BENEFIT SECURITY

CAAT Pension Plan | 2014 Annual Report

VALUE. STABILITY. GROWTH.

In an uncertain world, members and employers trust our expertise to keep their pensions secure

OUR MEMBERS AND EMPLOYERS WANT SECURE PENSIONS

107.2%

funded

on a going-concern basis

$8 billion

assets to secure pensions

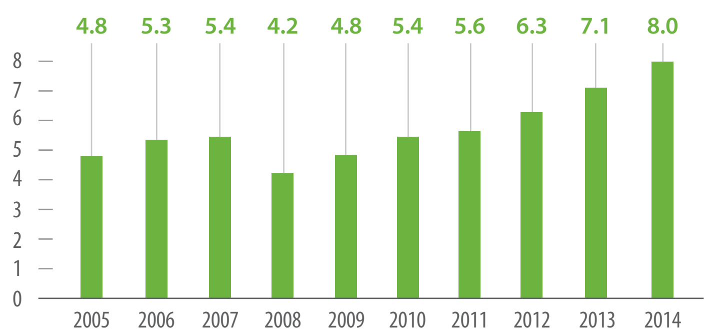
11.5%

net investment return

$808 million

investment income

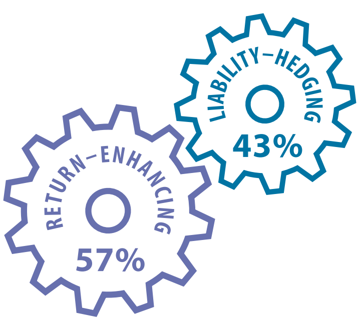
GROWTH IN NET ASSETS ($ billions, at end of each year)



40,000 Members

Active	Retired	Deferred*
24,700	13,500	1,800

*Members who left their pension in the Plan after terminating employment to collect it at retirement age



Well-diversified asset mix

is sophisticated and risk-appropriate

$773 million

in reserves protect against market, interest rate, and demographic 'shocks'

97%

probability of remaining fully funded in 20 years

REALISTIC FUNDING ASSUMPTIONS

are essential to securing pension benefits

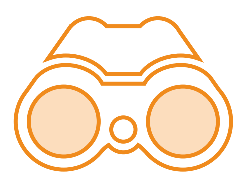
89 years average lifespan

5.80% discount rate*

*Expected long-term investment return

Asset-liability modelling

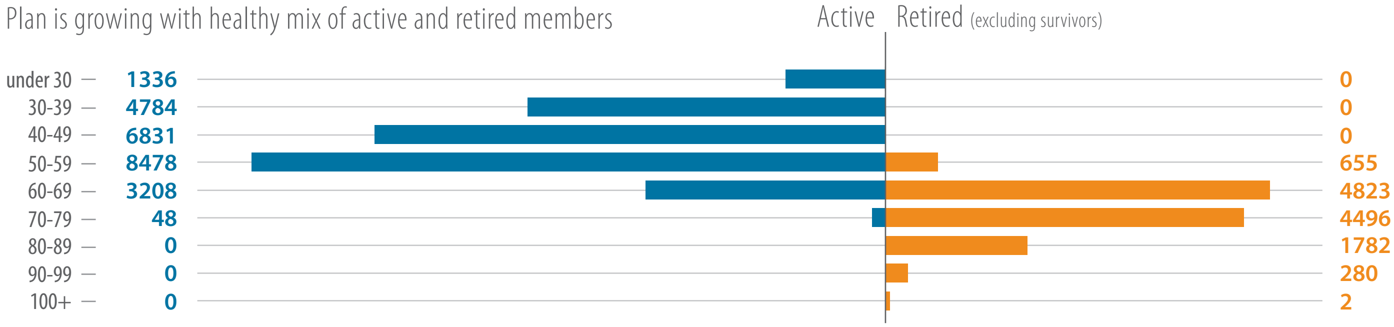
assesses long-term health and measures key financial and demographic risks



WE DELIVER THROUGH FINANCIAL PRUDENCE

DEMOGRAPHIC PROFILE

Plan is growing with healthy mix of active and retired members



MEMBERS WORK IN A RANGE OF OCCUPATIONS

	Full-time	Part-time	Total
Faculty	30%	20%	50%
Support	32%	6%	38%
Administration	11%	1%	12%
Total	73%	27%	100%

Enrolment is automatic for full-time employees. Part-time employees can choose to join anytime.

540 members who work part time contribute at more than one employer.

36 employers

24 colleges

12 associated employers

$34,100

Average annual pension

for the 728 members who retired in 2014

For all retired members and survivors, the average pension is $24,447

62.4

Average age

at retirement in 2014

23.3

Average years of service

at retirement in 2014

3,250

net increase in members

WE DELIVER

Regulatory compliance and advocacy

Transparent communication

Member education

Administrative efficiency

New service standards met

Compliance

Client service

Efficiency

50/50 SHARING

Joint governance by members and employers

50/50 sharing of costs, risks, and decisions

FUNDING

Funding Policy guides long-term decisions

Balanced use of reserves, stability contributions, and conditional benefits secures lifetime pensions

REACHING HIGHER

MESSAGE FROM THE CHAIR AND VICE-CHAIR OF THE BOARD

This past year marked the second of a three-year strategy entitled, Reaching Higher. We're pleased to report that the CAAT Plan did reach new heights in 2014 with a strong investment performance resulting in a five-year average annualized rate of return to 10.5%, net of investment fees. As well, for the fifth consecutive year, the Plan is fully funded on a going-concern basis. The valuation filed with the regulators as at January 1, 2015, shows the Plan is 107.2% funded.

We're proud the Plan is strong and that it is recognized by many as a model of a well-managed and well-governed defined benefit pension plan.

FOUNDATIONS FOR SUCCESS

We believe the success of the CAAT Plan is built on its shared governance and collective focus on benefit security at stable and appropriate contribution rates. Plan governors and staff have a duty of loyalty to Plan members and demonstrate this with open, transparent communication.

We also believe the success of the Plan is grounded in its expertise as well as its values of integrity, teamwork, and a respectful working environment.

Shared governance requires that costs and responsibilities for the CAAT Plan are borne equally by members and employers. This means those who bear contribution rate risks have a vote at the governing table and decisions are made in the best interest of all members. This representative governance structure has been in place for 20 years and has a tradition of cooperation, mutual respect, and common purpose. It has worked exceptionally well and we are ready to welcome universities interested in joining a proven postsecondary sector, multi-employer pension plan.

The Funding Policy provides a prescriptive framework as the Plan manoeuvers through economic cycles and shifting demographics. Established almost a decade ago, the policy determines how we manage reserves and shortfalls and the payment of conditional inflation protection. It also guides decisions to maintain or reduce stability contribution rates.

Taken together, these decisions help the Plan maintain benefit security while considering equity for generations of Plan members.

THE PLAN'S REPRESENTATIVE GOVERNANCE STRUCTURE HAS BEEN IN PLACE FOR 20 YEARS AND HAS A PROVEN TRADITION OF COOPERATION, MUTUAL RESPECT, AND COMMON PURPOSE.

STRONGLY INDEPENDENT

As a jointly sponsored pension plan, the Board of Trustees is ultimately responsible for overseeing the administration of pensions and the investment of Plan assets and to act in the best interest of the Plan and its members. The Board works closely with the Sponsors' Committee which, guided by the Funding Policy, determines how to best balance the use of contribution rates, funding reserves, and benefit design to keep the Plan financially healthy for years to come.

This past year, the Board said goodbye to three Trustees: Lynda Rattenbury, John Rigsby, and Don Walcot, who also served as Chair and Vice-Chair of the Board. It is with gratitude we warmly wish each of them well with future endeavours.

Since last year's annual report was issued, we've welcomed three new members to the Board: George Lowes, who joined last year, and Scott Blakey and Deb McCarthy who both joined at the start of 2015.

Along with our fellow Trustees, we wish to recognize the professionalism of all CAAT Plan employees, and to sincerely thank them for their expertise, diligence, and enthusiasm in delivering the outstanding performance and service that members and employers expect. With the management team, ably led by Derek Dobson, and our strong and experienced Board, the entire team remains committed to work with all our stakeholders for the unified purpose of keeping the Plan strong and viable for current and future beneficiaries.

Townsend,

edford,

r

BENEFIT SECURITY IS AT OUR CORE

MESSAGE FROM THE CEO

Plan members and employers have told us they value their pension benefits and rely on our independence, singularity of purpose, and expertise to deliver pensions as promised. They have placed their trust in us.

We work diligently to earn trust daily and it is the basis of every activity the CAAT Plan undertakes because we're committed to improving the financial security of members in retirement with appropriate and secure benefits supported by stable and affordable contribution rates. When dealing with the complexities of pension risk management, our clarity of purpose enables the focus necessary for managing the long-term sustainability of the Plan.

The CAAT Pension Plan is a not-for-profit professional pension risk management, investment, and administration organization that is effectively jointly governed by members and employers who share costs and responsibilities 50/50. We provide secure pension benefits and are committed to transparent communication and forthright disclosure.

Maintaining a healthy funding position requires the Plan to have a thorough understanding of economic, demographic, and political risks, and the options available to prudently manage them.

Complex systems and tight funding conditions make advanced analysis important to administering the Plan and investing its assets. That is why we conduct demographic trends analysis and stakeholder opinion surveys, carefully monitor economic conditions, seek to understand the effects of postsecondary education reform on pensions, and regularly advocate with government. Our leaders actively participate in industry associations, such as PIAC (Pension Investment Association of Canada) and the CPPLC (Canadian Public Pension Leadership Council), and, along with other plans, promote the advantages of the jointly sponsored multi-employer defined benefit (DB) pension model in order to help inform and broaden public discussion and understanding.

This past year saw the completion of more than three dozen projects and initiatives, including the launch of a new pension administration system that was two years in development and improves our technology and our processes, and better utilizes our people and their expertise.

Working with our stakeholders, we implemented new standards to help us measure, monitor, and report on our service delivery. We introduced immediate eligibility for part-time employees of the college system, giving them the option to join the Plan any time and the information to decide if exercising that option is right for them. To monitor and report on the risks associated with pension administration, we worked with employers to develop an annual attestation of administrative compliance process that takes effect this year.

LOOKING AHEAD

We continue to move ever closer to the successful completion of the first merger with a university pension plan. For prospective members at interested universities and related institutions we provide a secure and sustainable plan with valuable benefits. Our permanent exemption from solvency funding requirements and our economies of scale mean more of the contributions paid by members and employers go to pay for benefits than to overhead, fees, and expenses. Joining the CAAT Plan removes pension funding and benefits from the collective bargaining process and places them under an effective sector-based joint governance structure.

The recently completed Asset-Liability Modelling Study tested the health of the Plan against a variety of demographic and economic scenarios and concluded there is a mere 3% probability the CAAT Pension Plan will need to consider contribution increases or benefit changes in 20 years – a reassurance of security in these uncertain times.

The Plan is fully funded on a going-concern basis and its investment returns have been strong and consistent. We have used prudence to determine realistic assumptions about how long our members are living, long-term investment returns, interest rates, and inflation. The Plan has set appropriate contribution rates at a level adequate to sustain the Plan over the long term and we have built a healthy funding reserve, in accordance with the Funding Policy, to buffer against unforeseen economic and demographic developments.

We continue to work diligently to earn and keep the trust of members and employers.

Derek W. Dobson,
CEO and Plan Manager

THE MANDATE OF THE CAAT PENSION PLAN IS TO IMPROVE THE FINANCIAL SECURITY OF MEMBERS IN RETIREMENT WITH APPROPRIATE AND SECURE BENEFITS SUPPORTED BY STABLE AND AFFORDABLE CONTRIBUTION RATES.

MANAGEMENT'S COMMENTARY

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, 2014.

The CAAT Pension Plan provides secure defined benefit pensions to its members who work at, or have retired from, Ontario's 24 community colleges and 12 associated employers. These pensions are pre-funded by matching contributions from members and employers and, to a larger extent, by the investment returns earned over time by investing those contributions. The Plan's 40,000 members comprise: 24,700 who are working, either full- or part-time; 13,500 who are collecting pensions, as retired members or their surviving spouses; and 1,800 who have a deferred pension they left in the Plan to collect at retirement age.

The Plan carries out its mandate by defining and administering lifetime pensions, estimating the long-term cost of those pensions, and setting contribution levels and investing the contributions to secure the benefits. The Plan's central focus is benefit security and the sustainability of the Plan at stable and appropriate contribution rates.

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).

In 2014, the Plan continued to strengthen its financial position, finishing the year 107.2% funded on a going-concern basis, based on its actuarial valuation as at January 1, 2015, which has been filed with the pension regulators. As a buffer against the risk of any economic or demographic shocks, reserves were increased to $773 million from $525 million in the prior year. The market value of Plan assets, as of the end of 2014, was $8.0 billion, up from $7.1 billion at the end of 2013.

STRATEGY AND PRIORITIES

The Plan's strategic priorities keep it focused on its mission to improve the financial security of members in retirement with appropriate and secure benefits supported by stable and affordable contribution rates. The priorities are:

Delivering value – Providing a superior, well-managed plan that fulfills the pension promise, at an appropriate cost.

Managing risk – The Plan's Funding Policy and well-diversified asset mix are designed to protect against contribution volatility while considering intergenerational equity.

Controlling long-term costs – The Plan is efficient and low-cost to operate.

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.

BENEFITS AND ADMINISTRATION

The Plan's actuarial, pension policy, and administration experts see that benefits are properly funded and administered in compliance with all pension-related regulations and that high-quality service is delivered efficiently. They also provide a range of education and support to employers to assist them to carry out local pension administration responsibilities.

PLAN FUNDING

The Plan measures its success against these criteria:

- Securing Plan funding with reserves to protect earned benefits
- Paying conditional indexing (on service earned after 2007)
- Maintaining stable contribution rates that are appropriate for the benefits earned.

Sylvana Galati

Compensation and Pension Consultant, HR Services, Humber College

"I rely on the team at the CAAT Plan to deliver dependable and high-quality service to us and our employees when processing their pension benefits."

The Plan is 107.2% funded on a going-concern basis, based on its actuarial valuation, as at January 1, 2015. This is up from 105.1% in the prior valuation of January 1, 2014. The 2014 financial performance of the Plan has enabled further building of the funding reserve to $773 million, from $525 million in the previous filed valuation. The reserve is an important instrument for ensuring Plan stability and benefit security, serving to absorb the impact of unexpected interest rate or market declines or any larger-than-expected growth in liabilities (the pensions owed to members) from demographic shifts.

For actuarial valuation purposes pension plans are able to value their assets using a smoothing calculation that helps to lessen the effect of market volatility on the funded status and therefore lessen contribution rate volatility. With the prior valuation (January 1, 2014), the returns of all asset classes, not just equities, began to be smoothed over a five-year period. This better aligns the valuation of assets with that of the liabilities. This smoothing adjustment creates a future valuation reserve cushion, as at January 1, 2015, of $579 million in addition to the funding reserve of $773 million.

THE PLAN MEASURES ITS SUCCESS AGAINST THESE CRITERIA:

- Securing Plan funding with reserves to protect earned benefits
- Paying conditional indexing (on service earned after 2007)
- Maintaining stable contribution rates that are appropriate for the benefits earned.

VALUATION SUMMARY

Going-concern funding results (modified aggregate basis)	January 1, 2015 Filed valuation
ASSET VALUES:	($ millions)
Market value of net assets	7,965
Smoothing adjustment	(579)
Present value of future contributions	
Basic contributions	2,949
Supplemental contributions	1,156
Total actuarial value of assets	**11,492**
Liabilities for accrued benefits	8,034
Present value of future benefits for active members	2,666
Provision for indexation adjustments relating to post-2007 service to 2018	19
Total actuarial liabilities	**10,719**
Funding reserve	773

Amounts do not add due to rounding

FUNDING POLICY AT A GLANCE

FUNDING LEVERS	RESERVES	CONTRIBUTIONS	CONDITIONAL BENEFITS	BENEFITS
LEVEL 6	Further build, up to tax limit	Consider reducing basic	Consider improving benefits, for example granting ad-hoc inflation protection on other service	
LEVEL 5	Additional allocation to withstand up to a 7.5% increase in liabilities	Basic only	Inflation protection paid on conditional service for all periods	
LEVEL 4	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	
LEVEL 3*	**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**	
LEVEL 2	Fully used	Basic + 3% stability	Inflation protection increase on conditional service for current period	Restoration of any temporary reductions
TEMPORARY LEVEL 1 – until December 30, 2017**	Fully used	Basic + 3% stability	No inflation protection increase on conditional service	Temporary reduction to benefits earned in future
LEVEL 1	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, 2015

** 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, 2014 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 valuations as at January 1, 2014 and January 1, 2015 that cover the period of this agreement. Therefore, no changes are required.

Veneise Samuels

Student Support Representative, Centre for Construction and Engineering Technologies, George Brown College

"It's reassuring to know members have an equal say in all pension decisions through shared governance."

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS IN 2014

($ millions)

Net assets December 31, 2013		7,127
Investment income		808
Contributions received		417
Benefits paid		(369)
Pension administration expenditures		(13)
Investment administration expenditures		(6)
Net increase in assets available for benefits	838	
Net assets December 31, 2014		**7,965**

Amounts do not add due to rounding

With this latest valuation, the Plan continues on its steady course to keep benefits secure. Conditional inflation protection increases on service earned after 2007 remain in place through to at least January 1, 2018, and contribution rates continue at a blended average rate of 12.2% of pay (11.2% up to and 14.8% above the YMPE[1]).

The Plan's approach to securing benefits comprises:

- Using prudent, realistic assumptions about longevity, long-term investment returns, interest rates, and inflation
- Setting appropriate contribution rates at a level adequate to sustain the Plan over the long term
- Building a healthy funding reserve to buffer the Plan against unforeseen economic and demographic shocks.

Realistic assumptions

With each funding valuation the underlying assumptions are reviewed to ensure they continue to be realistic and appropriate for the Plan's risk tolerance.

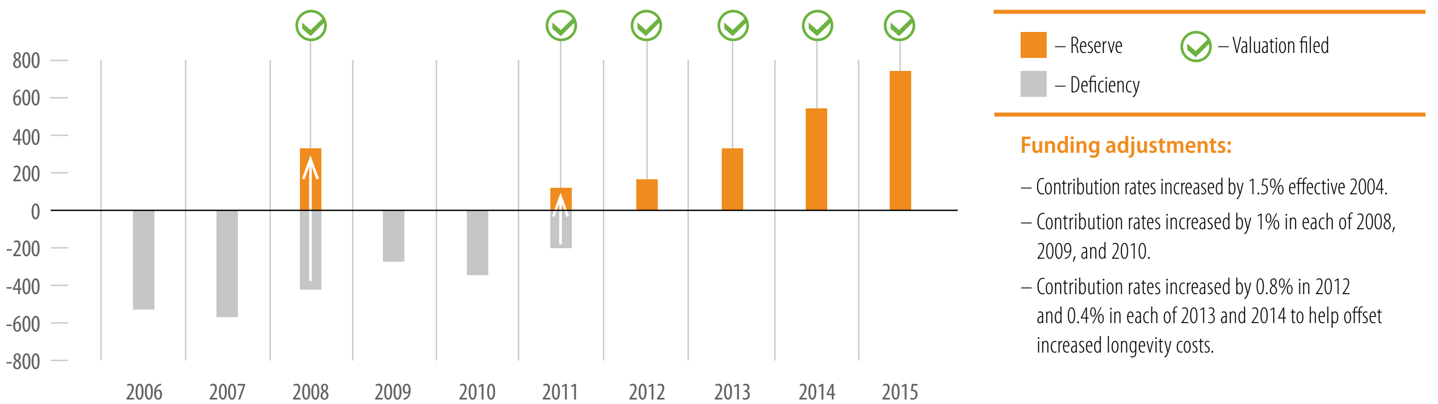
In 2014, despite interest rate declines late in the year, the Plan governors chose to keep the valuation discount rate unchanged at 5.8%, as they did in the prior valuation, when interest rates had risen. The discount rate represents a long-term estimate of investment returns on the Plan's assets. These decisions were taken on advice from management and the Plan's actuary with a long-term view and consideration that the Plan's funding reserve can withstand further decreases in interest rates should they persist beyond the short term.

The valuation continues to assume that members will live to 89 years on average while collecting their pensions and anticipates further increases to life expectancy based on the Canadian Institute of Actuaries updated mortality tables.

Key assumptions used in the valuation are listed in the financial statements on page 46.

[1] Year's Maximum Pensionable Earnings, set annually by the federal government for purposes of the Canada Pension Plan. The 2015 YMPE is $53,600.

FUNDING VALUATIONS HISTORY (as at January 1st)
From 2006-2015 ($ millions) on a going-concern basis



Funding adjustments:

– 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 costs.

Asset-Liability Modelling

Asset-Liability Modelling studies are conducted periodically to test the Plan's financial projections against many economic and demographic scenarios, including best and worst case outcomes. This long-term assessment allows for prudent planning and to evaluate risks and opportunities as they arise.

The latest Asset-Liability Modelling Study shows the Plan's financial health is expected to continue to improve in the future under various economic and demographic scenarios. The greatest positive impact on the Plan's health is continuing membership growth, while the biggest risk would be if the Plan were to be closed to new entrants.

An outcome of the study was the fine-tuning of the Plan's asset mix to better diversify the portfolio while continuing a strong alignment to the liabilities, the pensions owed to members. The allocation to the two major asset categories, Liability-hedging and Return-enhancing, remain at the same percentages (43% and 57%, respectively), but certain assets classes within each are being re-allocated in 2015. For more details on the adjustments to the Plan's asset mix, please see the Investment section of this report.

Funding Policy

The Plan has had a Funding Policy in place since 2006 that is designed to keep it healthy over the long term to protect promised benefits, while managing through periods of volatility. The policy prescribes the use of reserves, stability contributions, and conditional benefits at each of six levels of the Plan's financial health. With each actuarial valuation filed with the regulator, the Plan's funding level is measured and the Plan governors determine if any adjustments to reserves, contributions, or conditional benefits are needed. Intergenerational equity is always considered.

Guided by the Funding Policy, the Plan governors have:

- Steered the Plan to steady gains in its funded position since 2010
- Announced that conditional inflation protection increases on service earned after 2007 will be granted to retired members through to at least January 1, 2018
- Announced stable contribution rates through to at least the end of 2018
- For a fourth consecutive year, increased reserves available to manage through future volatility
- Adopted increased member life expectancy assumptions
- Avoided benefit reductions under the Jointly Sponsored Pension Plan Framework Agreement negotiated with the provincial government in 2012.

As of its latest filed valuation, at January 1, 2015, the Plan remains at Level 3 of the Funding Policy – the same level as the previous valuation as at January 1, 2014.

PLAN CHANGES

No changes to benefits

Benefit changes are often made in response to legislation. From time to time the Plan also carries out its own review of the benefits design from the perspective of intergenerational equity, the needs of the stakeholders, and the Funding Policy. No changes were made in 2014.

New employers

Since the last annual report, the Plan welcomed members from four new employers that have been approved for membership by the Sponsors' Committee: Fanshawe Student Union, Humber Students' Federation, Mohawk Students' Association, and OPSEU Local 110. All have participation dates taking effect in 2015.

SERVICE DELIVERY

The Service Delivery team, aided by the implementation of the new pension administration system in 2014, continued to improve the timeliness of transactions. Service standards were developed for member transactions to support compliance with regulatory disclosure rules as well as consistent delivery of high quality service for members and employers. The standards specify transaction turnaround times for the Plan and employers. The standards took formal effect in 2015 and were being met for all major transactions by the end of 2014.

Member services

By mid-year, the turnaround time for pension estimates had been reduced to seven working days on average from 27, exceeding the 10-day turnaround service standard for these transactions.

Turnaround for the delivery of retirement option packages was halved to 13 days from 27 days, exceeding the service level standard of 30 days.

A backlog of quotes for service purchases was eliminated by mid-year and by year-end the turnaround time for these transactions was reduced to an average of 16 days from 39 days.

The Service Delivery team handled 50% more calls from members and prospective members in 2014 – 6,900, up from 4,600 the prior year. This increased demand for service was driven by inquiries from part-time employees considering joining the Plan under the immediate eligibility rule that took effect on January 1, 2014, and by existing members seeking information and assistance with transactions.

Plan staff conducted 52 workplace presentations, enabling members to learn about their pensions in interactive sessions. The presentation offering was expanded to include one for members considering purchasing past service.

Benoit Séguin
Building Technologist, La Cité

"I appreciate the presentations given by the Plan that are organized by my employer and my union to help us understand our plan and to be ready for retirement."

WITH THIS LATEST VALUATION THE PLAN CONTINUES ON ITS STEADY COURSE TO KEEP BENEFITS SECURE.

Ongoing education and support for administrators

In 2014, monthly teleconferences and instructional webinars for employer administrators continued, with 18 sessions delivered in total. To help employers select the webinars appropriate for their job responsibilities, an Employer Education Guide was launched. Six employers also received workplace administrative training sessions.

An annual attestation of administrative compliance process was developed to assist employers and the Plan to reduce the risk of administrative errors in core areas of pension administration. The first attestation will be completed in early 2016 in respect of work performed during 2015.

Email updates for employer administrators were streamlined and the content organized to better support their planning.

Our Service Delivery leaders met with many human resources teams to better understand employer needs and challenges performing local pension administration and to help identify opportunities to maximize the value of the Plan in employee recruitment and retention.

Christina Decarie
Coordinator/Professor, Business Core, St. Lawrence College

"The more I learn about my pension, the more I appreciate the benefits it provides."

Transparency and education

The Plan is committed to transparency and to educating members about their pensions and retirement with easy-to-understand information delivered through a range of media.

The member communications program was enhanced in 2014 with the introduction of videos in both French and English, including one about inflation protection for retired members and one for active members aimed at helping them evaluate the best time to retire. Communication materials concerning survivor benefits were also updated.

A series of videos featuring the Plan CEO, and promoted through a "Lead the Conversation" email campaign, informed members about the value of defined benefit pension plans. Another video covered the benefits of university pension plan mergers, while the top questions received from members on the topic were addressed in a question-and-answer email series.

The reach of member information and education increased in 2014. By all standard metrics, overall website use rose by 11% compared to the prior year with nearly 118,000 visits to the website.

In 2014, the Plan's communications team received two awards: winning an Ovation Award from the International Association of Business Communicators for the implementation of *My Pension NewsLink*, the email subscription service for members, and an Apex Award for the Plan's part-time employee notification campaign.

Surveys of members and employers show confidence in Plan

Each year, the Plan surveys members about their opinions of the Plan and the value of their pension benefits. In 2014, more than 3,900 active members and over 200 retired members responded to the online questionnaire.

Members gave the Plan high marks on reputation and expertise, with 75% of active members and 91% of retired members indicating their overall opinion of the reputation of the Plan was excellent or good, and 70% of active members and 93% of retired members agreeing or strongly agreeing that the Plan has the expertise to manage the Plan effectively and prudently.

In 2014, employer administrators were also surveyed about their views of the Plan. Responses were received from 61 employer contacts ranging from pension administrators to chief financial and human resources officers. Seventy-seven per cent of employer respondents rated the Plan's reputation as good, very good, or excellent. Employer respondents also scored the Plan in the good-to-very-good range on its ability to manage funding and administration and on the performance of the management team and the investment of assets.

EFFICIENCY AND RISK MANAGEMENT

New pension administration system

With completion of the rollout of a new pension administration system in 2014, the key milestone in replacing the system used to calculate benefit entitlements was crossed. After working through some timing challenges with annual statement production, more efficient processing and improved reporting from the system began to be realized. This enabled service improvements in 2014, such as meeting the new service standards.

Private markets system

Also implemented in 2014 was a new system for monitoring and reporting on the Fund's private equity and infrastructure investments. This system reduces the Plan's reliance on a third party and provides enhanced private market reporting capabilities at the asset class level as well as for underlying funds and co-investments. It improves risk management and better supports the year-end valuation process.

THE MEMBER COMMUNICATIONS PROGRAM WAS ENHANCED IN 2014 WITH THE INTRODUCTION OF VIDEOS IN FRENCH AND ENGLISH.

CONTINUING DISCUSSIONS ON MERGERS WITH UNIVERSITY PENSION PLANS

During 2014, the Plan continued discussions with several universities and their members that are interested in pursuing or exploring mergers of their pension plans with the CAAT Plan. The similar demographic profiles of the CAAT Plan and university pension plans make the formation of a sector-wide plan through mergers a natural alignment that would deliver benefits for all. The CAAT Plan would further improve its funded position through this well-aligned growth. Mergers with university plans would:

- Improve the probability of paying conditional inflation protection
- Improve the probability of remaining fully funded through a wide range of economic scenarios
- Improve contribution rate stability.

Universities would benefit from merging their pension plans with the CAAT Plan by realizing cost savings from not operating their own pension plan such as investment management, actuarial valuation, and pension accounting fees, and from exemption from solvency funding and Pension Benefit Guarantee Fund premiums.

Members of the CAAT Plan and university pension plans would benefit from seamless portability of their pension benefits across the post-secondary sector.

Any merger must be in the interest of the Plan and its members

Throughout discussions with universities about potential mergers, the Plan continues to be guided by the principle that any merger must be in the best interest of the Plan and its members.

The Plan will not assume responsibility for a university pension shortfall. At least 50% of governance roles will be retained for colleges and their members, even if university members eventually outnumber college members and university assets grow to be larger than those from the college system.

Keeping members informed

Communications with existing Plan members concerning the benefits of growth are an important piece of this initiative. Throughout the year, the Plan communicated the progress on university pension plan mergers to members through its newsletters, videos, and a webinar.

A March 2014 webinar on growth issues was well attended and the "growth" section of the Plan's website has received significant attention.

Advocating for regulations to permit the transfer of single employer plan assets to a jointly sponsored plan

The Plan participates in the legislative process to represent the interests of Plan members or employers in their capacity as administrators.

During 2014, the Plan continued discussions with technical staff of the Ontario government about university pension plan mergers to ensure the proposal is well understood and that government regulations are in place to facilitate mergers and the related asset transfers to the CAAT Plan.

Most of the Plan's input was reflected in the description of the draft regulations for the transfer of assets from single employer pension plans (SEPPs) to jointly sponsored pension plans (JSPPs) that were released in early 2015. Plan management continues to advocate for modifications to the draft regulations concerning the approval process for mergers and the proposed limits on the maximum transfer amount. These changes are needed to ensure mergers can be achieved without unnecessary complications and meet the needs of all the stakeholder groups.

Requesting exemption from ORPP for part-time college employees

The other focus of the Plan's advocacy efforts in 2014 concerned how the province's proposed Ontario Retirement Pension Plan (ORPP) would affect part-time employees of the colleges as prospective members, employers in their capacity as administrators, and the Plan.

In pre-budget consultations, Plan officials recommended exemption from mandatory enrolment in the ORPP for part-time college employees because those employees already have immediate access to a comparable plan upon hire. Requiring part-time employees to choose between the CAAT Plan and the ORPP at hire would create communications challenges for administrators who must assist the employees to make an informed choice that considers the value of the pension benefit in each plan relative to the contributions required. The CAAT Plan provides a higher income replacement rate for members than the ORPP proposes and has correspondingly higher contribution rates. Faced with a choice between the CAAT Plan and the ORPP on their date of hire, part-time employees may choose the plan with the lowest contribution rate rather than consider the overall value of each plan in securing their retirement future. As well, offering two pension plans introduces costly administrative complexity, which places a burden on employers.

The CAAT Plan understands the need for retirement income security, especially for those without any access to a workplace pension. It is a pressing public policy challenge and the Plan believes the ORPP should focus on those with the greatest need – employees without access to any workplace pension.

In early 2015, the Plan made a formal submission on the ORPP that is available on its website.

Defending the efficiency of public sector defined benefit plans

Criticism of public sector pension plans' benefits and funding continued to receive media attention during 2014, particularly during the Ontario election campaign.

Through its membership in the Canadian Public Pension Leadership Council (CPPLC), the Plan helped sponsor a research paper co-authored by retired University of Waterloo professor and president of the International Actuarial Association, Robert L. Brown, that examined the implications of converting large public sector defined benefit (DB) pension plans to individually controlled and pooled defined contribution (DC) arrangements. The study, entitled "Shifting Public Sector Plans to DC – The experience so far and implications for Canada," contributed an evidence-based view of the true efficiency of DB plans and long-term costs to members, governments, and society of pursuing DC conversions. The study's modelling showed an efficient $10-billion DB plan to be 77% more efficient than providing the same benefits through individual DC accounts and 26% more efficient than providing them through a pooled DC arrangement. As well, plan sponsors face an increased financial risk from a closed DB plan that runs in parallel to the new DC plan for many decades.

The Plan continues to participate in the CPPLC to help ensure discussions about public sector DB pension plans are well informed.

THE PLAN CONTINUES TO BE GUIDED BY THE PRINCIPLE THAT ANY MERGER MUST BE IN THE BEST INTERESTS OF THE PLAN AND ITS MEMBERS

David Agnew
President, Seneca College

"The Plan's strong funded position during this era of low interest rates and increasing member longevity is a testament to the professional management of the Plan."

INVESTMENT MANAGEMENT

The CAAT Pension Plan team of professionals oversees the investment strategy set out by the Board of Trustees. They recommend an asset mix to the Board that enables the Plan to achieve its measures of success, namely paying conditional inflation adjustments each year and providing secure pension benefits at stable and appropriate contribution rates. The Plan's Investment Committee selects investment management firms, funds, and co-investments that meet its criteria and quality standards, and monitors their risk exposures and performance against targets. The result is a well-diversified portfolio taking appropriate levels of investment risk to help the Plan meet its obligations.

DIVERSIFIED INVESTMENT PORTFOLIO

The Plan's investment portfolio includes two broad categories of investments:

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

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

Within these categories, the investment team oversees the activities of approximately 40 high-quality investment and fund managers in a variety of asset classes with a balanced mix of investment approaches.

MARKET OVERVIEW

For much of the first three quarters of 2014, global markets were relatively stable and the prices of riskier assets continued their multi-year climb. At the time, consensus among economists was that the global economy would continue to recover led by the U.S. While Europe lagged the U.S., there were signs of growth in the U.K. In North America, equity markets were strong and expectations were for interest rates to begin rising – particularly in the U.S. and possibly in Canada. However, during the fourth quarter, the global oil supply glut pushed oil prices down dramatically. This, combined with deflationary data, continued high unemployment in the Eurozone, and increased geopolitical risk, led to higher volatility in markets around the world.

Julie Cays,
Chief Investment Officer

Despite a large drop in the value of energy stocks in the fourth quarter, the Canadian equity market still gained 10.6% for the year. In the U.S., earnings growth combined with solid GDP and growth in employment and manufacturing pushed the S&P 500 Index to a 23.9% gain in Canadian dollar terms. The Eurozone and Asian markets were mixed; the MSCI EAFE Index ended the year up 3.7%. The U.S. Fed continued to signal future interest rate increases but the expected timing was pushed out well into 2015. In Canada, bond yields fell throughout the year and the FTSE TMX Long Bond Index rose 17.5% for 2014.

Partly due to strength of the U.S. dollar against most global currencies, and partly due to the oil price collapse in the fourth quarter, the Canadian dollar fell 9% against the U.S. dollar in 2014. The loonie's performance was mixed relative to other currencies.

PERFORMANCE

Assets of the Plan totalled $8.0 billion at December 31, 2014. The Plan delivered solid investment performance in 2014, with a return of 11.5% net of investment management fees and outperforming the Plan's policy benchmark return by 1.4%, adding value of $96 million.

Over the past five years, the Plan has earned an annualized rate of return of 10.5%, net of investment management fees. In comparison, the policy benchmark returned a 9.5% annualized rate of return over the same period.

Performance in each asset class is measured relative to a relevant benchmark return, as listed in the table on page 22.

Canadian equity
(13.1% of total investments)

The Plan's Canadian equity portfolio totalled $1.037 billion at the end of 2014. The portfolio returned 10.5% in 2014, essentially matching the return of its benchmark for the year.

Global developed equity
(30.1% of total investments)

The Plan's Global developed equity portfolio totalled $2.389 billion at the end of 2014. The portfolio returned 15.0% in 2014, outperforming its benchmark by 0.5%. The Global developed equity portfolio combines managers with mandates for U.S., international, and global investments.

Emerging markets equity
(9.8% of total investments)

The Plan's Emerging markets equity portfolio totalled $780 million at the end of 2014. The portfolio returned 9.8% for the year, outperforming its benchmark by 3.2%.

Private equity
(3.9% of total investments)

The Plan's Private equity portfolio totalled $312 million at the end of 2014. The portfolio returned 28.5% for the year, outperforming its public market benchmark by 11.9%.

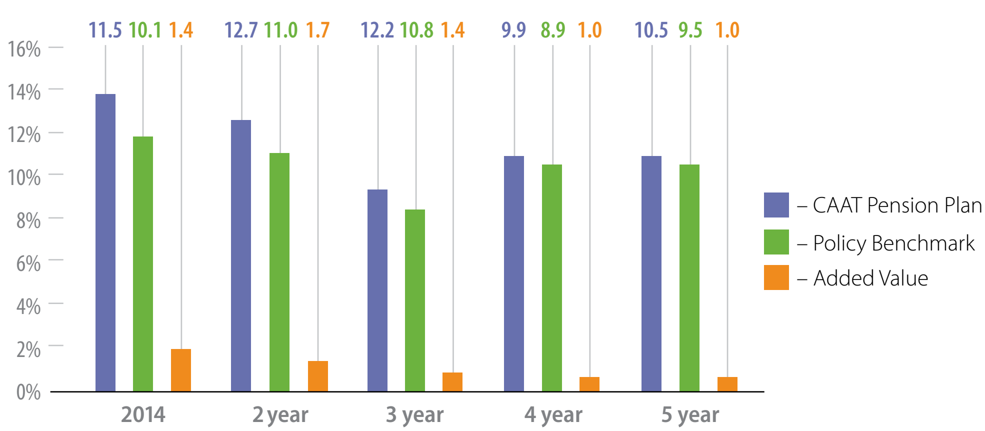
Infrastructure
(5.1% of total investments)

The Plan's Infrastructure portfolio totalled $404 million at the end of 2014. The portfolio returned 15.3% for the year, outperforming its benchmark by 8.3%.

Real Estate
(5.1% of total investments)

The Plan's Real Estate portfolio totalled $407 million at the end of 2014. The portfolio returned 5.3% for the year, underperforming its benchmark by 1.8%.

CAAT PENSION NET RETURN VS. POLICY BENCHMARK



THE 11.5% RETURN, NET OF INVESTMENT MANAGEMENT FEES, OUTPERFORMED THE POLICY BENCHMARK BY 1.4%, ADDING VALUE OF $96 MILLION.

Nominal long bonds
(22.6% of total investments)
The Plan's nominal long bond portfolio totalled $1.795 billion at the end of 2014. The portfolio returned 16.8% for the year, underperforming its benchmark by 0.7%.

Real-Return bonds
(5.7% of total investments)
The Plan's Real-Return bond portfolio totalled $456 million at the end of 2014. The portfolio returned 11.8% for the year.

Commodities
(4.1% of total investments)
The Plan's Commodities portfolio totalled $327 million at the end of 2014. It returned -25.2% for the year, outperforming its benchmark by 1.8%. The portfolio consists of commodity futures contracts.

Currency management
The Plan employs a currency hedging program to manage the risk inherent in foreign currency exposure. In 2014, the hedging program detracted 0.7% from total returns, due mainly to the depreciation of the Canadian dollar versus the U.S. dollar.

ASSET-LIABILITY MODELLING STUDY

During 2014, the Plan conducted an Asset-Liability Modelling (ALM) Study, in partnership with the Plan's actuary. An ALM study is typically performed every three years and helps to identify potential mixes of liability-hedging and return-enhancing investments, considering the Plan's liabilities, tolerance for risk, and long-term return expectations.

The ALM study also tests the potential performance of various asset mixes under various economic and demographic scenarios.

The ALM study is an important input into management's recommendation of an appropriate asset mix to the Board of Trustees. In 2014, the study concluded

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

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

INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

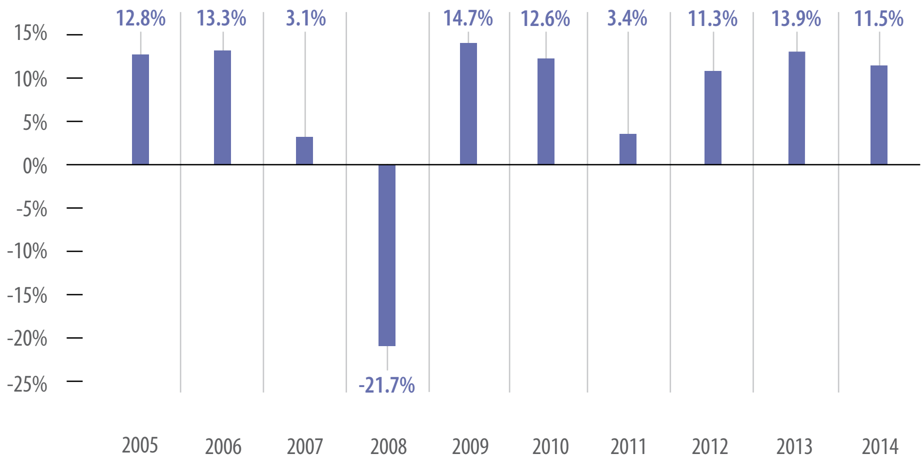
as at December 31, 2014 (net of expenses)

ASSET CLASS	CAAT PLAN INVESTMENTS ($ Millions)	2014 RETURN	BENCHMARK	VALUE ADDED
Return-enhancing				
Canadian equity	$1,037	10.5%	10.5%	0.0%
Global developed equity*	$2,389	15.0%	14.5%	0.5%
Emerging markets equity	$780	9.8%	6.6%	3.2%
Private equity	$312	28.5%	16.6%	11.9%
Liability-hedging				
Nominal bonds	$1,795	16.8%	17.5%	(0.7)%
Real-return bonds	$456	11.8%	11.8%	0.0%
Infrastructure	$404	15.3%	7.0%	8.3%
Real estate	$407	5.3%	7.1%	(1.8)%
Commodities	$327	(25.2)%	(27.0)%	1.8%

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

ANNUAL RATES OF RETURN

(net of investment management fees)



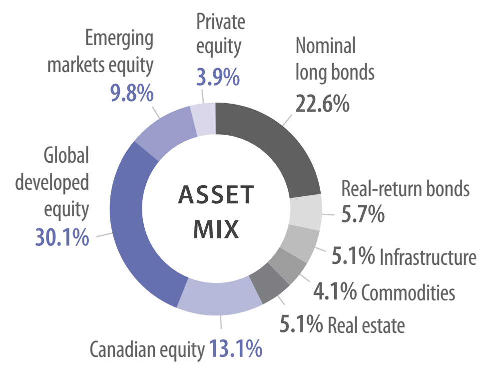
that the existing allocations to liability-hedging and return-enhancing investments continue to be appropriate for the Plan. However, within these categories, adjustments will be made during 2015. To further diversify liability-hedging investments, 5% of the policy allocation to nominal, long-term bonds will be re-allocated to bonds with shorter duration, comparable to that of the FTSE TMX Universe index. As well, to further diversify return-enhancing investments, 5% of the policy allocation to Canadian equity will be re-allocated to Global developed equity.

John Howitt

Retired Faculty, Fanshawe College

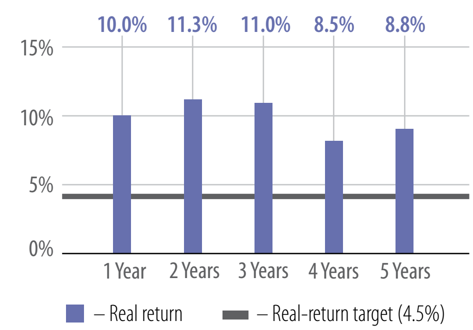
"I didn't think about my pension when paying my contributions 40 years ago, but I am certainly grateful for it today."

WELL-DIVERSIFIED $8 BILLION IN INVESTMENTS



Cash and equivalents 0.4%

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.

RESPONSIBLE INVESTING

The primary investment goal of the CAAT Plan is to maximize long-term, risk-adjusted returns. The Plan's 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.

In addition to these activities, the CAAT Plan recently became a signatory to the United Nations-supported Principles for Responsible Investment (PRI) Initiative and joins more than 1,300 institutional investors representing more than $45 trillion in assets under management.

Kevin Rorwick,
Chief Financial Officer

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) INITIATIVE

The United Nations-supported Principles for Responsible Investment state:

"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society."

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.

The Plan encourages corporations to improve disclosure on ESG factors and risks so that investors 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

The CAAT Plan has 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." The 46 members of the CCGG include a range of institutional investors – pension plans, mutual fund and other third-party money managers – and represent combined assets of over $2.5 trillion. Julie Cays, CIO at the CAAT Plan, serves on the CCGG Board of Directors and as part of this role participates in meetings with representatives of boards of directors of Canadian corporations.

Among the many submissions made to various governmental agencies, some of the notable contributions by CCGG in 2014 include a submission to the Ontario Securities Commission on the Canadian Securities Administrators' requests for comment on proposed amendments regarding corporate disclosure of gender diversity on boards and in senior management, and on guidance to proxy advisory firms.

Pension Investment Association of Canada (PIAC)

Members of the CAAT Plan investment team are active members of the Pension Investment Association of Canada whose 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 2014, including several on governance- related topics.

Julie Cays is a past Chair of PIAC. Kevin Fahey, Director, Investments for the CAAT Plan, serves on the PIAC Board and as a member of its Corporate Governance and 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.

CDP

CDP, formerly the Carbon Disclosure Project, has a number of initiatives that encourage companies globally to disclose information on greenhouse gas emissions, water usage, and other environmental impacts in order to enable investors to evaluate the risks in their portfolios relating to these factors. The CAAT Plan is a signatory to the CDP and the related CDP Water Disclosure initiatives.

Annual information requests are sent by CDP to corporations across the globe (including over 200 in Canada). These requests were signed by more than 800 institutional investors in 2014, representing over $100 trillion in assets.

Extractive Industries Transparency Initiative (EITI)

The CAAT Plan is a signatory to the Investors' Statement on Transparency in the Extractives Sector in support of the EITI, which aims to improve transparency and accountability by corporations and governments around the world regarding taxes, expenditures and revenues from oil, gas, and mining. Over 80 institutional investors that collectively manage over $20 trillion have signed on to the initiative.

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 a growing number of the Plan's investment managers are considering the impact of ESG factors when making investment decisions.

EXERCISING PROXIES IN 2014

In 2014, the Plan voted over 10,000 proxy issues at meetings of companies in the CAAT Plan portfolio. There were 271 shareholder proposals raised. The Plan voted for 123 of these proposals.

Twelve 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 10.

A MODEL OF JOINT GOVERNANCE: MEMBERS AND EMPLOYERS HAVE EQUAL SAY ON PLAN DECISIONS

Sharing of Plan risks and decisions by members and employers is achieved through the Plan's joint governance structure, which is bicameral, comprising a Sponsors' Committee and a 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 MEMBERS OF THE SPONSORS' COMMITTEE 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.

Left to right: Marilou Martin, Jeff Zabudsky, Kim Macpherson, Steve Hudson, Peggy McCallum.
Not shown: Michael Gallagher, Patrick Kennedy, Brian Tamblyn.

Members and employers have equal representation on both these decision-making bodies, 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 of Trustees sets the investment strategy and funding risk that are appropriate for the Plan's long-term obligations. The Board also establishes policies for investing contributions and administering benefits.

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 the 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, Vice-Chair, Employee Trustee; Scott Blakey, Employer Trustee; Stephen Campbell, Employer Trustee; Harry Gibbs, Employer Trustee; Alec Ip, Employee Trustee; George Lowes, Employee Trustee; Deb McCarthy, Employer Trustee; Alnasir Samji, Employer Trustee; Michael Seeger, Employee Trustee; Don Smith, Employee Trustee; Beverley Townsend, Chair, Employer Trustee; Donald Wright, Employee Trustee.

George Lowes assumed his responsibilities in 2014. Scott Blakey and Deb McCarthy assumed their responsibilities January 1, 2015.

Lynda Rattenbury served as an Employee Trustee from 2013 to 2014. John Rigsby served as an Employer Trustee from 2010 to 2013. Don Walcot served as an Employer Trustee from 2006 to 2014.

Left to right: Alec Ip, Deb McCarthy, Don Smith, Donald Wright, Darryl Bedford, Beverley Townsend, Harry Gibbs, Alnasir Samji, Stephen Campbell, George Lowes. Not shown: Scott Blakey, Michael Seeger.

Equal representation and voting extends to these subcommittees of the Board of Trustees that make recommendations to the Board in particular areas of focus:

- Appeals Subcommittee – hears member appeals of the interpretation of Plan rules.
- 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.
- 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 resources and information systems and reviews the operations, project, and capital budgets for the Plan.
- Investment Committee – 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.

In late 2014, a Plan Equity Review Task Force was established, with meetings scheduled in 2015, to follow up on the work of an earlier task force and further consider the equity of various Plan provisions, to determine if any changes are warranted. The task force is a joint committee with representatives from the Board and the Sponsors' Committee.

Amendments to Sponsorship and Trust Agreement

An updated Sponsorship and Trust Agreement was approved by the Sponsors' Committee and filed with the regulators in 2014. It provides flexibility for the Plan to manage the addition of universities as employers, clarifies data the Plan can collect from employers, and allows for the Co-Chairs of the Sponsors' Committee to serve for two-year terms.

GOOD GOVERNANCE, GROUNDED IN POLICY AND KNOWLEDGE

Rigorous policies

In carrying out their responsibilities, Plan governors are guided by numerous policies. They conduct scheduled reviews of those policies to ensure they remain relevant and up-to-date with the environment in which the Plan operates. In 2014, the governors affirmed three policies and made amendments to 13 others, as listed below.

Continuing education

During their annual two-day retreat and at their regular meetings, governors participate in presentations and discussions delivered by staff and other industry experts. In 2014, the topics of these educational sessions included the future business environment, appropriate investments for pension plans, emerging risks, Plan sustainability viewed through the asset-liability study, effective advocacy, and service delivery models.

Members of the Investment Committee also received presentations by external providers on the global economic outlook and an overview of direct investments.

Throughout the year, governors also attend pension industry conferences.

2014 REVIEW OF GOVERNING POLICIES

Affirmed

Privacy Policy
Succession Planning Policy
Terms of Reference – Audit Committee

Amended

Board of Trustees Operations Policy
Policy on Non-Audit Services Performed by External Auditor
Policy on the Role of the Co-Chairs of the Sponsors' Committee
Review and Appeal Policy and Process
(previously known as the Member Appeal Policy and Process)
Risk Management Policy
Role of the Board Policy
Role of the CEO and Plan Manager Policy
Service Provider Selection and Review Policy
Sponsors' Committee Member Expense Policy Guidelines
Sponsors' Committee Operations Policy
Terms of Reference – Finance and Administration Committee
Terms of Reference – Investment Committee
Trustees Committee Member Expense Policy Guidelines

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 Board of Trustees retained Mercer (Canada) Limited as external actuaries to provide an actuarial valuation of the assets and the going-concern liabilities of the Plan for inclusion in the financial statements. 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 reports 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 and Plan Manager

Kevin Rorwick,
Chief Financial Officer

April 14, 2015

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, 2014, 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, 2014, 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
Toronto, Ontario

April 14, 2015

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, 2014, 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, 2014
- membership data provided by the Board as at December 31, 2013
- 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, 2014 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 2014, 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.

Paul Forestell, F.C.I.A.

April 14, 2015

STATEMENT OF FINANCIAL POSITION

($ thousands)		2014		December 31 2013
ASSETS				
Investment assets				
Investments *(Note 3)*		**$ 8,143,337**		$ 7,346,000
Accrued income		**15,304**		14,219
Unsettled trades receivable		**141,024**		72,353
Derivative-related receivables *(Note 5)*		**26,324**		28,032
Employer contributions receivable		**13,341**		12,576
Member contributions receivable		**13,447**		12,843
Other assets *(Note 7)*		**6,384**		6,306
		8,359,161		7,492,329
LIABILITIES				
Investment liabilities				
Unsettled trades payable		**312,235**		325,850
Derivative-related liabilities *(Note 5)*		**68,492**		26,060
Accounts payable and accrued liabilities *(Note 8)*		**13,631**		13,283
		394,358		365,193
Net assets available for benefits		**$ 7,964,803**		$ 7,127,136
Pension obligations *(Note 9)*		**8,052,169**		7,669,567
Regulatory surplus *(Note 10)*	**773,004**		524,820	
Measurement differences between regulatory and accounting deficit *(Note 10)*	**(860,370)**		(1,067,251)	
Deficit		**$ (87,366)**		$ (542,431)

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

Beverley Townsend,
Chair

Darryl Bedford,
Vice-Chair

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Year ended December 31	
($ thousands)	**2014**	2013
Increase in net assets available for benefits		
Contributions *(Note 11)*	**$ 417,123**	$ 368,457
Investment income *(Note 12)*	**807,634**	859,965
	1,224,757	1,228,422
Decrease in net assets available for benefits		
Benefits *(Note 13)*	**368,601**	343,642
Investment administration expenditures (Note 14)	**5,665**	5,840
Pension administration expenditures (Note 14)	**12,824**	11,710
	387,090	361,192
Net increase in net assets available for benefits	**837,667**	867,230
Net assets available for benefits, beginning of year	**7,127,136**	6,259,906
Net assets available for benefits, end of year	**$ 7,964,803**	$ 7,127,136

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

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

	Year ended December 31	
($ thousands)	**2014**	2013
Accrued pension obligations, beginning of year	**$ 7,669,567**	$ 7,231,559
Increase in accrued pension obligations (Notes 9 & 10)		
Interest on accrued benefits	**447,324**	421,794
Benefits accrued	**227,210**	212,579
Changes in actuarial assumptions	**37,663**	68,614
Experience losses	**39,006**	78,663
	751,203	781,650
Decrease in accrued pension obligations		
Benefits paid (Note 13)	**368,601**	343,642
Net increase in accrued pension obligations	**382,602**	438,008
Accrued pension obligations, end of year	**$ 8,052,169**	$ 7,669,567

STATEMENT OF CHANGES IN DEFICIT

	Year ended December 31	
($ thousands)	**2014**	2013
Deficit, beginning of year	**$ (542,431)**	$ (971,653)
Increase in net assets available for benefits	**837,667**	867,230
Net increase in accrued pension obligations	**(382,602)**	(438,008)
Deficit, end of year	**$ (87,366)**	$ (542,431)

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

NOTES TO FINANCIAL STATEMENTS

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.

Members not eligible for an immediate pension may 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. Ad hoc inflation adjustments on the portion of a pension based on service prior to 1992 ended 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 the build-up of contingency reserves, and/or specified decreases to contribution rates, and/or inflation adjustments for pre-1992 and post-2007 service pensions. 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 Plan as a separate financial reporting entity independent of the sponsors and plan members in Canadian dollars.

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 - Accounting [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 – Accounting 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 estimated future cash flows to the investor which are then discounted, 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. Valuations 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 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 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

	2014		2013	
($ thousands)	**Fair Value**	**Cost**	Fair Value	Cost
Short-term investments	**$ 714,044**	**$ 707,299**	$ 709,190	$ 704,625
Fixed income *(Note 3b)*	**2,259,079**	**2,054,674**	1,939,952	1,923,894
Equities *(Note 3c)*	**4,051,945**	**3,414,282**	3,838,283	3,177,314
Infrastructure	**399,853**	**324,471**	296,532	267,402
Real estate	**407,172**	**257,769**	378,826	250,000
Private equity	**311,244**	**222,402**	183,217	142,972
	$ 8,143,337	**$ 6,980,897**	$ 7,346,000	$ 6,466,207

3(B) – FIXED INCOME

Investments in fixed income include the following issuers:

	2014		2013	
($ thousands)	**Fair Value**	**Cost**	Fair Value	Cost
Government of Canada	**$ 823,277**	**$ 736,123**	$ 812,354	$ 790,529
Provincial Governments	**1,016,027**	**936,249**	770,834	786,259
Municipal Governments	**15,135**	**13,758**	8,684	8,695
Corporate	**315,188**	**287,278**	260,248	255,574
Foreign	**89,452**	**81,266**	87,832	82,837
Total Bonds	**$ 2,259,079**	**$ 2,054,674**	$ 1,939,952	$ 1,923,894

Government bonds include those issued or guaranteed by the government.

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

	2014	2013
	Fair Value	Fair Value
1 – 5 years	**$ 34,558**	$ 32,713
6 – 10 years	**207,649**	185,825
11 – 20 years	**704,967**	636,128
Greater than 20 years	**1,311,905**	1,085,286
Total Fixed Income	**$ 2,259,079**	$ 1,939,952

3(C) – EQUITY INVESTMENTS

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

	2014		2013	
	Fair Value ($ thousands)	**%**	Fair Value ($ thousands)	%
United States	**$ 1,201,789**	**29.7**	$ 1,213,294	31.6
Canada	**1,040,931**	**25.7**	996,904	26.0
Europe (excluding United Kingdom)	**537,287**	**13.3**	396,018	10.3
United Kingdom	**115,255**	**2.8**	150,373	3.9
Japan	**310,925**	**7.7**	319,598	8.3
Other Asia / Pacific	**656,004**	**16.2**	535,484	14.0
Latin America	**93,602**	**2.3**	116,566	3.0
Other	**96,152**	**2.3**	110,046	2.9
Total Equity	**$ 4,051,945**	**100.0**	$ 3,838,283	100.0

3(D) – Summary of Significant Investments

At December 31, 2014 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
Short-Term Investments		
United States Treasury Bills	$ 335,165	$ 332,428
Fixed income		
CIBC Pooled Long-Term Bond Index Fund	$ 578,261	$ 526,514
Government of Canada Bonds	643,117	571,392
Province of Ontario Bonds	296,667	279,531
Province of Quebec Bonds	245,648	223,437
Equities		
BlackRock Global Fixed Income Alpha Offshore Fund	$ 236,930	$ 211,739
Bridgewater Pure Alpha Fund II	223,739	150,146
GMO Emerging Domestic Opportunities Fund IV	276,983	251,292
MSCI Emerging Markets Index	100,596	93,588
SPDR S&P 500 ETF Trust	95,446	70,672
Real estate		
Greystone Real Estate Fund	$ 392,239	$ 243,527

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, 2014, the Plan's investments included loaned securities with a fair value of $1,549,784 thousand (2013 - $1,161,589 thousand). The fair value of collateral received in respect of these loans was $1,615,487 thousand (2013 - $1,215,645 thousand). Net income earned from securities lending for the year was $2,601 thousand (2013 - $2,549 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 which 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 2, 2014 and effective for 2015, the maximum allocation to real return bonds has decreased from 10% to 8%, the allocation range for Canadian equities has changed from 11-15% to 6-10%, and the allocation range for global developed equity has changed from 25-35% to 30-40%. In addition, a nominal universe bonds asset class was introduced, with an allocation range of 3-7% with a benchmark index of the FTSE TMX Universe Index. The benchmark index for nominal long bonds was changed to the FTSE TMX Long Bond Index.

The Statement designates nine broad classes of assets (ten assets classes for 2015). A set of benchmarks has been identified to measure performance against each class' 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' 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, 2014.

The asset allocation and associated benchmark index is as follows:

		2014		2013	
Asset Class	**Benchmark Index**	**Allocation Range**	**Actual Allocation**	Allocation Range	Actual Allocation
Liability-hedging assets		**38-48%**	**42.7%**	38-48%	42.6%
Nominal long bonds	FTSE TMX Canada Long Term Overall Bond	**10-30%**	**22.7%**	10-30%	22.3%
Real-return bonds	Actual returns	**0-10%**	**5.7%**	0-10%	5.6%
Infrastructure	CPI + 5%	**Actual - 12%**	**5.1%**	Actual - 12%	4.4%
Real estate	IPD Canadian Property	**3-7%**	**5.1%**	3-7%	5.3%
Commodities	S&P GSCI Total Return	**3-7%**	**4.1%**	3-7%	5.0%
Return-enhancing assets		**52-62%**	**56.9%**	52-62%	57.4%
Canadian equity	S&P/TSX Composite	**11-15%**	**13.1%**	11-15%	13.1%
Global developed equity	MSCI World ex Canada	**25-35%**	**30.1%**	25-35%	32.0%
Emerging markets equity	MSCI Emerging Markets	**8-12%**	**9.8%**	8-12%	9.5%
Private equity	MSCI ACWI + 3%	**Actual - 7%**	**3.9%**	Actual - 7%	2.8%
Cash, cash equivalents, and other	Not applicable	**Not applicable**	**0.4%**	Not applicable	0.0%
Total investments			**100.0%**		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:

	2014		2013	
Asset Class	**Rate of Return**	**Benchmark Return**	Rate of Return	Benchmark Return
Liability-hedging assets				
Nominal long bonds	**16.9%**	**17.5%**	(5.7%)	(6.2%)
Real-return bonds	**11.8%**	**11.8%**	(12.1%)	(12.1%)
Infrastructure	**17.6%**	**7.0%**	10.8%	6.7%
Real estate	**6.2%**	**7.0%**	11.7%	10.6%
Commodities	**(25.2%)**	**(27.0%)**	5.8%	5.4%
Return-enhancing assets				
Canadian equity	**10.7%**	**10.6%**	21.1%	13.0%
Global developed equity	**16.2%**	**14.5%**	39.8%	36.4%
Emerging markets equity	**10.6%**	**6.6%**	7.6%	3.9%
Private equity	**32.7%**	**16.6%**	25.3%	34.0%
Total investments	**12.3%**	**10.1%**	14.5%	11.8%

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)	2014			2013
	Gross Exposure	**Hedged Amount**	**Net Exposure**	Net Exposure
United States Dollar	**$ 2,812,663**	**$ (1,060,834)**	**$ 1,751,829**	$ 1,591,544
Euro	**471,328**	**(322,693)**	**148,635**	144,002
Japanese Yen	**311,359**	**(174,203)**	**137,156**	173,971
Hong Kong Dollar	**139,438**	**(74,121)**	**65,317**	66,765
Swiss Franc	**62,663**	**(40,867)**	**21,796**	25,576
British Pound Sterling	**134,217**	**(17,863)**	**116,354**	123,560
Other currencies	**314,625**	**(50,625)**	**264,000**	200,648
Total foreign	**4,246,293**	**(1,741,206)**	**2,505,087**	2,326,066
Canadian Dollar	**3,711,005**	**1,729,697**	**5,440,702**	4,782,629
	$ 7,957,298	**$ (11,509)**	**$ 7,945,789**	$ 7,108,695

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, 2014 would result in a gain/loss of $125,254 thousand (2013 - $116,303 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, 2014, the duration of the fixed income portfolio was 13.9 years (2013 – 13.4 years). If interest rates were to rise by 1%, the fair value of the fixed income portfolio would decline by approximately $288 million (2013 - $231 million). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income portfolio would increase by approximately $293 million (2013 - $234 million).

See Note 10 for the impact of interest rate changes to the Plan's regulatory surplus.

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:

($ thousands)	**2014**		2013	
	% Change	**Gain / Loss**	% Change	Gain / Loss
Canadian equity	**10.1%**	**$ 103,120**	9.7%	$ 97,822
Global developed equity	**10.0%**	**$ 249,065**	10.0%	$ 236,021
Emerging markets equity	**9.1%**	**$ 67,900**	9.3%	$ 62,965

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 31st 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)	2014	2013
Short-term investments	**$ 714,044**	$ 709,190
Fixed income	**2,259,079**	1,939,952
Derivative-related receivables	**26,324**	28,032
Interest receivable	**8,947**	9,484
Loaned securities	**1,549,784**	1,161,589
Credit default derivatives – written	**39,276**	7,350
Total maximum exposure	**$ 4,597,454**	$ 3,855,597

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

($ thousands)	2014	2013
AAA	**$ 991,156**	$ 916,211
AA	**507,936**	429,433
A	**603,537**	506,572
BBB or lower	**156,450**	87,736
	$ 2,259,079	$ 1,939,952

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, 2014, the fair value of such bonds held by the Plan was $1,839,304 thousand (2013 - $1,583,188 thousand). In addition, the Plan's portfolio of short-term investments of $714,044 thousand (2013 - $709,190 thousand) primarily represents cash or near cash assets that are available to meet payment obligations.

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.
- 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.

	2014			2013		
($ thousands)	**Notional Value**	**Fair Value**		Notional Value	Fair Value	
		Positive	**Negative**		Positive	Negative
Equity						
Futures	**$ 830,454**	**$ 21,587**	**$ (2,025)**	$ 822,721	$ 22,360	$ (6,272)
Fixed Income						
Futures	**205,264**	**1,124**	**(204)**	443,652	356	(1,137)
Swaps	**236,598**	**-**	**(418)**	409,262	43	(172)
Options	**70,778**	**1,174**	**(1,346)**	133,286	25	(279)
Currency						
Forwards	**2,117,692**	**-**	**(11,520)**	1,858,931	-	(11,693)
Options	**8,043**	**1,028**	**-**	26,478	1	-
Credit Default Swaps						
Purchased	**29,302**	**-**	**(117)**	24,903	-	(81)
Written	**39,276**	**86**	**(116)**	7,350	31	(7)
Commodity						
Futures	**326,082**	**1,325**	**(52,746)**	355,397	5,216	(6,419)
	$ 3,863,489	**$ 26,324**	**$ (68,492)**	$ 4,081,980	$ 28,032	$ (26,060)

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

($ thousands)	**2014**	2013
Under 1 year	**$ 3,609,372**	$ 3,589,573
1 to 5 years	**183,259**	400,305
Over 5 years	**70,858**	92,102
	$ 3,863,489	$ 4,081,980

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:

		2014		
($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term Investments	**$ -**	**$ 714,044**	**$ -**	**$ 714,044**
Fixed Income	**-**	**2,259,079**	**-**	**2,259,079**
Equities	**3,180,786**	**871,159**	**-**	**4,051,945**
Infrastructure	**-**	**-**	**399,853**	**399,853**
Real estate	**-**	**-**	**407,172**	**407,172**
Private equity	**-**	**-**	**311,244**	**311,244**
Derivative-related receivables	**24,036**	**2,288**	**-**	**26,324**
Derivative-related liabilities	**(54,975)**	**(13,517)**	**-**	**(68,492)**
	$ 3,149,847	**$ 3,833,053**	**$ 1,118,269**	**$ 8,101,169**

		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)
	$ 3,056,631	$ 3,432,766	$ 858,575	$ 7,347,972

There were no significant transfers of investments between Level 1 and Level 2 during 2014 or 2013.

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:

	2014			
($ thousands)	**Infrastructure**	**Real Estate**	**Private Equity**	**Total**
Opening Balance	**$ 296,532**	**$ 378,826**	**$ 183,217**	**$ 858,575**
Acquisitions	**74,365**	**19,121**	**111,694**	**205,180**
Dispositions	**(26,877)**	**(14,925)**	**(48,810)**	**(90,612)**
Realized Gains	**9,581**	**3,574**	**16,546**	**29,701**
Unrealized Gains	**46,252**	**20,576**	**48,597**	**115,425**
Closing Balance	**$ 399,853**	**$ 407,172**	**$ 311,244**	**$ 1,118,269**

	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	17,068	-	8,246	25,314
Unrealized Gains	21,062	39,638	23,587	84,287
Closing Balance	$ 296,532	$ 378,826	$ 183,217	$ 858,575

NOTE 7: OTHER ASSETS

Other assets consist of fixed assets with a net book value of $4,499 thousand (2013 - $4,225 thousand), and miscellaneous receivables and prepaid expenses in the amount of $1,885 thousand (2013 - $2,081 thousand). Fixed assets are stated at cost and are depreciated or amortized on a straight-line basis over their useful lives.

($ thousands)	2014			2013
Fixed Assets	**Cost**	**Accumulated Depreciation & Amortization**	**Net Book Value**	Net Book Value
Systems software	**$ 4,628**	**$ 898**	**$ 3,730**	$ 3,581
Leasehold improvements	**184**	**22**	**162**	57
Computer equipment	**762**	**517**	**245**	239
Furniture, fixtures & equipment	**1,263**	**901**	**362**	348
	$ 6,837	**$ 2,338**	**$ 4,499**	$ 4,225

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is an accrual of $6,106 thousand (2013 - $6,052 thousand) for supplemental employment retirement benefits for Board staff based on pension entitlements which 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 the Plan's Actuary. 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). Subsequent to year-end, a regulatory valuation was filed as at January 1, 2015. The next regulatory valuation is required to be filed no later than as at January 1, 2018.

Pension obligations as at December 31, 2014 were $8,052,169 thousand (2013 – $7,669,567 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 net 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:

	2014	2013
Discount rate	**5.80%**	5.80%
Salary escalation rate	**3.75%**	3.75%
Inflation rate	**2.00%**	2.00%
Real discount rate	**3.80%**	3.80%

Changes in actuarial assumptions between 2013 and 2014 resulted in an increase in the pension obligation of $37,663 thousand to reflect the inclusion of an assumption on the proportion of terminating members electing a lump sum payment. (2013 – increase of $68,614 thousand to reflect future mortality improvements).

EXPERIENCE LOSSES

Experience losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2014, experience losses were $39,006 thousand (2013 – losses of $78,663 thousand). Experience losses in 2014 and 2013 stemmed from demographic experience losses offset in part by lower than assumed salary escalation.

PLAN PROVISIONS

In 2013, the contribution rate on contributory earnings (as defined by the Plan text) by both employers and employees was 10.8% up to the Year's Maximum Pensionable Earnings as determined by the federal government to determine Canada Pension Plan contributions ("YMPE") ($51,100 in 2013) and 14.4% of contributory earnings in excess of the YMPE.

Commencing January 1, 2014 contribution rates were 11.2% on contributory earnings up to the YMPE ($52,500 in 2014 and $53,600 in 2015) 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 $87,366 thousand as at December 31, 2014 (2013 – $542,431 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, 2014 which has been filed with FSCO subsequent to year-end is $773,004 thousand (2013 – surplus of $524,820 thousand). A 25-basis-point decrease in the discount rate assumption at December 31, 2014 would result in a decrease in the regulatory surplus of approximately $410 million (2013 - $350 million).

Measurement differences between the regulatory surplus and accounting deficit in 2014 of $860,370 thousand (2013 - $1,067,251 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 2014 is a $578,958 thousand deferred gain (2013 - $342,777 thousand) actuarial asset value adjustment, whereby gains 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)	**2014**	2013
Members		
Current service	**$ 195,223**	$ 176,691
Past service	**6,923**	4,782
Employers		
Current service	**195,223**	176,691
Past service	**3,815**	2,991
Transfers from other pension plans	**15,939**	7,302
	$ 417,123	$ 368,457

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 2014, $13,341 thousand of employer contributions receivable and $13,447 thousand of member contributions receivable (2013- $12,576 thousand of employer contributions and $12,843 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)	2014	2013
Interest income	**$ 80,078**	$ 64,748
Dividend income	**94,642**	82,034
Other income	**2,800**	2,877
	177,520	149,659
Investment gains		
Realized gain	**435,993**	482,619
Change in unrealized appreciation of investments	**254,759**	277,334
	690,752	759,953
Investment income prior to investment expenses	**868,272**	909,612
Investment management fees	**(54,858)**	(42,695)
Transaction costs	**(5,780)**	(6,952)
	$ 807,634	$ 859,965

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

($ thousands)	2014	2013
Short-term investments*	**$ (116,749)**	$ 52,164
Fixed income	**303,614**	(119,053)
Equities	**548,134**	866,996
Infrastructure	**46,759**	39,587
Real estate	**23,288**	39,639
Private equity	**63,226**	30,279
	$ 868,272	$ 909,612

*Includes losses on currency forwards and options and commodity futures of $143,409 (2013 - $42,460)

NOTE 13: BENEFITS

($ thousands)	2014	2013
Pensions	**$ 348,848**	$ 323,605
Payments on termination of membership	**19,753**	18,505
Transfers to other pension plans	**-**	1,532
	$ 368,601	$ 343,642

NOTE 14: ADMINISTRATION EXPENDITURES

Investment Administration Expenditures

($ thousands)	2014	2013
Salaries and benefits	**$ 2,668**	$ 3,101
Custodial fees	**1,286**	1,087
Other professional services	**770**	907
Premises and equipment	**576**	415
Communications and travel	**226**	163
Board and Sponsors' Committee	**68**	80
Audit fees	**71**	76
Actuarial fees	**-**	11
	$ 5,665	$ 5,840

Pension Administration Expenditures

($ thousands)	2014	2013
Salaries and benefits	**$ 8,608**	$ 8,350
Premises and equipment	**2,755**	1,759
Other professional services	**383**	587
Custodial fees	**344**	329
Communications and travel	**350**	291
Actuarial fees	**206**	237
Audit fees	**110**	76
Board and Sponsors' Committee	**68**	81
	$ 12,824	$ 11,710

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, 2014, these commitments totalled $550,082 thousand (2013 - $457,750 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 $3,647 thousand, with the following amounts payable over the next three years: 2015 - $1,700 thousand, 2016 - $1,025 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 as well as other services provided in the regular course of business. The total of such reimbursements to colleges in 2014 were $49 thousand (2013 - $25 thousand).

NOTE 17: GUARANTEES AND INDEMNIFICATIONS

The Plan provides indemnifications to its trustees, sponsor 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.

NOTE 18: COMPARATIVE FIGURES

Certain of the comparative figures in the statement of changes in net assets available for benefits relating to administration expenditures have been reclassified to conform with the financial statement presentation adopted for the current year.

TEN–YEAR REVIEW

(Unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
FINANCIAL ($ in millions)										
Short-term investments	714	709	562	288	501	249	174	161	192	900
Fixed income	2,260	1,940	1,793	2,058	1,940	2,007	1,768	2,190	2,072	1,898
Equities	4,052	3,838	3,290	2,750	2,635	2,309	2,214	3,101	3,177	2,126
Infrastructure	400	297	237	217	162	146	130	84	34	-
Real estate	407	379	339	301	241	138	39	-	-	-
Private equity	311	183	119	47	29	13	-	-	-	-
Derivatives (net)	(42)	2	-	20	19	22	(18)	16	(22)	(11)
Total investments	8,102	7,348	6,340	5,681	5,527	4,884	4,307	5,552	5,453	4,913
Other assets (liabilities) (net)	(137)	(221)	(80)	(54)	(75)	(39)	(74)	(100)	(101)	(124)
Net assets available for benefits	7,965	7,127	6,260	5,627	5,452	4,845	4,233	5,452	5,352	4,789
Contributions	417	368	355	312	296	262	227	186	167	161
Investment income (loss)	808	860	624	178	607	629	(1,183)	159	628	542
Benefit payments	(369)	(344)	(332)	(302)	(284)	(267)	(248)	(237)	(223)	(203)
Administrative expenses	(18)	(18)	(14)	(13)	(13)	(12)	(14)	(8)	(9)	(9)
Net change in net assets available for benefits	838	866	633	175	606	612	(1,218)	100	562	491
RETURNS										
Annual return, gross of fees	12.3%	14.5%	11.8%	4.1%	13.3%	15.2%	(21.4)%	3.4%	13.6%	13.1%
Annual return, net of fees	11.5%	13.9%	11.3%	3.4%	12.6%	14.7%	(21.7)%	3.1%	13.3%	12.8%
After inflation and fees	10.0%	12.6%	10.4%	1.1%	10.2%	13.4%	(22.9)%	0.7%	11.6%	10.7%
MEMBERSHIP										
Active members	24,700	22,000	21,400	20,500	19,600	19,500	18,800	18,000	17,400	16,800
Deferred members	1,800	1,700	1,300	1,100	1,100	1,100	1,100	1,100	1,000	1,000
Retired members	13,500	13,100	12,600	12,100	11,700	11,200	10,800	10,400	10,000	9,700
Total members	40,000	36,800	35,300	33,700	32,400	31,800	30,700	29,500	28,400	27,500
GOING-CONCERN FUNDING STATUS as at December 31										
Surplus (deficit) $ millions	773	525	347	154	88	(358)	(256)	320	(585)	(545)
Discount rate	5.80%	5.80%	5.80%	5.90%	6.00%	5.85%	5.25%	5.74%	5.95%	5.60%

Numbers are rounded

LEADERSHIP TEAM

Left to right: Alan Elliott, Angela Goodchild, Julie Cays, Kevin Fahey, Derek Dobson, Andrew Mathenge, Kevin Rorwick, Evan Howard, Asif Haque. Not shown: Tracey Leask.

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

Created at the same time as the Ontario college system in 1967, the Colleges of Applied Arts and Technology (CAAT) Pension Plan assumed its current jointly sponsored governance structure in 1995. The CAAT Plan is a defined benefit pension plan with equal cost sharing. Decisions about benefits, contributions, and investment risk are also shared equally by members and employers. The Plan is sponsored by Colleges Ontario, OCASA (Ontario College Administrative Staff Association), and OPSEU (Ontario Public Service Employees Union).

With assets of $8 billion, the CAAT Plan is Ontario's only postsecondary sector pension plan and serves over 40,000 members from the college system.

We welcome your comments and suggestions on this annual report.

Please contact: John Cappelletti, *Manager, Stakeholder Relations*
416-673-9040 contact@caatpension.on.ca

Design: DNA (Dakis & Associates Inc.)

CAAT Pension Plan
250 Yonge Street, Suite 2900, P.O. Box 40
Toronto, ON Canada M5B 2L7

Ce document est aussi disponible en français.

05-2015-13
ISSN 1929-5766 (Online)

05-2015-26
ISSN 1929-5758 (Print)