CAAT PENSION PLAN

ANNUAL REPORT

2015

A modern pension plan for our stakeholders, managed by innovative pension experts.

STRONG

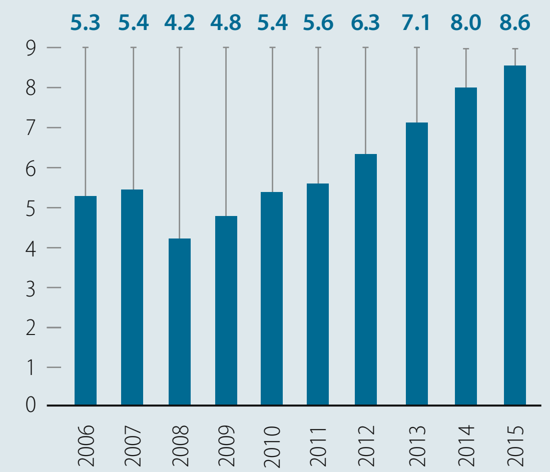
For the sixth straight year our funded position has improved. As of January 1, 2016, our funded ratio, the core measure of benefit security, has reached 110.4% – the strongest result in our 20-year history of being a jointly sponsored pension plan. Long-term projections show the Plan's financial health will remain strong for the future – your future.

We add value by removing the complexity of pensions and fulfilling our mission of delivering secure benefits, stable contributions, and equity among our member groups. Over the last year, the Plan's dedicated professionals and governors have demonstrated their prudence and broad expertise by further strengthening the Plan for the benefit of our members and employers. We are proud to share this report.

PERFORMANCE

$8.6 BILLION
net assets to secure pensions

SERVICE STANDARDS MET 29,000 TRANSACTIONS
Compliance
Quality service
Efficiency



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

$621 MILLION
investment income

8.1 %
net investment return

EXPERTISE

98%
Among member survey respondents who expressed an opinion, 98% agreed or strongly agreed the Plan has expertise to manage effectively and prudently

Return–enhancing 57%
Liability-hedging 43%

WELL-DIVERSIFIED ASSET MIX
is sophisticated, risk-appropriate

$1.2 BILLION
in reserves protect against market, interest rate, and demographic 'shocks'

110.4% FUNDED
on a going-concern basis

PENSION KNOW-HOW
Regulatory compliance, advocacy
Transparent communication
Member education
Administrative efficiency

20:1
Among survey respondents who had an opinion, almost 95% said they believe the Plan is a sustainable model for delivering secure pension benefits over the long term.

GOVERNANCE

50/50 SHARING
Joint governance by members and employers shares costs, risks, decisions

FUNDING POLICY GUIDES LONG-TERM DECISIONS
Balanced use of reserves, stability contributions, and conditional benefits secures lifetime pensions

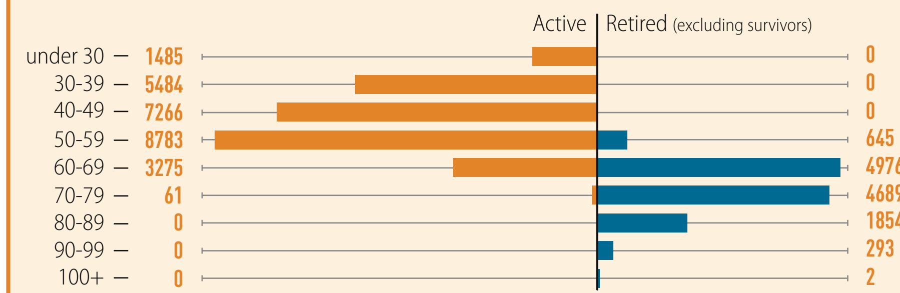
TRUST

91%
of active members surveyed rated the value of the pension benefit they will receive for their contributions as excellent, good, or reasonably good value.

41,900 MEMBERS
Active 26,500
Retired 14,000

1,400 deferred members have left their pension in the Plan after terminating employment to collect it at retirement age

DEMOGRAPHIC PROFILE
Plan is growing with healthy mix of active and retired members



38 EMPLOYERS
24 colleges
14 other employers

MEMBERS WORK IN A RANGE OF OCCUPATIONS

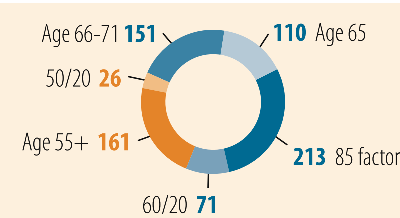
	Full-time	Part-time	Total
Faculty	29%	21%	50%
Support	31%	6%	37%
Administration	12%	1%	13%
Total	**72%**	**28%**	**100%**

Enrolment is automatic for full-time employees. Part-time employees can choose to join anytime during their career. 362 members who work part-time contribute at more than one employer.

62.4
AVERAGE AGE at retirement in 2015

22.0
AVERAGE YEARS OF SERVICE at retirement in 2015

FLEXIBLE RETIREMENT OPTIONS



IN 2015, 732 MEMBERS RETIRED UNDER THE FOLLOWING OPTIONS.

Age 65: Normal retirement age for the Plan. (An additional 20 members aged 65 started their pensions from deferred status.)
85 factor: Age plus years of service equal at least 85
60/20: Age 60 or older with at least 20 years of service
55+: Age 55 or older, with reduced pension. (An additional 13 members in this age band started their pensions from deferred status.)
50/20: Age 50 or older with at least 20 years of service, with reduced pension
Age 66-71: Tax law requires pensions be started by the end of the year the member turns age 71

FORESIGHT

97%
probability of remaining fully funded in 20 years

ASSET-LIABILITY MODELLING
assesses long-term health of the Plan

measures key financial and demographic risks

REALISTIC FUNDING ASSUMPTIONS
essential to securing pensions

89 years average lifespan

5.70% expected long-term investment return (discount rate)

1,785
net increase in members in 2015

A TRADITION OF BUILDING ON OUR STRENGTHS

The CAAT Pension Plan's history is linked to that of Ontario's college system. Both began operating in the postsecondary sector at the same time and next year will salute 50 years of development and innovation in our respective fields of expertise.

An historic point in the CAAT Pension Plan's development occurred more than 20 years ago when it became a jointly sponsored pension plan where costs, risks, and responsibilities are shared equally by members and employers. The joint sponsorship of the Plan continues to serve as a model of strong, effective governance.

This year marked another historic highpoint when the respected and famed Royal Ontario Museum (ROM) elected to merge its single employer pension plan with the CAAT Pension Plan. We're proud that the ROM and its plan members overwhelmingly chose to join the CAAT Plan, endorsing our focus on benefit security, stable contributions, and equity among members.

The merger is an example of how plans in the broader public sector can work together to create better solutions with lower risks and costs. The merger is notable for several other reasons:

It received a strong endorsement. Of the active ROM pension plan members, 97% voted to join the CAAT Pension Plan while no retirees or deferred members voted against the merger. This strong endorsement came despite ROM plan members knowing that their contribution rates would need to increase.

The merger was done in a short amount of time. The main elements of the process were completed within a relatively short six months and ROM employees began earning pension benefits in the CAAT Plan on January 1, 2016.

MESSAGE FROM THE CHAIR AND VICE-CHAIR OF THE BOARD

We are proud of our Plan and the tradition of cooperation, mutual respect, and common purpose that is essential to its continued success.

We're leading the way. The first merger under Ontario's new regulations to allow single employer plans to merge with an existing multi-employer pension plan was hailed as an accomplishment by many in the pension sector. It demonstrates the pension expertise of CAAT Plan staff who thoughtfully guided a transparent process through discussions, information, and approvals. Led by Derek Dobson, Plan staff diligently worked with ROM plan members to ensure they were fully informed before making the decision to join the CAAT Plan.

Through this merger, the Board exercised its duty as a fiduciary and is helping to champion effective, sustainable pensions that benefit members, their families, and the communities in which they live.

The mission of the CAAT Pension Plan is to provide secure benefits at stable and appropriate contribution rates while balancing equity among generations and occupational groups of members. The Plan Equity Review Task Force conducted its work throughout 2015 and its recommendations were approved by the Board and Sponsors' Committee earlier this year. Joint task forces are one important way we regularly review aspects of the Plan to test for fairness. You can read more about the task force recommendations on page 14 of this report.

In 2015, we bid farewells to Stephen Campbell, Alex Ip, George Lowes, and Deb McCarthy. The service and dedication of these Trustees has helped to keep the CAAT Plan strong, secure, and fully funded.

Since our last annual report, we have welcomed Scott Blakey, Rasho Donchev, Bill Kuehnbaum, and Gretchen Van Riesen. We welcome the additional knowledge, perspective, and experience they bring.

The Board remains confident in its management team and committed to working with all our stakeholders for the unified purpose of keeping the Plan strong and viable for current and future beneficiaries.

Beverley Townsend

Beverley Townsend*,
Chair

Darryl Bedford

Darryl Bedford,
Vice-Chair

*In keeping with the 18-month cycle for roles and responsibilities among the sponsors, as outlined in the Sponsorship and Trust Agreement, Donald Wright became Chair of the Board, and Beverly Townsend Vice-Chair, effective April 1, 2016.

EXPERTISE

Our team uses experience, expertise, and foresight to achieve the core goals of benefit security, contribution stability, and equity among members.

The Plan is strong. We are focused on managing risks by being realistic about challenges and opportunities. Our dual focus on pensions and investments has contributed to the improvements in the Plan's funding health.

We are 110.4% funded on a going-concern basis with a funding reserve of $1.2 billion. The Plan governors have prudently decided to continue building reserves to focus on the Plan's core goals of security, stability, and equity. With the larger funding reserve, the governors move the Plan closer to a reduction in contribution rates for members and employers.

Contribution rates are fixed at a level adequate to sustain the benefits of the Plan over the long term and, equally important, to build a funding reserve in accordance with the Funding Policy. The reserve is a buffer against unforeseen economic and demographic developments and a way of managing benefit security for the betterment of all stakeholders. Appropriate funding reserves, created by design, are in place to avoid contribution increases, keep the pension promise strong, and achieve our desire for equity among member groups. Funding reserves help to ensure promised benefits are paid and that member and employer contributions are stable and ultimately lower in the longer term. We believe our focus on reserves is core to achieving benefit security and the success of the Plan.

The Plan's investment team continues to demonstrate consistency in their ability to earn strong investment returns over time. This year's 8.1% rate return, net of investment management fees, moves the five-year average annual rate of return to 9.6%, well above the long-term target of 5.7% needed to sustain the Plan over time.

Our focus is to secure benefits at appropriate and stable contribution rates that align with the needs of members and employers.

The investment team invests responsibly, with an eye to environmental, social, and governance factors when making investments that members and employers count on to secure benefits and maintain stable and appropriate contribution rates. Along with other institutional investors who are focused on the long term, we are actively engaged with Canadian regulators and the management of publicly traded companies for better governance practices and greater disclosure on environmental, social, and governance risks.

Our members value their pensions. Through our regular annual opinion surveys, we have seen that those who understand their pension benefits value their pension more. As such, we work hard to make our people and our communications accessible, transparent, and focused on the needs of our members and employers. We aim to build more champions of the Plan by making effective use of each and every interaction with our stakeholders. We work hard to cut through the complexity of pensions to bring a better understanding of the value to each participant. One particularly effective way we are doing this is through meaningful member workplace presentations delivered by Plan staff. These engaging presentations are free to members and employers and the feedback from participants indicates high value from attending the session.

We continue to make significant improvements to the quality, timeliness, and efficiency of services to members and employers. Our employers' commitment to providing the Plan with timely and robust data has been a major contributor to our achievements in faster service.

This past year we began implementing a program of written attestation of compliance from employers supported by an enhanced ongoing education program. This is designed to reduce risk, improve clarity in roles, and identify training needs.

LOOKING FORWARD

The Board of Trustees has approved the next three-year business strategy to continue to support benefit security, value, which includes contribution management, and trust, which includes equity. Of particular note for 2016, we will conduct a comprehensive review of the key drivers of our assets and liabilities, reflecting changes in the sector; assess the needs and adjust to trends in the member composition of the Plan; promote the efficiencies and value of modern defined benefit pension plans; continue to use our pension expertise to advocate with government on key policy issues; and continue to improve the value of the Plan for all stakeholders.

We continue to work diligently to earn and keep the trust of members and employers. Working together, we keep the CAAT Plan strong for the benefit of current and future beneficiaries.

Derek W. Dobson,
CEO and Plan Manager

We are proud to welcome the Royal Ontario Museum and pleased with how we managed the complexity of the merger process. We expect to complete the transfer of assets from the ROM plan this year, and we will continue to explore possibilities of mergers with interested single-employer pension plans in Ontario's broader public sector.

WELCOME

ROYAL ONTARIO MUSEUM

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, 2015.

The CAAT Pension Plan provides secure defined benefit pensions to its 41,900 members who work at, or have retired from Ontario's 24 community colleges and 14 other employers in the province's postsecondary sector. These pensions are pre-funded by equal contributions from members and employers and, to a larger extent, by the investment returns earned over time by investing those contributions.

The Plan carries out its mandate by defining and administering lifetime pension benefits, setting contribution levels and investing the contributions to ensure the benefits are secure today and tomorrow. The Plan's central focus is delivering benefit security at stable and appropriate contribution rates while recognizing a desire for equity amongst all members groups and generations.

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: the College Employer Council on behalf of the college boards of governors, the Ontario College Administrative Staff Association (OCASA), and the Ontario Public Service Employees Union (OPSEU).

In 2015, the Plan further strengthened its financial position, finishing the year 110.4% funded on a going-concern basis, based on its actuarial valuation as at January 1, 2016, which has been filed with the pension regulators. Funding reserves were increased to $1,179 million from $773 million in the prior year, to be available as a buffer against future economic or demographic shocks. The market value of Plan assets, as of the end of 2015, was $8.6 billion, up from $8.0 billion at the close of 2014.

STRATEGY AND PRIORITIES

The Plan sets strategic priorities to meet its mission to improve the financial security of members in retirement with appropriate and secure benefits supported by stable and affordable contribution rates.

2015 marked the final year of a three-year strategy to define and reinforce the value of the Plan for members and employers. The focus was on delivering value, managing risk, controlling long-term costs while preparing for growth, and providing timely education and service.

Looking forward, the Plan's strategic focus for 2016-18 centres on:

Benefit security – at stable contribution rates appropriate for the benefits earned and the strength of the benefit promise

Value – for contributions made by members and employers, including fairness across generations and different groups of contributors

Trust – through expertise in managing risk, and transparency.

Promotion of sustainable defined benefit pensions, education about the Plan's value, and support for growth continue as important initiatives supporting the strategy.

BENEFITS AND ADMINISTRATION

The Plan's actuarial, pension policy, and administration experts see that benefits are properly administered in compliance with all pension-related regulations and that high-quality service is delivered efficiently. Through the delivery of education, tools, and services, the Plan also supports employers to properly carry out their role in pension administration.

PLAN FUNDING

The Plan measures its success against these criteria:

- Protecting promised pensions with a prudent approach to building and managing reserves
- Maintaining stable contribution rates that are appropriate for the benefits earned
- Paying conditional indexing.

Peter J. Devlin
President,
Fanshawe College

"The CAAT Pension Plan allows members to prepare for their retirement with confidence."

The Plan is 110.4% funded on a going-concern basis, based on its actuarial valuation as at January 1, 2016, which is improved from 107.2% in the prior valuation of January 1, 2015. The 2015 financial performance has enabled further strengthening of the funding reserve to $1,179 million, from $773 million in the previous filed valuation. The reserve is available as a cushion against unexpected interest rate or market declines, or larger-than-expected liability growth due to demographic shifts, making it an important instrument to keep benefits secure and contribution rates stable.

For valuation purposes, a smoothing calculation is used to spread the impact of investment gains and losses over a five-year period. Asset smoothing is commonly performed in pension valuations and better aligns the valuation of assets with the Plan's long-term liabilities. It also reduces the effect of short-term market volatility on the funded status of the Plan. The smoothing adjustment as at January 1, 2016 creates a future valuation reserve cushion of $559 million in addition to the funding reserve of $1,179 million.

The strong funded position shown in this latest Plan valuation keeps benefits secure and contribution rates stable. Conditional inflation protection increases on service earned after 2007 remain in place through to at least January 1, 2019, and basic contribution rates, 8.2% up to and 11.8% above the YMPE[1], plus the temporary 3% stability contributions can both remain stable until at least January 1, 2020.

[1] Year's Maximum Pensionable Earnings, set annually by the federal government for purposes of the Canada Pension Plan. The 2016 YMPE is $54,900.

The Plan secures benefits by:

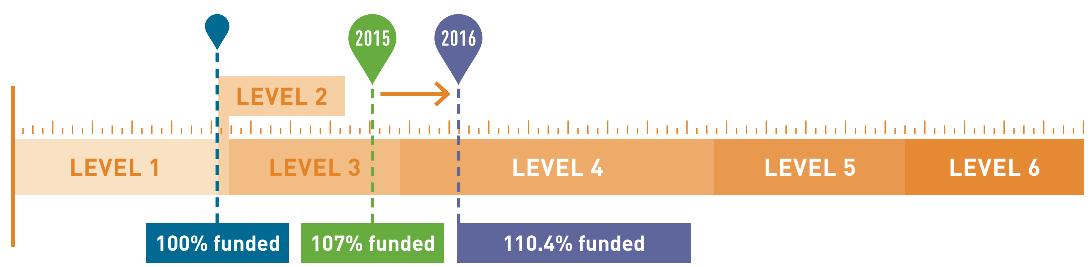
- Using prudent, realistic assumptions about longevity, long-term investment returns, interest rates, and inflation
- Setting basic contribution rates at levels appropriate for the benefits earned and setting stability contribution rates to meet the desired level of benefit security
- Investing in a diversified mix of asset classes that reflects the Plan's funded ratio as the key measure of success
- Maintaining a healthy funding reserve as a buffer against unforeseen economic and demographic shocks.

VALUATION SUMMARY

Going-concern funding results (modified aggregate basis)	January 1, 2016 Filed valuation
ASSET VALUES:	($ millions)
Market value of net assets	8,592
Smoothing adjustment	(559)
Present value of future contributions	
Basic contributions	3,264
Supplemental contributions	1,229
Total actuarial value of assets	12,526
Liabilities for accrued benefits	8,344
Present value of future benefits for active members	2,978
Provision for indexation adjustments relating to post-2007 service to 2019	25
Total actuarial liabilities	11,347
Funding reserve	1,179

Amounts do not add due to rounding

FUNDING POLICY DEFINES LEVELS OF PLAN FINANCIAL HEALTH



The Funding Policy defines six levels of Plan financial health and prescribes the use of reserves, stability contributions, and conditional benefits at each level. Level 4 spans a broad band that allows Plan governors to determine how to best use reserves. The options available are any mix of: reducing stability contributions, building additional reserves, and prefunding conditional inflation protection. With the Plan's funded status moving into Level 4 based on the January 1, 2016 valuation, the governors determined that building additional reserves was the most prudent option to further strengthen benefit security and contribution stability.

Details of the Funding Policy are available in the About Us section of the Plan's website.

Realistic assumptions

Each funding valuation includes a review of the economic and demographic assumptions used, to ensure they continue to be realistic and appropriate for the Plan's risk tolerance.

The discount rate represents an estimate of long-term future returns on the Plan's investment portfolio. For the January 1, 2016 valuation the discount rate was lowered to 5.7% from 5.8%, to recognize that long-term investment returns are expected to decrease slightly.

The valuation continues to assume that members currently retiring will live to 89 years on average while collecting their pensions, and anticipates further increases to life expectancy for future generations 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.

Forecasts tested through Asset-Liability modelling

Asset-Liability Modelling studies are conducted periodically to test the Plan's financial projections against a variety of diverse economic and demographic scenarios. This assessment allows for prudent planning and to evaluate emerging risks and opportunities as they arise. The last detailed study was conducted in 2014 and one will be carried out in 2016.

Funding decisions are policy-driven

Since 2006, the Plan has had a Funding Policy 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. The use of reserves and stability contributions supports the desire to treat each generation of members equitably. 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.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS IN 2015

($ millions)

Net assets December 31, 2014		7,965
Investment income	621	
Contributions received	432	
Benefits paid	(406)	
Pension administration expenses	(14)	
Investment administration expenses	(6)	
Net increase in assets available for benefits	628	
Net assets December 31, 2015		8,592

Amounts do not add due to rounding

Guided by the Funding Policy, the Plan governors have:

- Managed a steady improvement in the funded position of the Plan since 2010
- Adopted realistic economic and demographic assumptions
- Announced the ability to keep contribution rates stable through to at least the end of 2020
- Announced that conditional inflation protection increases on service earned after 2007 will be granted to retired members through to at least January 1, 2019.

Based on its latest filed valuation at January 1, 2016, the funded status of the Plan entered into Level 4 of the Funding Policy from Level 3 where it stood with the previous valuation as at January 1, 2015. Level 4 spans a broad band of funding that allows Plan governors to determine how to best use reserves. The options available are any mix of: reducing stability contributions, building additional reserves, and prefunding conditional inflation protection. Consistent with the desire for benefit security and contribution stability, the Plan's governors decided to build additional reserves.

Lise Cloutier
Board Chair, College Employer Council
Chair, Board of Governors, Collège La Cité

"The strong performance of the CAAT Pension Plan demonstrates how well the joint governance model can work. Colleges share decisions and responsibility with members through our representatives who are Plan governors."

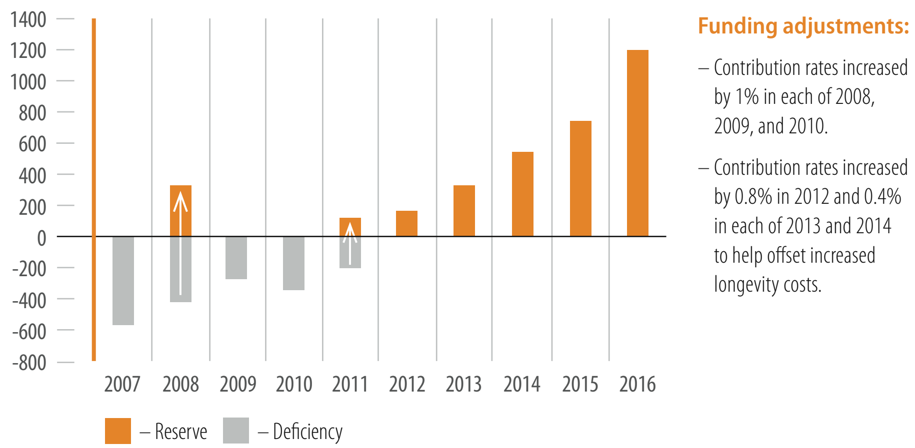
PLAN CHANGES

Two changes to benefits take effect in 2016

There were no legislated or Plan-driven changes made to benefits in 2015. During the year, the Plan did carry out a review of several benefit provisions from the perspective of equity among generations and member groups. The Plan Equity Review Task Force (a joint committee of Plan governors with equal member and employer appointed representatives) recommended changes to two provisions that were unanimously approved by the Sponsors' Committee in early 2016. Both changes take effect July 1, 2016.

FUNDING VALUATIONS HISTORY (as at January 1st)

From 2007-2016 ($ millions) on a going-concern basis



- Members who qualify for long-term disability after July 1, 2016 will accrue pension service at the same two-tiered benefit rates as active members, rather than at the higher rate for full calendar year periods of time. These members will continue to have their contributions waived while accruing service. Members who had qualified for long-term disability before July 1, 2016 will not be affected by this change.
- The commuted value payout option will only be available during the first six months following termination of membership, to members who are not retirement-eligible. Before this change there was no limit on terminated members exercising a commuted value payout, provided they were not retirement-eligible. After the six-month limit, terminating members continue to be entitled to a deferred pension and have the option of transferring their benefit to another registered pension plan at any time prior to their retirement date. The six-month limit on commuted value transfers exceeds the legislated minimum of 60 days from termination of membership.

JP Hornick

Chair, CAAT-A Divisional Executive, OPSEU

Professor, School of Labour, George Brown College

"Our plan is amazingly well-managed and the oversight by our trustees and sponsors ensures all of our interests as members are protected, regardless of job classification. These talented people who bring a diverse set of real-world experiences have a common interest in building the strongest plan possible for all members."

ROM welcomed as new employer with first-of-kind plan merger

In 2015, the Royal Ontario Museum (ROM) chose to merge its pension plan into the CAAT Pension Plan effective January 1, 2016. The merger is the first of its kind to use Ontario's regulations permitting the conversion and transfer of assets from a single-employer pension plan in the broader public sector to a jointly governed, multi-employer pension plan. Under the general conditions of the merger, the 640 active, retired, and deferred pension members from the ROM plan will receive a pension based on the ROM plan provisions for their service accrued to December 31, 2015, and a pension based on CAAT Plan provisions for service accrued after that date. Regulatory approval by the Financial Services Commission of Ontario is being sought during 2016.

Krista Pearson

President, Board of Directors, OCASA

Registrar, Algonquin College

"The Plan has secured benefits despite the challenges faced by all pension plans. This speaks to the oversight of the governors and the expertise of the professional managers. The Plan's performance is reassuring."

SERVICE DELIVERY

Significant strides were made in improving the quality, timeliness, and efficiency of services to members during 2015. These accomplishments were realized through increased automation available from the pension administration system and earlier delivery of data from employers.

Service standards met consistently

Standards supporting high-quality service took formal effect in 2015 and were met throughout the year for all transaction types. In all, there were over 29,000 transactions during 2015, ranging from general inquiries and past service purchases to retirements and marriage breakdown valuations. Calls to the Plan from members rose to 10,000 from 7,000 in the prior year, primarily due to the expansion of the pension confirmation process to include all pensioners and survivors (see Risk Management page 17).

Annual statements delivered earlier

In 2015, annual pension statements were mailed to nearly half of active members at least two months ahead of the June 30 deadline, and 83% of annual statements were mailed by May 31. This accomplishment was achieved through further automation of processes in the pension administration system, cleansing historical data, and rigorous project management. Employers contributed significantly by submitting annual member data on time or early.

Support for employer administrators

The Plan relies on participating employers to carry out certain aspects of administration, including enrolling employees, remitting contributions, reporting data, and distributing publications. To assist employers and the Plan to reduce the risk of administrative errors, a compliance program was introduced in 2014. The program comprises ongoing education and an annual written attestation of compliance.

A key initiative in 2015 involved supporting employers in completing the first attestation of compliance in early 2016 in respect of administration work performed during the prior year. Support included an education guide, 21 training and information sessions, and providing tools and reference material.

Annual pension statements were mailed to nearly half of active members at least two months ahead of the June 30 deadline, and 83% of annual statements were mailed by May 31.

Strengthening understanding and relationships

Throughout 2015, Plan representatives continued to meet with employer human resources teams to deepen their understanding of employer administrative challenges and gain insight into opportunities to help leverage the value of the Plan in recruiting and retaining employees.

COMMUNICATION

The Plan's communications program is designed to cut through the complexity of pensions to bring understanding of what matters to members:

- demonstrating the Plan is well managed and their benefits are secure
- evidence of the value of their benefit for contributions made
- specific information they need about Plan features to make pension decisions at various life stages.

In 2015, the program was enhanced with these new offerings:

- A video series illustrating the relationship between contributions and investment returns in securing benefits
- A webpage and pamphlet targeted at new members
- A webinar and Q&A session about prospective mergers with university pension plans, now available as a video.

Members had the opportunity to learn about their pension benefits in 44 workplace presentations delivered by Plan staff. Written feedback from participants indicates they received high value from attending the sessions.

Service to francophone members was improved through simultaneous delivery of French and English communications. Website user sessions rose just over six percent in 2015 to more than 125,000. The most popular webpage is the Plan's 3-Step pension estimator, which was used more than 34,000 times.

Member-direct newsletter delivery gained traction as more employers signed up for the service. By year-end, more than 10,000 members were receiving the newsletter by email directly from the Plan, a doubling over the prior year. Others receive it as a pass-along link from their employers.

Transparency builds trust

Members trust in the Plan's expertise to secure their pensions, deliver value for their contributions and, where appropriate, advocate for legislative change that's in their collective interest. That trust relies on transparent and timely communication.

Throughout the year, members and employers were apprised of the government decisions concerning the Ontario Retirement Pension Plan (ORPP) through email and website updates. Also available on the website are updates on the Plan's advocacy efforts and its submissions to federal and provincial governments on a range of pension issues.

Survey findings reflect value of, trust in Plan

To help inform its strategic planning, the Plan gauges stakeholder views of the Plan through regular surveys. The 2015 surveys of members yielded online responses from more than 3,500 active and 350 retired members. Findings were consistent with prior surveys, showing that members value their pensions and trust the Plan to manage their pension benefits.

91% of active members and 97% of retired members rate their pension as excellent, good, or reasonably good value for the contributions paid.

Informed members value the Plan

Members continue to rate the Plan's value highly: 91% of active members and 97% of retired members rate their pension as excellent, good, or reasonably good value for the contributions paid. Those who rated their knowledge of their pension benefits as good or excellent rated the Plan's value for contributions more highly, with 76% of these active members rating the value at the two highest rankings (good or excellent) compared to 47% of all respondents.

Plan's reputation, expertise to secure benefits recognized

Among respondents who expressed an opinion, 98% agreed or strongly agreed that the Plan has the expertise to manage effectively and prudently. When asked to rate the Plan's overall reputation, 78% of active member respondents and 93% of retired member respondents said it was either excellent or good.

Advocacy supported

Members were asked for their views about the emerging debate on the fairness and affordability of public sector pension plans. Of active members, 83% reported being very concerned or somewhat concerned. Among those who expressed an opinion, 95% said they expect the Plan to be active in the public pension debate.

Employer views of the Plan improved

Employer administrators are also surveyed about their views of the Plan. In 2015, 52 responses were received from employer contacts ranging from pension administrators to chief financial and chief human resources officers.

Twenty percent of respondents said their opinion of the Plan's reputation had improved in the past year. Confidence in the Plan's expertise rose too, with 88% reporting they felt confident or very confident about it compared with 67% in the 2014 survey. Overall views of service delivery to members also improved.

Asked to score the value of the Plan compared to the cost to offer it, chief financial officers gave it 8.1 out of 10 on average.

Employer confidence in the Plan's expertise rose, with 88% reporting they felt confident or very confident about it compared with 67% the previous year.

OPERATIONAL EFFICIENCY AND RISK MANAGEMENT

Pension administration system

In 2015, further efficiencies from the pension administration system rolled out the prior year were realized. Earlier completion of active member annual statements was a notable example. Average transaction times were also shortened. Retirement option documents were issued within 15 days on average, compared with 23 days in 2014. Enrolment processing improved to 4.5 business days on average, from six days in 2014. Pension estimates and service purchase quotes were, on average, issued within six and 16 days respectively, both earlier than the target turnaround times.

The system also lowers risk through improved record keeping and increased automation and reporting, enabling staff to focus more on the human interaction aspect of service delivery.

Risk management

Enhancements to the member data collection tool, developed in consultation with employers, were well received and enabled timely and accurate data submissions. Operational risks were further reduced through improvements to management processes and internal audits of transaction processes. For the first time, the annual pension confirmation process was sent to all – rather than a sample of – pensioners and survivors to verify their address and payment information.

MANAGEMENT'S COMMENTARY

PLAN'S PENSION EXPERTS ADVOCATE IN BEST INTERESTS OF MEMBERS AND EMPLOYERS

The CAAT Pension Plan monitors the development of pension-related legislation and makes submissions when it is appropriate to represent the collective interests of the Plan and its key stakeholders. During 2015, the Plan was active in several areas.

Regulations for merging single employer and multi-employer pension plans

Ontario regulations enacted in November 2015 allowing the conversion and transfer of assets from single-employer pension plans in the broader public sector to jointly governed, multi-employer pension plans reflected changes to the member approval process that the Plan had sought to ensure mergers could be achieved in an orderly and pragmatic way. The merger of the ROM pension with the CAAT Plan at year-end marked the first use of the new regulations.

Ontario Retirement Pension Plan

Following its written response in early 2015 to the province's consultation paper on the design of the Ontario Retirement Pension Plan (ORPP), the Plan continued to make representations to the government concerning ORPP exemptions for CAAT Plan members and also part-time employees of the college system. The exemption for part-time college employees from mandatory participation was sought because these employees already have immediate access to the CAAT Plan, a comparable plan that offers a potentially higher income replacement rate. Requiring part-time college employees to choose between the CAAT Plan and the ORPP at hire would also create challenges for college administrators to provide adequate information to enable employees to evaluate both the benefits and contribution costs of the two plans. As well, offering two pension plans burdens employers with administrative complexity and related costs. If a full exemption would not be granted for part-time college employees, the Plan requested a delayed effective date to allow the Plan and administrators to prepare information to educate non-members about the differences between the CAAT Plan and the ORPP so they can make an informed choice between the two.

In August 2015 the government released the ORPP design details confirming that employees enrolled in comparable pension plans and their employers offering such plans will not be required to participate in the ORPP. CAAT Plan members will be exempt from participating. Part-time employees in the college system not enrolled in the CAAT Plan will be required to participate in the ORPP, but not until the final wave of implementation beginning in 2020.

The Plan continues to monitor and report on ORPP implementation developments and will support employers to be ready to explain the differences between the CAAT Plan and the ORPP to part-time employees.

The Plan's submissions to governments are available on the website.

Potential expansion of the Canada Pension Plan

The federal government elected in the fall of 2015 committed to working with the provinces to determine how the Canada Pension Plan might be expanded to increase retirement savings for working Canadians. The Plan believes the need to improve retirement income security is a pressing public policy challenge and is therefore generally supportive of improvements to the CPP. As proposed CPP design specifics are explored, the Plan will analyze their impacts on each stakeholder and, if necessary, advocate for change.

Demonstrating the efficiency of defined benefit pension plans

Members of the Plan's leadership team are called upon to speak at conferences and write articles explaining how defined benefit (DB) pension plans provide adequate retirement income efficiently and cost-effectively through a long-term sustainable and well-governed model.

The Plan continues to actively participate in professional associations, such as the Association of Canadian Pension Management (ACPM) and the Canadian Public Pension Leadership Council (CPPLC) that was created to help inform discussions about public sector DB pension plans that often play out in the media without a full set of facts.

ROM plan merger first of its kind to use new regulations for broader public sector pension plans

In 2015, the Royal Ontario Museum (ROM) chose to merge its pension plan into the CAAT Pension Plan effective January 1, 2016. The decision followed an information and voting process that saw 97% of active ROM pension plan members vote to join the CAAT Plan and no retirees or deferred members voting against the merger. The merger is the first of its kind to use Ontario's regulations permitting the conversion and transfer of assets from a single-employer pension plan in the broader public sector to a jointly governed, multi-employer pension plan. The regulations came into effect November 1, 2015. Regulatory approval of the merger by the Financial Services Commission of Ontario is being sought during 2016.

Under the general conditions of the merger, the 640 active, retired, and deferred pension members from the ROM plan will receive a pension based on the ROM plan provisions for their service accrued to December 31, 2015, and a pension based on CAAT Plan provisions for service accrued after that date.

The merger stands as an example of how pension plans in the broader public sector can work together to create more predictable costs and to secure benefits with lower risk. The merger allows the ROM to exit the pension-management business and focus on operating one of North America's largest and most popular museums.

Sector-wide plan for Ontario's postsecondary education sector

The CAAT Pension Plan remains open to discussions with interested universities and their members about merging their pension plans with the CAAT Plan.

The similar demographic profiles of the CAAT Plan and university pension plan members make mergers a natural alignment that would deliver benefits for all through the formation of a sector-wide plan. The CAAT Plan would be further strengthened through mergers that 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.

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

As institutions, universities would benefit from merging their pension plans with the CAAT Plan by realizing a permanent exemption from solvency funding requirements and cost savings from not operating single-employer pension plans, including paying premiums to the Pension Benefit Guarantee Fund.

Any merger must be in the interest of the CAAT 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.

Mark Engstrom
Deputy Director,
Collections & Research, the ROM

"The merger means the ROM will be able to spend much less time and resources on pensions and more on what we do best, while continuing to offer our dedicated employees a valuable pension benefit."

INVESTMENT MANAGEMENT

Julie Cays,
Chief Investment Officer

The CAAT Pension Plan's investment program is designed to generate adequate long-term returns with a level of risk that is appropriate for the Plan and to meet its key measures of success: protecting members' pensions, paying conditional inflation protection, and maintaining stable contribution rates at levels that are suitable for the benefits earned.

The Plan's team of professionals implements and oversees the investment strategy as set out by the Board of Trustees. The team recommends to the Board an asset mix based on Asset-Liability Modelling studies that test the future potential investment performance of various asset mixes and funded status outcomes under a range of economic and demographic scenarios.

The Investment Committee of the Board approves investment management firms, funds, and co-investments that meet the Plan's quality standards. It then monitors the risk exposures and performance against targets set out in the Plan's investment policies.

The result is a well-diversified portfolio with exposures to appropriate levels of investment risks.

DIVERSIFIED PORTFOLIO

The investment portfolio falls into two broad categories:

Liability-hedging investments are used to hedge the inflation and interest rate risk of paying pensions over the long term. They include investments such as nominal and real-return bonds, infrastructure, commodities, and real estate. The Plan's investment policy sets the allocation for these investments at 43% of Plan assets.

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

Within these categories, the investment team oversees the activities of over 50 investment and fund managers in a variety of public and private asset classes and with a balanced mix of investment approaches as well as a number of direct investments in private equity and infrastructure assets.

ASSET MIX ADJUSTMENTS

The Plan's 2014 Asset-Liability Modelling study results demonstrated that further diversification within the liability-hedging and return-enhancing investment allocations would be appropriate for the Plan's long-term return expectations and tolerance for risk. Those adjustments to the asset mix were implemented during 2015. The allocation to Canadian equities was reduced by 5%, with a corresponding increase in Global developed equities. The allocation to nominal long-term bonds was reduced by 5% and those funds were used to initiate an allocation to Universe bonds. Also in 2015, within private markets the policy target of 5% invested in Private equity was met and the amount invested in Infrastructure increased to 7% from 5%.

MARKET OVERVIEW

Commodity markets ended 2015 down almost 20%, as slowing growth in China continued to amplify concerns of global over-supply. The price of oil fell from US$52 per barrel to US$37 over the course of the year. The decline in commodity prices negatively affected the value of the Canadian dollar and the currency declined significantly compared with major world currencies during 2015. Similarly, the weakened environment for commodities hurt the Canadian equity market, which fell over the year.

Measured in Canadian dollar terms, global equity markets were strong in 2015. While conditions in China and impending higher interest rates in the U.S. proved to be headwinds, central bank actions in Europe and in Japan were catalysts for investors to buy non-Canadian equities that had seen declines early in 2015.

In Canadian dollar terms, emerging market equities delivered low positive returns over 2015, with significant discrepancies across regions. Countries in Asia significantly outperformed those in Latin America.

Bond market returns ended the year in low single digits, influenced by expectations that the Federal Reserve would begin to increase interest rates in the U.S. The Federal Reserve did raise rates for the first time since 2006, citing improving economic and employment data.

PERFORMANCE

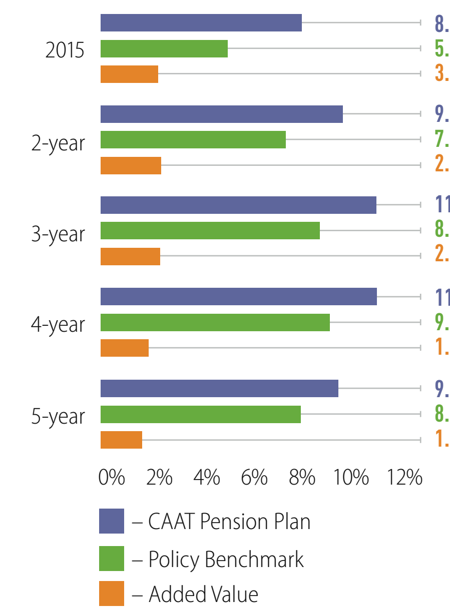
Plan assets totalled $8.6 billion at December 31, 2015, compared with $8.0 billion at the end of 2014. The Fund returned 8.1% net of investment management fees in 2015, outperforming its policy benchmark by 3.1%. Over the past five years, the Plan has earned an annualized rate of return of 9.6%, net of investment management fees, outperforming its policy benchmark by 1.5% per annum, exceeding its target of 0.70% over the benchmark per annum. This five-year performance added $550 million of value to the Plan's assets compared to the policy benchmark.

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

Canadian equity (7.8% of total investments)

The Plan's Canadian equity portfolio totalled $667 million at the end of 2015. The portfolio returned -7.7% in 2015, 0.6% above its benchmark.

CAAT PENSION NET RETURN VS. POLICY BENCHMARK



Over the past five years, the cumulative performance added $550 million above the benchmark.

BENCHMARKS APPLICABLE TO ASSET CLASSES

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

Global developed equity (33.2% of total investments)
The Plan's Global developed equity portfolio totalled $2.852 billion at the end of 2015. The portfolio returned 24.5% in 2015, outperforming its benchmark by 4.5%. The Global developed equity portfolio combines managers with mandates for U.S., international, and broad global investments.

Emerging markets equity (10% of total investments)
The Plan's Emerging markets equity portfolio totalled $852 million at the end of 2015. The portfolio returned 9.4% for the year, outperforming its benchmark by 7.4%.

NET INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

as at December 31, 2015 (net of expenses)

ASSET CLASS	CAAT PLAN INVESTMENTS ($ Millions)	2015 RETURN	BENCHMARK	VALUE ADDED
Liability-hedging				
Nominal long bonds	$1,336	4.5%	3.8%	0.7%
Nominal universe bonds	$413	0.9%	1.0%	0.0%
Real-return bonds	$550	3.2%	3.2%	0.0%
Infrastructure	$600	15.1%	6.4%	8.7%
Real estate	$419	8.1%	7.8%	0.3%
Commodities	$371	(13.0%)	(19.5%)	6.5%
Return-enhancing				
Canadian equity	$667	(7.7%)	(8.3%)	0.6%
Global developed equity*	$2,852	24.5%	20.0%	4.5%
Emerging markets equity	$852	9.4%	2.0%	7.4%
Private equity	$471	50.3%	20.1%	30.2%

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

Amounts do not add due to rounding

Private equity (5.5% of total investments)
The Plan's Private equity portfolio totalled $471 million at the end of 2015. The portfolio returned 50.3% for the year, outperforming its public market benchmark by 30.2%.

Nominal long bonds (15.7% of total investments)
The Plan's Nominal long bond portfolio totalled $1.336 billion at the end of 2015. The portfolio returned 4.5% for the year, outperforming its benchmark by 0.7%.

Nominal universe bonds (4.8% of total investments)
The Plan's Universe bonds portfolio was added in 2015 and totalled $413 million at year-end. As the portfolio is passively invested, it is expected to track the benchmark over the long run and it did over the partial year that the portfolio was in place.

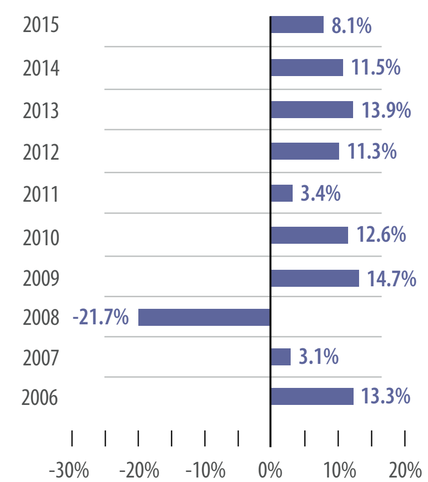
Real-return bonds (6.4% of total investments)
The Plan's Real-return bond portfolio totalled $550 million at the end of 2015. The portfolio returned 3.2% for the year.

Infrastructure (7.0% of total investments)
The Plan's Infrastructure portfolio totaled $600 million at the end of 2015. The portfolio returned 15.1% for the year on a currency hedged basis, outperforming its benchmark by 8.7%.

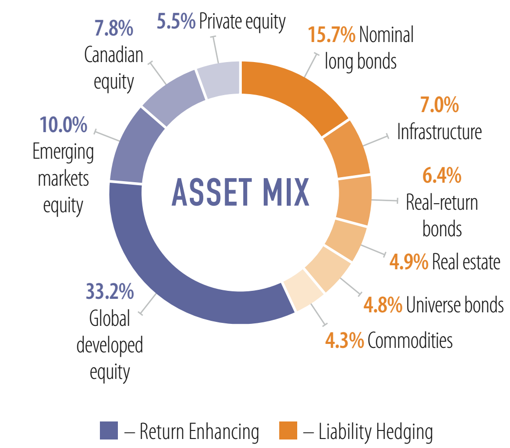
Real estate (4.9% of total investments)
The Plan's Real estate portfolio totalled $419 million at the end of 2015. The portfolio returned 8.1% for the year, outperforming its benchmark by 0.3%.

ANNUAL RATES OF RETURN

(net of investment management fees)



WELL-DIVERSIFIED $8.6 BILLION IN INVESTMENTS



Cash, cash equivalents, and other: 0.4%

The CAAT Plan is a co-investor in the Kingston Solar Project, the largest solar generation project in Canada and one of the largest in North America. Located in the City of Kingston and Loyalist Township in Ontario, the facility became operational in the fall of 2015.

Commodities (4.3% of total investments)
The Plan's Commodities portfolio totalled $371 million at the end of 2015. It returned -13.0% for the year, outperforming its benchmark by 6.5%. The portfolio consists of commodity futures contracts.

Currency management
The Plan employs a Currency hedging program to manage the risk inherent in foreign currency exposures. In 2015, the hedging program detracted 3.8% from total returns, partially offsetting gains from currency reflected in the above asset classes' returns. This was largely because the Canadian dollar fell against the Japanese Yen, U.S. Dollar, British Pound, and the Euro, currencies that the Plan hedges.

The five-year annualized return of 9.6% exceeds the Plan's funding valuation discount rate of 5.7%.

Barbara Marshall
President, Georgian College Retirees Club
Retired Dean of Business, Georgian College

"When you're retired, you need a pension you can count on. I'm confident my CAAT Plan has the governance, resilience, investment strategy, and forward thinking that enables it to weather the adverse forces of economic shifts, changes in pension law, and anything else this evolving world might throw at it."

RESPONSIBLE INVESTING

The principal investment goal of the CAAT Plan is to maximize long-term, risk-adjusted returns to secure pensions. The Plan believes that, over the long term, companies that have sound corporate governance structures and practices will outperform those that do not, and that managing the risk to long-term shareholder return includes awareness and management of the environmental and social impacts of a corporation's business activities.

Inattention to these impacts can result in, among other things, reputational harm that in turn can lead to financial underperformance.

In carrying out investment activities, the Plan follows its Responsible Investing Policy that covers: 1) proxy voting, 2) corporate engagement, and 3) encouraging the integration of environmental, social, and governance (ESG) factors into investment processes.

PRINCIPLES FOR RESPONSIBLE INVESTMENT INITIATIVE

The CAAT Plan is a signatory to the United Nations-supported Principles for Responsible Investment Initiative together with more than 1,300 institutional investors representing more than $59 trillion in assets under management. The signatories to the Principles for Responsible Investment believe that:

"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 CAAT Plan's 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 to encourage Canadian regulators and the management of Canadian public 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 members of the CCGG include a range of institutional investors, such as pension plans and mutual funds and other third-party money managers that manage approximately $3 trillion in assets. Julie Cays, Chief Investment Officer at the CAAT Plan, is Vice Chair of the CCGG Board of Directors and as part of this role participates in engagement meetings with directors of Canadian public corporations.

In 2015, the CCGG developed a policy on proxy access and made several submissions to various governmental agencies, including to the Ontario Securities Commission (OSC) on the Proposed Framework for an OSC whistleblower program and to the Ontario Ministry of Government and Consumer Services encouraging amendments to the Ontario Business Corporations Act relating to best practices in corporate governance.

Pension Investment Association of Canada

The CAAT Plan investment team members are active in the Pension Investment Association of Canada (PIAC) 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.

Kevin Fahey, Director, Investments for the CAAT Plan, serves on the PIAC Board as Secretary-Treasurer and is a member of the Investor Stewardship Committee. Julie Cays is a past Chair of PIAC.

Kevin Rorwick,
Chief Financial Officer

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 their strategies for managing climate change and deforestation risks. These disclosures enable investors to evaluate the risks in their portfolios relating to these factors. The CAAT Plan is a signatory to the CDP and CDP Water Disclosure initiatives.

Annual information requests are sent by CDP to corporations across the globe (including over 220 in Canada). These requests were signed by more than 800 institutional investors in 2015, representing almost $100 trillion in assets.

Extractive Industries Transparency Initiative

The CAAT Plan is a signatory to the Investors' Statement on Transparency in the Extractives Sector in support of the Extractive Industries Transparency Initiative (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 90 institutional investors that collectively manage over $20 trillion have signed on to the initiative.

INCORPORATING ESG CONSIDERATIONS INTO THE INVESTMENT PROCESS

As a long-term investor, the Plan encourages its investment managers to integrate the consideration of ESG factors into their processes. One of the ways this is done is through an annual questionnaire that is sent out to the investment managers and general partners asking a series of questions about how these 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 proxy votes in 2015

The Plan's proxy votes are cast in such a way as to encourage corporations to be environmentally and socially responsible, to adopt sound governance practices and to disclose information on ESG factors and risks. In 2015, the Plan voted on over 15,000 proxy issues of companies in the CAAT Plan portfolio.

Shareholder proposals are examined on a case-by-case basis taking into account the possible effects that any proposed actions would have on the long-term shareholder value of the corporation. There were 293 shareholder proposals raised and the Plan voted for 104 of these. Sixteen of the 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 12. The Plan also voted in favour of proposals related to governance, including increased gender diversity on boards of directors and executive teams, and adding proxy access rights.

STRENGTH THROUGH JOINT GOVERNANCE

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.

Members and employers have equal representation on both these decision-making bodies, through their governors who are appointed by the Plan sponsors: the College Employer Council 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.

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 the College Employer Council* on behalf of the college boards of governors.

Members of the Sponsors' Committee

Steve Hudson, Employer Committee Member; **Patrick Kennedy**, Employee Committee Member; **Kim Macpherson**, Employee Committee Member; **Marilou Martin**, Co-Chair, Employee Committee Member; **Peggy McCallum**, Employer Committee Member; **Kelly Murray-Scott**, Employee Committee Member, **Brian Tamblyn**, Employer Committee Member; **Jeff Zabudsky**, Co-Chair, Employer Committee Member.

Kelly Murray-Scott assumed her responsibilities on July 1, 2015 from **Michael Gallagher** who served on the Sponsors' Committee from 2013 to 2015 as an Employee Committee Member.

Left to right: Steve Hudson, Kim Macpherson, Marilou Martin, Patrick Kennedy, Kelly Murray-Scott, Brian Tamblyn, Peggy McCallum, Jeff Zabudsky.

*The College Employer Council replaced Colleges Ontario as the employer sponsor effective November 1, 2015 by amendment to the Plan's Sponsorship and Trust Agreement.

MEMBERS AND EMPLOYERS HAVE EQUAL SAY ON PLAN DECISIONS

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 and establishes policies for administering benefits. Sponsors' Committee members primarily represent the interests of the groups that appoint them.

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 the College Employer Council on behalf of the college boards of governors.

Members of the Board of Trustees

Darryl Bedford, Vice-Chair, Employee Trustee; **Scott Blakey,** Employer Trustee; **Rasho Donchev,** Employee Trustee; **Harry Gibbs,** Employer Trustee; **Bill Kuehnbaum,** Employee Trustee; **Alnasir Samji,** Employer Trustee; **Michael Seeger,** Employee Trustee; **Don Smith,** Employee Trustee; **Beverley Townsend,** Chair, Employer Trustee; **Gretchen Van Riesen,** Employer Trustee; **Donald Wright,** Employee Trustee.

There was one vacancy on the Board of Trustees at the start of 2016. Gretchen Van Riesen assumed her responsibilities on July 20, 2015. Rasho Donchev was appointed effective September 1, 2015. Bill Kuehnbaum was appointed effective January 1, 2016.

Stephen Campbell served as an Employer Trustee from 2013 to 2015 and as an OCASA representative on the Sponsors' Committee from 1995 to 2012. **Alec Ip** served as Employee Trustee from 2004 to 2015; **George Lowes** served as an Employee Trustee from 2014 to 2015. **Deb McCarthy** served as an Employer Trustee during 2015.

Alnasir Samji, Donald Wright, Michael Seeger, Don Smith, Beverley Townsend, Darryl Bedford, Gretchen Van Riesen, Scott Blakey, Harry Gibbs, Rasho Donchev. Not shown: Bill Kuehnbaum.

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.

Governing policies reviewed or amended in 2015

- Board of Trustees Code of Conduct
- Board of Trustees Education Policy
- Budget Expense Policy
- Guidelines for the Selection of Members of the Board of Trustees
- Member Settlement Policy
- Portfolio Implementation Policies and Procedures
- Sponsors' Committee Education Policy
- Sponsors' Committee Member Expense Policy Guidelines
- Statement of Investment Policies and Procedures
- Trustee Committee Member Expense Policy Guidelines

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.

Plan Equity Review Task Force

As part of delivering value, the Plan considers fairness among generations and member groups when making decisions about contribution rates and benefits. A Plan Equity Review Task Force, established in late 2014, held meetings throughout 2015 and in early 2016 to examine a number of Plan provisions to determine if equity of certain provisions could be improved. The task force was a joint committee of representatives from the Board of Trustees and the Sponsors' Committee.

The task force recommended changes to two Plan provisions that are described on page 14.

Sponsorship and Trust Agreement amendment

The Sponsorship and Trust Agreement was amended by the Plan sponsors effective November 1, 2015. This amendment saw the College Employer Council assume responsibility from Colleges Ontario for CAAT Plan governor appointments on behalf of college boards of governors.

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. The policies reviewed or amended during 2015 are listed at left.

Education

New governors receive an orientation and materials for self-education and all governors receive education sessions during regular meetings and at an annual two-day retreat. During 2015 these sessions, delivered by senior staff and other industry experts, covered the role of trust, risk assessment, stakeholder expectations, trends in higher education and staffing, and the nature of retirement.

Members of the Investment Committee also took part in sessions about investment strategies and risk.

Plan governors also attend and report on pension industry conferences throughout the year.

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 25, 2016

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, 2015, and the statements of changes in net assets available for benefits, changes in pension obligations and changes in surplus 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, 2015, and the changes in its net assets available for benefits, changes in its pension obligations and changes in its surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario

April 25, 2016

CAAT PENSION PLAN ACTUARIES' OPINION

Mercer (Canada) Limited was retained by the Colleges of Applied Arts and Technology Pension Plan Board of Trustees (the "Board") to perform an actuarial valuation of the assets and the going concern liabilities of the Colleges of Applied Arts and Technology Pension Plan (the "Plan") as at December 31, 2015, 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, 2015;
- membership data provided by the Board as at December 31, 2014;
- 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, 2015 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 2015, 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 Christiani, F.C.I.A.

April 25, 2016

STATEMENT OF FINANCIAL POSITION

				December 31
($ thousands)		**2015**		2014
ASSETS				
Investment assets				
Investments *(Note 3)*		**$ 9,022,697**		$ 8,143,337
Accrued income		**20,851**		15,304
Unsettled trades receivable		**149,431**		141,024
Derivative-related receivables *(Note 5)*		**10,361**		26,324
Employer contributions receivable (Note 11)		**16,793**		13,341
Member contributions receivable (Note 11)		**16,793**		13,447
Other assets *(Note 7)*		**5,872**		6,384
		9,242,798		8,359,161
LIABILITIES				
Investment liabilities				
Unsettled trades payable		**445,737**		312,235
Derivative-related liabilities *(Note 5)*		**190,998**		68,492
Accounts payable and accrued liabilities *(Note 8)*		**13,762**		13,631
		650,497		394,358
Net assets available for benefits		**$ 8,592,301**		$ 7,964,803
Pension obligations *(Note 9)*		**8,368,251**		8,052,169
Regulatory surplus *(Note 10)*	**1,179,072**		773,004	
Measurement differences between regulatory and accounting deficit *(Note 10)*	**(955,022)**		(860,370)	
Surplus (deficit)		**$ 224,050**		$ (87,366)

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

Donald Wright,
Chair

Beverley Townsend,
Vice-Chair

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

		Year ended December 31
($ thousands)	**2015**	2014
Increase in net assets available for benefits		
Contributions *(Note 11)*	**$ 432,071**	$ 417,123
Investment income *(Note 12)*	**621,481**	807,634
	1,053,552	1,224,757
Decrease in net assets available for benefits		
Benefits *(Note 13)*	**406,314**	368,601
Investment administration expenditures *(Note 14)*	**5,992**	5,665
Pension administration expenditures *(Note 14)*	**13,748**	12,824
	426,054	387,090
Net increase in net assets available for benefits	**627,498**	837,667
Net assets available for benefits, beginning of year	**7,964,803**	7,127,136
Net assets available for benefits, end of year	**$ 8,592,301**	$ 7,964,803

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

		Year ended December 31
($ thousands)	**2015**	2014
Accrued pension obligations, beginning of year	**$ 8,052,169**	$ 7,669,567
Increase in accrued pension obligations *(Notes 9 & 10)*		
Interest on accrued benefits	**469,075**	447,324
Benefits accrued	**238,481**	227,210
Changes in actuarial assumptions	**(38,038)**	37,663
Experience losses	**52,878**	39,006
	722,396	751,203
Decrease in accrued pension obligations		
Benefits paid *(Note 13)*	**406,314**	368,601
Net increase in accrued pension obligations	**316,082**	382,602
Accrued pension obligations, end of year	**$ 8,368,251**	$ 8,052,169

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

STATEMENT OF CHANGES IN SURPLUS

		Year ended December 31
($ thousands)	**2015**	2014
Deficit, beginning of year	**$ (87,366)**	$ (542,431)
Increase in net assets available for benefits	**627,498**	837,667
Net increase in accrued pension obligations	**(316,082)**	(382,602)
Surplus (deficit), end of year	**$ 224,050**	$ (87,366)

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 twenty-four 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: The College Employer Council (previously 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 on the portion of a pension based on service after 1991 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 service after 2007 is conditional on the Plan's funding position.

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. In accordance with an agreement with the Province of Ontario, the funding policy includes 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 current levels 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 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

	2015		2014	
($ thousands)	**Fair Value**	**Cost**	Fair Value	Cost
Short-term investments	**$ 807,462**	**$ 785,847**	$ 714,044	$ 707,299
Fixed income *(Note 3b)*	**2,459,032**	**2,328,363**	2,259,079	2,054,674
Equities *(Note 3c)*	**4,267,139**	**3,564,111**	4,051,945	3,414,282
Infrastructure	**599,613**	**428,198**	399,853	324,471
Real estate	**418,634**	**261,311**	407,172	257,769
Private equity	**470,817**	**286,997**	311,244	222,402
	$ 9,022,697	**$ 7,654,827**	$ 8,143,337	$ 6,980,897

3(b) – Fixed Income

Investments in fixed income include the following issuers:

	2015		2014	
($ thousands)	**Fair Value**	**Cost**	Fair Value	Cost
Government of Canada	**$ 931,820**	**$ 868,535**	$ 823,277	$ 736,123
Provincial Governments	**1,012,224**	**964,907**	1,016,027	936,249
Municipal Governments	**14,079**	**14,368**	15,135	13,758
Corporate	**404,037**	**401,536**	315,188	287,278
Foreign	**96,872**	**79,017**	89,452	81,266
Fixed Income	**$ 2,459,032**	**$ 2,328,363**	$ 2,259,079	$ 2,054,674

Government bonds include those issued or guaranteed by the government.

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

	2015	2014
	Fair Value	Fair Value
1 – 5 years	**$ 238,629**	$ 34,558
6 – 10 years	**382,116**	207,649
11 – 20 years	**660,395**	704,967
Greater than 20 years	**1,177,892**	1,311,905
Total Fixed Income	**$ 2,459,032**	$ 2,259,079

3(c) – Equity Investments

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

	2015		2014	
	Fair Value ($ thousands)	**%**	Fair Value ($ thousands)	%
United States	**$ 1,466,246**	**34.5**	$ 1,201,789	29.7
Canada	**620,003**	**14.5**	1,040,931	25.7
Europe (excluding United Kingdom)	**704,456**	**16.5**	537,287	13.3
United Kingdom	**184,741**	**4.3**	115,255	2.8
Japan	**425,440**	**10.0**	310,925	7.7
Other Asia / Pacific	**679,956**	**15.9**	656,004	16.2
Latin America	**82,438**	**1.9**	93,602	2.3
Other	**103,859**	**2.4**	96,152	2.3
Total Equity	**$ 4,267,139**	**100.0**	$ 4,051,945	100.0

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3(d) – Summary of Significant Investments

At December 31, 2015 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	$ 355,156	$ 340,704
Fixed income		
Canada Housing Trust No. 1	$ 91,458	$ 91,570
CIBC Pooled Long-Term Bond Index Fund	190,874	190,987
Government of Canada Bonds	785,779	722,993
Province of Ontario Bonds	407,977	391,982
Province of Quebec Bonds	283,611	261,063
Equities		
Acadian Emerging Market Small-Cap Fund	$ 99,005	$ 102,012
BlackRock Global Fixed Income Alpha Offshore Fund A1	291,442	211,739
Bridgewater Pure Alpha Fund II	218,442	128,437
GMO Emerging Domestic Opportunities Fund IV	335,612	286,420
SPDR S&P 500 ETF Trust	96,608	73,941
Real estate		
Greystone Real Estate Fund	$ 356,011	$ 207,873

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, 2015, the Plan's investments included loaned securities with a fair value of $1,310,705 thousand (2014 – $1,549,784 thousand). The fair value of collateral received in respect of these loans was $1,375,170 thousand (2014 – $1,615,487 thousand). Net income earned from securities lending for the year was $3,609 thousand (2014 – $2,601 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 respectively 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 the measurement of pension obligations are changes in the key assumptions used. 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 and retirement assumptions are important as they impact the number of expected pension payments to members. 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 1, 2015 whereby, in addition to additional language around environmental, social and governance investing, the allocation ranges for Infrastructure, Private Equity, and Real Estate as a percentage of total investments were changed as follows:

	Prior asset allocation range	Revised asset allocation range
Infrastructure	Actual to 12%	5 to 15%
Real Estate	3 to 7%	2 to 10%
Private Equity	Actual to 7%	2 to 10%

The Statement designates ten broad classes of assets (nine assets classes for 2014). 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 ten 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, 2015.

The asset allocation, including the effect of derivatives and associated benchmark index is as follows:

		2015		2014	
Asset Class	**Benchmark Index**	**Allocation Range**	**Actual Allocation**	Allocation Range	Actual Allocation
Liability-hedging assets		**38-48%**	**43.1%**	38-48%	42.7%
Nominal long bonds	FTSE TMX Long Bond Index	**10-30%**	**15.7%**	10-30%	22.7%
Nominal universe bonds	FTSE TMX Universe Index	**3-7%**	**4.8%**	Not applicable	Not applicable
Real-return bonds	Actual RRB portfolio return	**4-8%**	**6.4%**	0-10%	5.7%
Infrastructure	CPI + 5%	**5-15%**	**7.0%**	Actual - 12%	5.1%
Real estate	IPD Canadian Property	**2-10%**	**4.9%**	3-7%	5.1%
Commodities	S&P GSCI	**3-7%**	**4.3%**	3-7%	4.1%
Return-enhancing assets		**52-62%**	**56.5%**	52-62%	56.9%
Canadian equity	S&P/TSX Composite	**6-10%**	**7.8%**	11-15%	13.1%
Global developed equity	MSCI World ex Canada	**30-40%**	**33.2%**	25-35%	30.1%
Emerging markets equity	MSCI Emerging Markets	**8-12%**	**10.0%**	8-12%	9.8%
Private equity	MSCI ACWI + 3%	**2-10%**	**5.5%**	Actual - 7%	3.9%
Cash, cash equivalents, and other	Not applicable	**Not applicable**	**0.4%**	Not applicable	0.4%
Total investments			**100.0%**		100.0%

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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:

	2015		2014	
Asset Class	**Rate of Return**	**Benchmark Return**	Rate of Return	Benchmark Return
Liability-hedging assets*				
Nominal long bonds	**4.5%**	**3.8%**	16.9%	17.5%
Real-return bonds	**3.2%**	**3.2%**	11.8%	11.8%
Infrastructure	**15.1%**	**6.4%**	17.6%	7.0%
Real estate	**8.1%**	**7.8%**	6.2%	7.0%
Commodities	**(13.0%)**	**(19.5%)**	(25.2%)	(27.0%)
Return-enhancing assets				
Canadian equity	**(7.7%)**	**(8.3%)**	10.7%	10.6%
Global developed equity	**24.5%**	**20.0%**	16.2%	14.5%
Emerging markets equity	**9.4%**	**2.0%**	10.6%	6.6%
Private equity	**50.3%**	**20.1%**	32.7%	16.6%
Total investments	**9.0%**	**5.0%**	12.3%	10.1%

* Excludes nominal universe bonds as the allocation was in place for less than the full 2015 year (There was no allocation to nominal universe bonds in 2014.).

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)	2015			2014
	Gross Exposure	**Hedged Amount**	**Net Exposure**	Net Exposure
United States Dollar	**$ 3,480,464**	**($ 1,593,316)**	**$ 1,887,148**	$ 1,751,829
Euro	**690,076**	**(439,292)**	**250,784**	148,635
Japanese Yen	**424,968**	**(210,859)**	**214,109**	137,156
Hong Kong Dollar	**152,527**	**(25,809)**	**126,718**	65,317
Swiss Franc	**58,924**	**(28,031)**	**30,893**	21,796
British Pound Sterling	**195,139**	**(111,750)**	**83,389**	116,354
Other currencies	**377,765**	**(88,681)**	**289,084**	264,000
Total foreign	**5,379,863**	**(2,497,738)**	**2,882,125**	2,505,087
Canadian Dollar	**3,300,369**	**2,384,111**	**5,684,480**	5,440,175
	$ 8,680,232	**($ 113,627)**	**$ 8,566,605**	$ 7,945,262

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, 2015 would result in a gain/loss of $144,106 thousand (2014 – $125,254 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, 2015, the duration of the fixed income portfolio was 13.4 years (2014 – 13.9 years). If interest rates were to rise by 1%, the fair value of the fixed income portfolio would decline by approximately $287 million (2014 – $288 million). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income portfolio would increase by approximately $292 million (2014 – $293 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)	2015		2014	
	% Change	**Gain / Loss**	% Change	Gain / Loss
Canadian equity	**10.4%**	**$ 65,443**	10.1%	$ 103,120
Global developed equity	**10.0%**	**$ 307,058**	10.0%	$ 249,065
Emerging markets equity	**9.8%**	**$ 81,665**	9.1%	$ 67,900

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. The credit exposure to any single counterparty is limited to maximum amounts.

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)	2015	2014
Short-term investments	**$ 807,462**	$ 714,044
Fixed income	**2,459,032**	2,259,079
Derivative-related receivables	**10,361**	26,324
Interest receivable	**12,090**	8,947
Loaned securities	**1,310,705**	1,549,784
Credit default derivatives – written	**2,790**	39,276
Total maximum exposure	**$ 4,602,440**	$ 4,597,454

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

($ thousands)	2015	2014
AAA	**$ 1,057,374**	$ 991,156
AA	**236,348**	507,936
A	**981,251**	603,537
BBB or lower	**184,059**	156,450
	$ 2,459,032	$ 2,259,079

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, 2015, the fair value of such bonds held by the Plan was $1,944,044 thousand (2014 – $1,839,304 thousand). In addition, the Plan's portfolio of short-term investments of $807,462 thousand (2014 – $714,044 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 and real estate 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.

	2015			2014		
($ thousands)	**Notional Value**	**Fair Value**		Notional Value	Fair Value	
		Positive	**Negative**		Positive	Negative
Equity						
Futures	**$ 1,012,832**	**$ 2,022**	**$ (3,072)**	$ 830,454	$ 21,587	$ (2,025)
Fixed Income						
Futures	**863,994**	**1,592**	**(403)**	205,264	1,124	(204)
Swaps	**223,893**	**1,909**	**(2,157)**	236,598	-	(418)
Options	**-**	**-**	**-**	70,778	1,174	(1,346)
Currency						
Forwards	**2,793,848**	**-**	**(113,632)**	2,117,692	-	(11,520)
Swaps	**1,130**	**647**	**(673)**	-	-	-
Options	**-**	**-**	**-**	8,043	1,028	-
Credit Default Swaps						
Purchased	**76,635**	**704**	**(110)**	29,302	-	(117)
Written	**2,790**		**(386)**	39,276	86	(116)
Commodity		**-**				
Futures	**370,933**	**3,188**	**(70,545)**	326,082	1,325	(52,746)
Inflation						
Swaps	**16,584**	**299**	**(20)**	-	-	-
	$ 5,362,639	**$ 10,361**	**$ (190,998)**	$ 3,863,489	$ 26,324	$ (68,492)

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

($ thousands)	2015	2014
Under 1 year	**$ 4,886,647**	$ 3,609,372
1 to 5 years	**382,313**	183,259
Over 5 years	**93,679**	70,858
	$ 5,362,639	$ 3,863,490

FINANCIAL STATEMENTS

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:

		2015		
($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term Investments	**$ -**	**$ 807,462**	**$ -**	**$ 807,462**
Fixed Income	**-**	**2,459,032**	**-**	**2,459,032**
Equities	**3,255,641**	**1,011,498**	**-**	**4,267,139**
Infrastructure	**-**	**-**	**599,613**	**599,613**
Real estate	**-**	**-**	**418,634**	**418,634**
Private equity	**-**	**-**	**470,817**	**470,817**
Derivative-related receivables	**6,802**	**3,559**	**-**	**10,361**
Derivative-related liabilities	**(74,020)**	**(116,978)**	**-**	**(190,998)**
	$ 3,188,423	**$ 4,164,573**	**$ 1,489,064**	**$ 8,842,060**

		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

There were no significant transfers of investments between Level 1 and Level 2 during 2015 or 2014.

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:

		2015		
($ thousands)	**Infrastructure**	**Real Estate**	**Private Equity**	**Total**
Opening Balance	**$ 399,853**	**$ 407,172**	**$ 311,244**	**$ 1,118,269**
Acquisitions	**124,712**	**54,476**	**124,554**	**303,742**
Dispositions	**(23,087)**	**(75,436)**	**(92,284)**	**(190,807)**
Realized Gains	**2,102**	**24,502**	**32,326**	**58,930**
Unrealized Gains	**96,033**	**7,920**	**94,977**	**198,930**
Closing Balance	**$ 599,613**	**$ 418,634**	**$ 470,817**	**$ 1,489,064**

		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

NOTE 7: OTHER ASSETS

		2015		2014
($ thousands) **Fixed Assets**	**Cost**	**Accumulated Depreciation & Amortization**	**Net Book Value**	Net Book Value
Systems software	**$ 4,363**	**$1,015**	**$ 3,348**	$ 3,730
Leasehold improvements	**197**	**81**	**116**	162
Computer equipment	**501**	**273**	**228**	245
Furniture, fixtures & equipment	**733**	**444**	**289**	362
	$ 5,794	**$ 1,813**	**$ 3,981**	$ 4,499

Other assets consist of fixed assets with a net book value of $3,981 thousand (2014 – $4,499 thousand), and miscellaneous receivables and prepaid expenses in the amount of $1,891 thousand (2014 – $1,885 thousand). Fixed assets are stated at cost and are depreciated or amortized on a straight-line basis over their useful lives.

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is an accrual of $6,302 thousand (2014 – $6,106 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, 2019 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, 2016. The next regulatory valuation is required to be filed no later than as at January 1, 2019.

Pension obligations as at December 31, 2015 were $8,368,251 thousand (2014 – $8,052,169 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 mid-point of the Bank of Canada's inflation target range of between 1% and 3%. 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:

	2015	2014
Discount rate	**5.70%**	5.80%
Salary escalation rate	**3.75%**	3.75%
Inflation rate	**2.00%**	2.00%
Real discount rate	**3.70%**	3.80%

Changes in actuarial assumptions between 2014 and 2015 resulted in a decrease in the pension obligation of $38,038 thousand to reflect updated demographic assumptions, offset in part by a 10 basis point decrease in the discount rate (between 2013 and 2014 – increase of $37,663 thousand to reflect the inclusion of an assumption on the proportion of terminating members electing a lump sum payment).

Experience Losses

Experience losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2015, experience losses were $52,878 thousand (2014 – losses of $39,006 thousand). Experience losses in 2015 and 2014 stemmed from demographic experience losses offset in part by lower than assumed salary escalation and inflation.

Plan Provisions

Commencing on January 1, 2014, the contribution rate on contributory earnings (as defined by the Plan text) by both employers and employees is 11.2% up to the Year's Maximum Pensionable Earnings as determined by the federal government to determine Canada Pension Plan contributions ("YMPE") ($53,600 in 2015 and $52,500 in 2014) and 14.8% of contributory earnings in excess of the YMPE.

NOTE 10: SURPLUS (DEFICIT)

The excess of net assets available for benefits against pension obligations results in the Plan being in a surplus of $224,050 thousand as at December 31, 2015 (2014 – deficit of $87,366 thousand). The surplus 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, 2015 which has been filed with FSCO subsequent to year end is $1,179,072 thousand (2014 – surplus of $773,004 thousand). A 25 basis point decrease in the discount rate assumption at December 31, 2015 would result in a decrease in the regulatory surplus of approximately $385 million (2014 – $410 million).

Measurement differences between the regulatory surplus and accounting surplus (deficit) in 2015 of $955,022 thousand (2014 – $860,370 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 2015 is a $558,862 thousand deferred gain (2014 – $578,958 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)	**2015**	2014
Members		
Current service	**$ 201,319**	$ 195,223
Past service	**5,895**	6,923
Employers		
Current service	**201,319**	195,223
Past service	**3,577**	3,815
Transfers from other pension plans	**19,961**	15,939
	$ 432,071	$ 417,123

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, 2015, $16,793 thousand of employer contributions receivable and $16,793 thousand of member contributions receivable (2014 – $13,341 thousand of employer contributions and $13,447 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)	2015	2014
Interest income	**$ 83,199**	$ 80,078
Dividend income	**112,480**	94,642
Other income	**4,324**	2,800
	200,003	177,520
Investment gains		
Realized gain	**404,233**	435,993
Change in unrealized appreciation of investments	**93,001**	254,759
	497,234	690,752
Investment income prior to investment expenses	**697,237**	868,272
Investment management fees	**(70,233)**	(54,858)
Transaction costs	**(5,523)**	(5,780)
	$ 621,481	$ 807,634

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

($ thousands)	2015	2014
Short-term investments*	**($ 331,314)**	($ 116,749)
Fixed income	**107,025**	303,614
Equities	**632,323**	548,134
Infrastructure	**119,646**	46,759
Real estate	**32,782**	23,288
Private equity	**136,775**	63,226
	$ 697,237	$ 868,272

* Includes losses on currency forwards and options and commodity futures of $345,411 thousand (2014 - $143,409 thousand)

NOTE 13: BENEFITS

($ thousands)	2015	2014
Pensions	**$ 372,351**	$ 348,848
Payments on termination of membership	**33,963**	19,753
	$ 406,314	$ 368,601

NOTE 14: ADMINISTRATION EXPENDITURES

Investment Administration Expenditures

($ thousands)	2015	2014
Salaries and benefits	**$ 2,925**	$ 2,668
Custodial fees	**1,492**	1,286
Other professional services	**629**	770
Premises and equipment	**574**	576
Communications and travel	**207**	226
Board and Sponsors' Committee	**72**	68
Audit fees	**73**	71
Actuarial fees	**20**	-
	$ 5,992	$ 5,665

Pension Administration Expenditures

($ thousands)	2015	2014
Salaries and benefits	**$ 9,669**	$ 8,608
Premises and equipment	**2,690**	2,755
Other professional services	**256**	383
Custodial fees	**370**	344
Communications and travel	**401**	350
Actuarial fees	**217**	206
Audit fees	**73**	110
Board and Sponsors' Committee	**72**	68
	$ 13,748	$ 12,824

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, 2015, these commitments totalled $824,200 thousand (2014 – $550,082 thousand).

The Plan leases its office premises under an operating lease agreement that has an expiration date of November 29, 2017. Future lease payments over the remaining life of the leases total $1,907 thousand, with the following amounts payable over the next two years: 2016 – $1,040 thousand, and 2017 – $867 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 governance and related meetings as well as other services provided in the regular course of business. The total of such reimbursements to colleges in 2015 were $54 thousand (2014 – $49 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: SUBSEQUENT EVENT

In late 2015 employees of The Royal Ontario Museum and The Royal Ontario Museum Foundation who are members of The Royal Ontario Museum Pension Plan ("ROM Pension Plan"), as well as retired members receiving a pension from the ROM Pension Plan voted to join the CAAT Pension Plan.

Effective January 1, 2016 all active members of the ROM Pension Plan became members of the CAAT Pension Plan and started earning benefits and making contributions in accordance with CAAT Pension Plan provisions.

Subject to the approval of FSCO the investment assets and actuarial liabilities of the ROM Pension Plan will be transferred to and assumed by the CAAT Pension Plan. All retired members of the ROM Pension Plan would join the CAAT Pension Plan at the date of transfer. As of December 31, 2015, the assets and going-concern actuarial liabilities of the ROM Pension Plan according to the Actuarial Cost Certificate prepared by the ROM Pension Plan's actuary were as follows:

Market value of assets: $106,651 thousand

Going concern funding target liabilities: $101,930 thousand.

TEN–YEAR REVIEW (Unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
FINANCIAL ($ in millions)										
Short-term investments	808	714	709	562	288	501	249	174	161	192
Fixed income	2,459	2,260	1,940	1,793	2,058	1,940	2,007	1,768	2,190	2,072
Equities	4,267	4,052	3,838	3,290	2,750	2,635	2,309	2,214	3,101	3,177
Infrastructure	600	400	297	237	217	162	146	130	84	34
Real estate	419	407	379	339	301	241	138	39	-	-
Private equity	471	311	183	119	47	29	13	-	-	-
Derivatives (net)	(181)	(42)	2	-	20	19	22	(18)	16	(22)
Total investments	8,843	8,102	7,348	6,340	5,681	5,527	4,884	4,307	5,552	5,453
Other assets (liabilities) (net)	(251)	(137)	(221)	(80)	(54)	(75)	(39)	(74)	(100)	(101)
Net assets available for benefits	8,592	7,965	7,127	6,260	5,627	5,452	4,845	4,233	5,452	5,352
Contributions	432	417	368	355	312	296	262	227	186	167
Investment income (loss)	621	808	860	624	178	607	629	(1,183)	159	628
Benefit payments	(406)	(369)	(344)	(332)	(302)	(284)	(267)	(248)	(237)	(223)
Administrative expenses	(20)	(18)	(18)	(14)	(13)	(13)	(12)	(14)	(8)	(9)
Net change in net assets available for benefits	627	838	866	633	175	606	612	(1,218)	100	562
RETURNS										
Annual return, gross of fees	9.0%	12.3%	14.5%	11.8%	4.1%	13.3%	15.2%	(21.4)%	3.4%	13.6%
Annual return, net of fees	8.1%	11.5%	13.9%	11.3%	3.4%	12.6%	14.7%	(21.7)%	3.1%	13.3%
After inflation and fees	6.8%	10.0%	12.6%	10.4%	1.1%	10.2%	13.4%	(22.9)%	0.7%	11.6%
MEMBERSHIP										
Active members	26,500	24,700	22,000	21,400	20,500	19,600	19,500	18,800	18,000	17,400
Deferred members	1,400	1,800	1,700	1,300	1,100	1,100	1,100	1,100	1,100	1,000
Retired members	14,000	13,500	13,100	12,600	12,100	11,700	11,200	10,800	10,400	10,000
Total members	41,900	40,000	36,800	35,300	33,700	32,400	31,800	30,700	29,500	28,400
GOING-CONCERN FUNDING STATUS as at December 31										
Surplus (deficit) $ millions	1,179	773	525	347	154	88	(358)	(256)	320	(585)
Discount rate	5.70%	5.80%	5.80%	5.80%	5.90%	6.00%	5.85%	5.25%	5.74%	5.95%

Numbers are rounded

LEADERSHIP TEAM

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

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

Andrew Mathenge
Director, Information Technology

For nearly 50 years, the Colleges of Applied Arts and Technology (CAAT) Pension Plan has been delivering secure pensions to employees of the Ontario college system. Established in 1967, the CAAT Plan assumed its current jointly sponsored governance structure in 1995. The 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 through their representatives on the Plan's two governing bodies. The Plan is sponsored by the College Employer Council, on behalf of the college boards of governors, OCASA (Ontario College Administrative Staff Association), and by OPSEU (Ontario Public Service Employees Union).

The Plan is 110.4% funded on a going-concern basis. With $8.6 billion in net assets available for benefits, 41,900 members and 38 employers, the CAAT Plan is the only multi-employer pension plan serving Ontario's postsecondary sector.

We welcome your comments and suggestions on this annual report.
Please contact: John Cappelletti, *Manager, Stakeholder Relations,* 416-673-9040, contact@caatpension.on.ca

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