(337)
<b>Commodity</b>						
Futures	355,397	5,216	(6,419)	304,525	6,087	(2,832)
	<b>\$ 4,081,980</b>	<b>\$ 28,032</b>	<b>\$ (26,060)</b>	<b>\$ 2,755,094</b>	<b>\$ 9,487</b>	<b>\$ (9,819)</b>

The term to maturity based on notional value for the derivatives listed in the above table is as follows:

(\$ thousands)	2013	2012
Under 1 year	\$ 3,589,573	\$ 2,519,457
1 to 5 years	400,305	204,579
Over 5 years	92,102	31,058
	<b>\$ 4,081,980</b>	<b>\$ 2,755,094</b>

## NOTE 6 – INVESTMENT VALUATION

International Financial Reporting Standards establish a three-tier hierarchy to classify the determination of fair value measurements for disclosure purposes. Inputs refer broadly to the data and assumptions that market participants would use in pricing the investment. Observable inputs are inputs that are based on market data from independent sources. Unobservable inputs

are inputs that reflect the Plan's own assumptions about the assumptions market participants would use in pricing an investment developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is as follows:

**Level 1** – quoted prices in active markets for identical investments

**Level 2** – inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

**Level 3** – inputs for the investment that are not based on observable market data (unobservable inputs)

The following is a summary of the fair value classification levels for investment assets and derivative-related receivables and liabilities as at December 31:

2013				
(\$ thousands)	Level 1	Level 2	Level 3	Total
Short-term Investments	\$ -	\$ 709,190	\$ -	\$ 709,190
Fixed Income	-	1,939,952	-	1,939,952
Equities	3,042,528	795,755	-	3,838,283
Infrastructure	-	-	296,532	296,532
Real estate	-	-	378,826	378,826
Private equity	-	-	183,217	183,217
Derivative-related receivables	27,931	101	-	28,032
Derivative-related liabilities	(13,828)	(12,232)	-	(26,060)
	<b>\$ 3,056,631</b>	<b>\$ 3,432,766</b>	<b>\$ 858,575</b>	<b>\$ 7,347,972</b>

2012				
(\$ thousands)	Level 1	Level 2	Level 3	Total
Short-term Investments	\$ -	\$ 562,231	\$ -	\$ 562,231
Fixed Income	-	1,793,049	-	1,793,049
Equities	2,977,023	312,759	-	3,289,782
Infrastructure	-	-	236,892	236,892
Real estate	-	-	339,188	339,188
Private equity	-	-	118,679	118,679
Derivative-related receivables	8,817	670	-	9,487
Derivative-related liabilities	(4,589)	(5,230)	-	(9,819)
	<b>\$ 2,981,251</b>	<b>\$ 2,663,479</b>	<b>\$ 694,759</b>	<b>\$ 6,339,489</b>

There were no significant transfers of investments between Level 1 and Level 2 during 2013 or 2012.



Below is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value for the year ended December 31:

2013				
(\$ thousands)	Infrastructure	Real Estate	Private Equity	Total
Opening Balance	\$ 236,892	\$ 339,188	\$ 118,679	\$ 694,759
Acquisitions	65,737	-	61,190	126,927
Dispositions	(44,227)	-	(28,485)	(72,712)
Realized Gains/(Losses)	17,068	-	8,246	25,314
Unrealized Gains/(Losses)	21,062	39,638	23,587	84,287
<b>Closing Balance</b>	<b>\$ 296,532</b>	<b>\$ 378,826</b>	<b>\$ 183,217</b>	<b>\$ 858,575</b>

2012				
(\$ thousands)	Infrastructure	Real Estate	Private Equity	Total
Opening Balance	\$ 214,156	\$ 301,450	\$ 49,443	\$ 565,049
Acquisitions	19,189	-	74,724	93,913
Dispositions	(12,422)	-	(17,551)	(29,973)
Realized Gains/(Losses)	3,041	-	2,893	5,934
Unrealized Gains/(Losses)	12,928	37,738	9,170	59,846
Closing Balance	\$ 236,892	\$ 339,188	\$ 118,679	\$ 694,759

## NOTE 7 – OTHER ASSETS

Other assets consist of fixed assets with a net book value of \$4,225 thousand (2012 – \$3,738 thousand), and miscellaneous receivables and prepaid expenses in the amount of \$2,081 thousand (2012 – \$1,498 thousand). Fixed assets are stated at cost and are depreciated or amortized on a straight-line basis over their useful lives.

(\$ thousands)	2013			2012
	Cost	Accumulated Depreciation & Amortization	Net Book Value	Net Book Value
<b>Fixed Assets</b>				
Systems software	\$ 3,994	\$ 413	\$ 3,581	\$ 2,764
Leasehold improvements	58	1	57	298
Computer equipment	690	451	239	298
Furniture, fixtures & equipment	1,200	852	348	378
	<b>\$ 5,942</b>	<b>\$ 1,717</b>	<b>\$ 4,225</b>	<b>\$ 3,738</b>

## NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is an accrual of \$6,052 thousand (2012 – \$4,386 thousand) for supplemental employment retirement benefits for Board staff based on pension entitlements that are in excess of registered pension plan maximums under the Income Tax Act (Canada).

## NOTE 9 – PENSION OBLIGATIONS

Pension obligations represent the value of accrued pension benefits payable in the future to members and are based on an actuarial valuation prepared by Mercer (Canada) Limited. The valuation data used is as at the beginning of the year and then extrapolated to year end. It uses the projected benefit method pro-rated on service and management's best estimate of various economic and non-economic future events, as at the valuation date. Pension obligations include the value of inflation adjustments for post-2007 service to January 1, 2018 and pre-1992 service to January 1, 2014 and exclude further increases thereafter. Pension obligations and the resulting surplus (deficit) for financial statement purposes are different than for regulatory purposes (refer to Note 10). In accordance with an agreement with the Province of Ontario, on a temporary basis to December 30, 2017, regulatory valuations must be filed with FSCO at a minimum once every four years. Subsequent to year-end, a regulatory valuation was filed as at January 1, 2014. The next regulatory valuation is required to be filed as at January 1, 2018.

Pension obligations as at December 31, 2013 were \$7,669,567 thousand (2012 – \$7,231,559 thousand).

### Actuarial Assumptions

The actuarial assumptions used in determining the accounting value of pension obligations reflect management's best estimate of future economic events

and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation rate and inflation rate. The investment return is based on the long-term estimated rate of return on investments, and reflects the Plan's asset mix and current market expectations. The inflation rate is the difference between the yield on Government of Canada long-term nominal bonds and Government of Canada real-return bonds. The salary escalation rate incorporates the inflation rate assumptions and long-term expectation of growth in real wages. A summary of the primary economic assumptions, as at December 31, is as follows:

	2013	2012
Discount rate	<b>5.80%</b>	5.80%
Salary escalation rate	<b>3.75%</b>	3.75%
Inflation rate	<b>2.00%</b>	2.00%
Real discount rate	<b>3.80%</b>	3.80%

Changes in actuarial assumptions between 2012 and 2013 resulted in an increase in the pension obligation of \$68,614 thousand to reflect future mortality improvements (2012 – decrease of \$89,995 thousand stemming from a revision of retirement rate assumptions to reflect actual experience of later retirements, offset in part by a decrease in the investment return assumption).

### Experience Losses

Experience losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2013, experience losses were \$78,663 thousand, (2012 – losses of \$4,624 thousand). Experience losses in 2013 and 2012 stemmed from demographic experience losses offset in part by lower than assumed salary escalation.

### Plan Provisions

In 2012, the contribution rate on contributory earnings (as defined by the Plan text) by both employers and employees was 12.9% up to the Year's Basic Exemption as determined by the federal government to determine Canada Pension Plan contributions ("YBE") (\$3,500 in 2012), 11.1% of contributory earnings for earnings between the YBE and the Year's Maximum Pensionable Earnings as determined by the federal government to determine Canada Pension Plan contributions ("YMPE") (\$50,100 in 2012), and 12.9% of contributory earnings in excess of the YMPE. Contribution rates were scheduled to increase 0.4% in 2013 and 0.4% in 2014.

In 2012 further changes to contribution rates were announced upon the recommendation of the Plan Equity Review Task Force. The difference between the low and high contribution rates was adjusted from 1.8% to 3.6%, resulting in

contribution rates of 10.8% on contributory earnings up to the YMPE and 14.4% on contributory earnings above the YMPE (\$51,100 in 2013) commencing January 1, 2013. Commencing January 1, 2014 and going forward contribution rates are 11.2% on contributory earnings up to

the YMPE (\$52,500 in 2014) and 14.8% on contributory earnings above the YMPE.

In October 2012 the Plan reached an agreement with the Province of Ontario to limit further increases in contribution rates prior to December 30, 2017. Should

a regulatory deficit occur during that time, the Plan's future benefits would need to be reduced up to a maximum of 20% of the present value of the Plan's future benefits measured against the level of benefits in effect on December 30, 2012, after which contribution increases could be made.

## NOTE 10 – DEFICIT

The deficiency of net assets available for benefits against pension obligations results in the Plan being in a deficit of \$542,431 thousand as at December 31, 2013 (2012 – \$971,653 thousand). The deficit for financial statement purposes differs from the regulatory surplus. The regulatory surplus, which is calculated in accordance with actuarial standards on a going-concern basis, is used to determine changes to contribution rates and/or benefits for future service in order to maintain the Plan in a regulatory surplus. The Plan is not required to fund solvency deficits. The regulatory surplus of the Plan as at December 31, 2013, which has been filed with FSCO subsequent to year end, is \$524,820 thousand (2012 – surplus of \$346,698 thousand). A 25 basis

point decrease in the discount rate assumption at December 31, 2013 would result in a decrease in the regulatory surplus of approximately \$350,000 thousand (2012 – \$324,000 thousand).

Measurement differences between the regulatory surplus and accounting deficit in 2013 of \$1,067,251 thousand (2012 – \$1,318,351 thousand) are due to the difference in pension obligations between calculations based on the projected benefit method pro-rated on service valuation method used for financial statement purposes (where pension obligations are based on accrued service to the financial statement date), and the modified aggregate valuation method used for

regulatory purposes, where the present value of future contributions and future service benefits are also included. Because the present value of future contributions exceeds the present value of future service benefits, the regulatory surplus is increased. Also included in the difference in 2013 is a \$342,777 thousand deferred gain (2012 – \$31,510 thousand deferred loss) actuarial asset value adjustment, whereby gains or losses resulting from the difference between the actual and management's best estimate of the expected return of those investments over the long term are deferred and recognized over five years in determining the regulatory surplus.

## NOTE 11 – CONTRIBUTIONS

(\$ thousands)	2013	2012
<b>Members</b>		
Current service	\$ 176,691	\$ 165,794
Past service	4,782	8,450
<b>Employers</b>		
Current service	176,691	165,794
Past service	2,991	2,982
<b>Transfers from other pension plans</b>	<b>7,302</b>	11,747
	<b>\$ 368,457</b>	\$ 354,767

Employers are required to remit both the employer and member portion of contributions to the Plan within five business days of each month end and are

charged interest on any contributions submitted late. Multi-employer pension plans such as the Plan are unable to determine if any contributions remain

outstanding as they do not have regular access to underlying employee data. On an annual basis, the Plan reconciles service and earnings reported by employers to contributions received for each member, and adjustments are made for over or underpayments. As at December 31, 2013, \$12,709 thousand of employer contributions receivable and \$12,709 thousand of member contributions receivable (2012 – \$11,216 thousand of employer contributions and \$12,228 thousand of member contributions) were collected in the following year.

**NOTE 12 – INVESTMENT INCOME**

Investment income before the allocation of the net realized and unrealized gains on investments to investment classes, is as follows:

(\$ thousands)	2013	2012
Interest income	\$ 64,748	\$ 73,216
Dividend income	82,034	78,424
Other income	2,877	2,446
	<b>149,659</b>	154,086
Investment gains		
Realized gain	482,619	218,893
Change in unrealized appreciation of investments	277,334	283,486
	<b>759,953</b>	502,379
Investment income prior to investment expenses	<b>909,612</b>	656,465
Investment management fees	(42,695)	(27,516)
Transaction costs	(6,952)	(4,558)
	<b>\$ 859,965</b>	\$ 624,391

Investment income (loss) by asset class after the allocation of derivative investments and prior to investment expenses is as follows:

(\$ thousands)	2013	2012
Short-term investments	\$ 52,164	\$ 84,940
Fixed income	(119,053)	97,394
Equities	866,996	398,489
Infrastructure	39,587	23,944
Real estate	39,639	37,738
Private equity	30,279	13,960
	<b>\$ 909,612</b>	\$ 656,465

**NOTE 13 – BENEFITS**

(\$ thousands)	2013	2012
Pensions	\$ 323,605	\$ 299,240
Payment on termination of membership	18,505	29,935
Transfers to other pension plans	1,532	3,245
	<b>\$ 343,642</b>	\$ 332,420

## NOTE 14 – ADMINISTRATIVE EXPENSES

### Investment Administration Expenses

(\$ thousands)	2013	2012
Salaries and benefits	\$ 3,101	\$ 2,115
Custodial fees	1,087	937
Other professional services	907	838
Premises and equipment	415	276
Communications and travel	163	167
Board and Sponsors' Committee	80	67
Audit fees	76	67
Actuarial fees	11	15
	<b>\$ 5,840</b>	<b>\$ 4,482</b>

### Pension Administration Expenses

(\$ thousands)	2013	2012
Salaries and benefits	\$ 8,350	\$ 6,242
Premises and equipment	1,759	1,627
Other professional services	587	668
Custodial fees	329	323
Communications and travel	291	276
Actuarial fees	237	227
Board and Sponsors' Committee	81	83
Audit fees	76	67
	<b>\$ 11,710</b>	<b>\$ 9,513</b>

## NOTE 15 – COMMITMENTS

The Plan has committed to invest in certain private equity, real estate, and infrastructure funds, which may be funded in accordance with agreed-upon conditions over the next several years. As at December 31, 2013, these commitments totalled \$457,750 thousand (2012 – \$318,271 thousand).

The Plan leases its office premises under operating lease agreements that have expiration dates of November 30, 2015 and November 29, 2017. Future lease payments over the remaining life of the leases total \$5,378 thousand, with the following amounts payable over the next four years:

2014 – \$1,756 thousand, 2015 – \$1,694 thousand, 2016 – \$1,006 thousand, and 2017 – \$922 thousand.

## NOTE 16 – RELATED PARTY TRANSACTIONS

Related parties to the Plan primarily include the Plan sponsors, each of the Colleges of Applied Arts and Technology in Ontario, and other related employers whose employees are participants in the Plan.

The Plan does not have any investments in any securities issued by related parties.

The Plan, in the regular course of its business, reimburses colleges for the time

and expenses their employees spend attending Plan meetings. The total of such reimbursements to colleges in 2013 were \$25 thousand (2012 – \$22 thousand).

## NOTE 17 – GUARANTEES AND INDEMNIFICATIONS

The Plan provides indemnifications to its trustees, Sponsors' Committee members, and officers for various items including, but not limited to, all costs to settle suits or actions due to services provided by the Plan, subject to certain restrictions. The

Plan maintains Fiduciary and Directors & Officers insurance to mitigate the cost of any potential suits or actions. The contingent nature of the indemnification agreements prevents the Plan from making a reasonable estimate of the

maximum potential payment that the Plan could be required to make. To date, the Plan has not received any claims nor made any payments pursuant to such indemnifications.

# TEN-YEAR REVIEW

(Unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>FINANCIAL (\$ in millions)</b>										
Short-term investments	709	562	288	501	249	174	161	192	900	984
Fixed income	1,940	1,793	2,058	1,940	2,007	1,768	2,190	2,072	1,898	1,698
Equities	3,838	3,290	2,750	2,635	2,309	2,214	3,101	3,177	2,126	1,700
Infrastructure	297	237	217	162	146	130	84	34	-	-
Real estate	379	339	301	241	138	39	-	-	-	-
Private equity	183	119	47	29	13	-	-	-	-	-
Derivatives (net)	2	-	20	19	22	(18)	16	(22)	(11)	10
<b>Total investments</b>	<b>7,348</b>	<b>6,340</b>	<b>5,681</b>	<b>5,527</b>	<b>4,884</b>	<b>4,307</b>	<b>5,552</b>	<b>5,453</b>	<b>4,913</b>	<b>4,392</b>
Other assets (liabilities) (net)	(221)	(80)	(54)	(75)	(39)	(74)	(100)	(101)	(124)	(94)
<b>Net assets available for benefits</b>	<b>7,127</b>	<b>6,260</b>	<b>5,627</b>	<b>5,452</b>	<b>4,845</b>	<b>4,233</b>	<b>5,452</b>	<b>5,352</b>	<b>4,789</b>	<b>4,298</b>
Contributions	368	355	312	296	262	227	186	167	161	156
Investment income (loss)	860	624	178	607	629	(1,183)	159	628	542	367
Benefit payments	(344)	(332)	(302)	(284)	(267)	(248)	(237)	(223)	(203)	(182)
Administrative expenses	(18)	(14)	(13)	(13)	(12)	(14)	(8)	(9)	(9)	(8)
<b>Net change in net assets available for benefits</b>	<b>866</b>	<b>633</b>	<b>175</b>	<b>606</b>	<b>612</b>	<b>(1,218)</b>	<b>100</b>	<b>562</b>	<b>491</b>	<b>333</b>
<b>RETURNS</b>										
Annual return, gross of fees	14.5%	11.8%	4.1%	13.3%	15.2%	-21.4%	3.4%	13.6%	13.1%	9.7%
Annual return, net of fees	13.9%	11.3%	3.4%	12.6%	14.7%	-21.7%	3.1%	13.3%	12.8%	9.4%
After inflation and fees	12.6%	10.4%	1.1%	10.2%	13.4%	-22.9%	0.7%	11.6%	10.7%	7.3%
<b>MEMBERSHIP</b>										
Active members	22,000	21,400	20,500	19,600	19,500	18,800	18,000	17,400	16,800	16,400
Deferred members	1,700	1,300	1,100	1,100	1,100	1,100	1,100	1,000	1,000	1,000
Retired members	13,100	12,600	12,100	11,700	11,200	10,800	10,400	10,000	9,700	9,000
<b>Total members</b>	<b>36,800</b>	<b>35,300</b>	<b>33,700</b>	<b>32,400</b>	<b>31,800</b>	<b>30,700</b>	<b>29,500</b>	<b>28,400</b>	<b>27,500</b>	<b>26,400</b>
<b>GOING-CONCERN FUNDING STATUS as at December 31</b>										
Surplus (deficit) \$ millions	\$ 525	\$ 347	\$ 154	\$ 88	(\$358)	(\$256)	\$ 320	(\$585)	(\$545)	\$ 90
Discount rate	5.80%	5.80%	5.90%	6.00%	5.85%	5.25%	5.74%	5.95%	5.60%	6.50%

Numbers are rounded

# LEADERSHIP TEAM



Left to right: Alan Elliot, Tracey Leask, Kevin Fahey, Kevin Rorwick, Angela Goodchild, Derek Dobson, Andrew Mathenge, Julie Cays, Evan Howard, Asif Haque.

## CORPORATE DIRECTORY

**Derek W. Dobson**

*CEO and Plan Manager*

**Julie C. Cays**

*Chief Investment Officer*

**Kevin Rorwick**

*Chief Financial Officer*

**Alan Elliott**

*Director, Project Management*

**Kevin Fahey**

*Director, Investments*

**Angela Goodchild**

*Vice President, Service Delivery*

**Asif Haque**

*Director, Investments*

**Evan Howard**

*Vice President, Pension Management*

**Tracey Leask**

*Director, Pension Solutions*

**Andrew Mathenge**

*Director, Information Technology*

### A Best Small and Medium Employer in Canada

For the second consecutive year, the CAAT Pension Plan made the list of the 50 Best Small and Medium Employers in Canada as determined by Aon Hewitt and Queen's University School of Business. We ranked 13th in Canada.

### A member of the Green 30

The Plan was also recognized in 2014 as being among the top 30 organizations whose employees feel they have incorporated environmental stewardship into their business model and corporate culture.

We welcome your comments  
and suggestions on this annual report.

**John Cappelletti**, Manager, Stakeholder Relations

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in Canada

By Aon Hewitt and  
Queen's School of Business

05-2014-21  
ISSN 1929-5758 (Online)