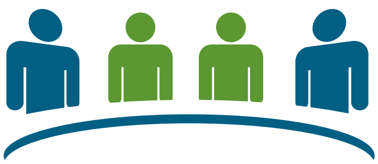
ANNUAL REPORT 2016

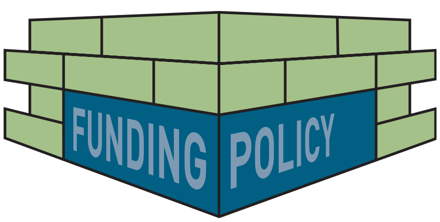
caat PENSION PLAN | 50 YEARS

THE NEXT

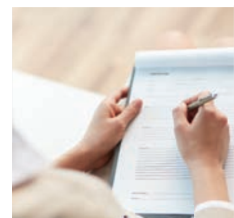






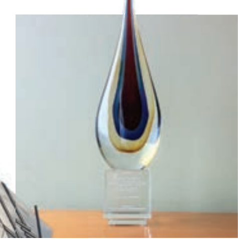





Signatory of:

PRI | Principles for Responsible Investment

FIFTY YEARS

From a strong past to a secure future. The CAAT Plan delivers a Modern Defined Benefit plan that evolves intelligently.

1967

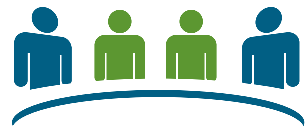
CAAT Plan established
The Retirement Pension Plan of the Colleges of Applied Arts and Technology is registered with the Pension Commission of Ontario to provide pension benefits to the employees of the 20 Colleges of Applied Arts and Technology in Ontario.

1969-95

More colleges join Plan
As they are established by the province, four more colleges join the CAAT Pension Plan up until 1995, when Collège Boréal is created.

1988

Early retirement at age 55
Members can retire as early as age 55. Over the next decade, unreduced early retirement options are introduced: at age 60 with 20 years' service (1991) and when age and service equal 85 (1998).



1995

Plan becomes jointly sponsored and governed
Decisions and risks are now shared equally by members and employers.

1996

Survivor pension for post-retirement spouse added
The survivor's pension is now also available when members marry or enter a common-law relationship in retirement, a thoughtful feature uncommon to pension plans.

1997

Plan's first website launched
Plan's communication and education program steps into online space.

1999

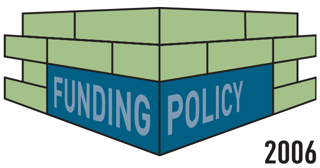
First non-college employer joins
Ontario College Application Service joins the Plan. Within six years, 10 more non-college employers have signed up.

2006

The CAAT Pension Plan funded its first private market investments in Infrastructure
Today, the Plan's private market holdings also include significant allocations to Real Estate (starting in 2008) and Private Equity (2009).

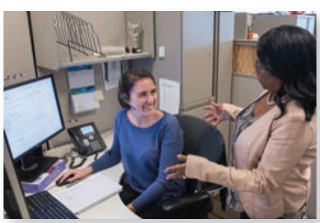
In this yearly review to our members, we have reassuring news about your CAAT Pension Plan. For the seventh straight year, the Plan is in a surplus position. Long-term projections show that the Plan will stay fully funded.

We live by our commitment to benefit security, contribution stability, and equity among members. Over the last year, our professionals have managed the Plan prudently and responsibly, mitigating risk on your behalf.



2006

Funding Policy established
The Plan governors develop a policy to guide them in determining how to use contributions, reserves, and conditional benefits to keep the Plan sustainable over the long term. The policy and the Plan governors' resolve to secure benefits have proved foundational to the Plan's strength.



2013/14

New pension administration system launched
The systems used to administer benefits are replaced, bringing efficiency, lower risk, and improved reporting.

2008

Pension portability expanded
Members can move their pensions to and from any Canadian registered pension plan. In 2010, timelines for purchasing past service are lifted, creating 'open buyback'.

Signatory of:

PRI Principles for Responsible Investment

2015

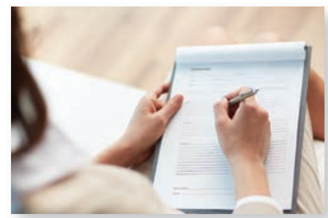
Plan becomes signatory to the PRI – Principles for Responsible Investing
The UN-supported PRI is the world's leading proponent of responsible investment. Its 1,700 investor signatories incorporate environmental, social, and governance factors into their investment and ownership decisions.

2011

Investment asset mix further diversified
To manage risk, the Plan's investment portfolio is expanded into a broader range of asset classes, at a level of risk appropriate to help secure the Plan's liabilities at an appropriate cost.

2016

The ROM joins
First merger of a single-employer defined benefit (DB) plan into a jointly sponsored pension plan in Ontario.



2013

Immediate eligibility for part-time employees
Employees who work other than regular full-time hours can opt to join immediately upon hire.

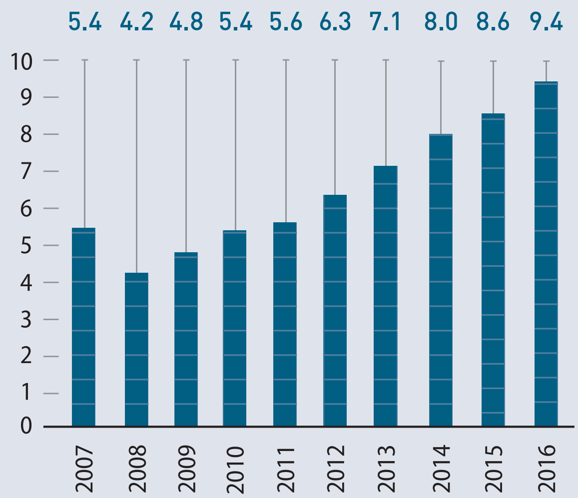
2016

Plan wins international innovation award
At the Innovation Awards presented at the World Pension Summit, the CAAT Plan receives finalist award (second place) for pension reform for its merger with the ROM pension plan.

Performance

$9.4 BILLION
net assets to
secure pensions

31,000 TRANSACTIONS
SERVICE STANDARDS MET FOR
Compliance
Quality
Efficiency



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

$700 MILLION
investment
income

8.0%

net investment
return in 2016

Expertise

98%
TRUST PLAN'S EXPERTISE

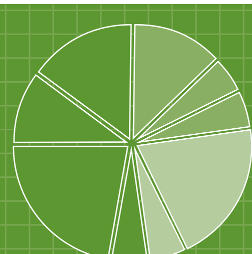
Among active and retired member survey respondents with an opinion, 98% agreed or strongly agreed that the Plan has the expertise to manage effectively and prudently

20:1

Among survey respondents who had an opinion, almost 95% believe that the Plan is a sustainable model for delivering secure pension benefits over the long term

113.3%
FUNDED

on a going-concern basis



WELL-DIVERSIFIED ASSET MIX

is sophisticated, risk-appropriate for Plan's goals

$1.6 BILLION

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

90 EXPERTS

90 highly qualified staff focus on:
Regulatory compliance
Funding health
Robust risk management and advocacy
Thoughtful investments
Transparent communication and effective member education
Administrative efficiency

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% see value

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

44,700 MEMBERS

Active 28,400

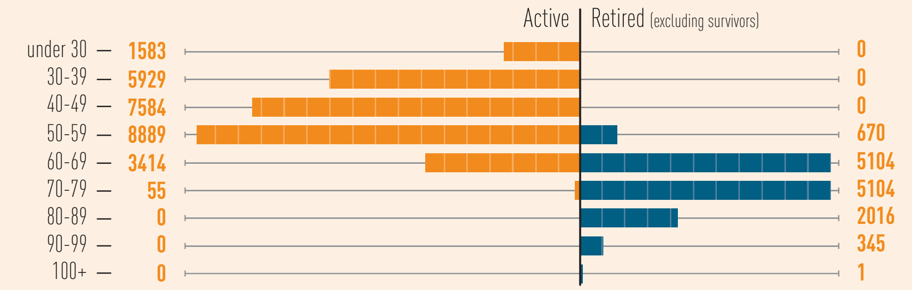
Retired 14,900

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

2,874

net increase in members in 2016

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



62.6 years

AVERAGE AGE
at retirement in 2016

22.6

AVERAGE YEARS OF SERVICE
for members retiring from active status in 2016

38 EMPLOYERS

24 colleges

14 other employers

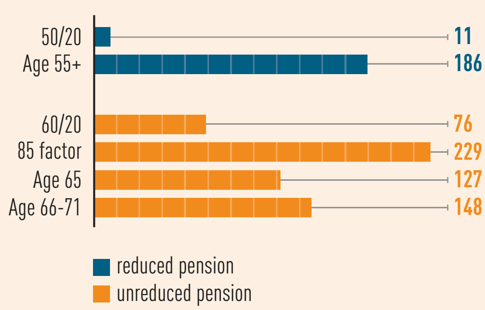
MEMBERS WORK IN A RANGE OF OCCUPATIONS

	Full-time	Part-time	**Total**
Faculty	28%	20%	**48%**
Support	30%	7%	**37%**
Administration	14%	1%	**15%**
Total	**72%**	**28%**	**100%**

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

FLEXIBLE RETIREMENT OPTIONS

IN 2016, 1,140 MEMBERS RETIRED UNDER THE FOLLOWING OPTIONS.



50/20: Age 50 or older with at least 20 years of service, with reduced pension

55+: Age 55 or older, with reduced pension. (An additional 207 members started their pensions from deferred status.)

60/20: Age 60 or older with at least 20 years of service

85 factor: Age plus years of service equal at least 85

Age 65: Normal retirement age for Plan. (An additional 144 members started their pensions from deferred status.)

Age 66-71: Pension grows. Tax law requires that pensions be started by the end of the year the member turns age 71

Foresight

98%

probability of remaining fully funded in 20 years

based on Asset-Liability Modelling that measures key financial and demographic risks, assesses long-term health of Plan

REALISTIC FUNDING ASSUMPTIONS

essential to securing pensions

89 years average lifespan

5.60% discount rate

Forward thinking: It's in our history

By good fortune and good design, the CAAT Plan has always been forward thinking.

By good fortune, the creators of the college system in Ontario had the foresight to create a sector-based pension plan as a way to help attract and retain the talent that would be necessary for colleges to develop and flourish.

It was in the mid-'90s that the CAAT Plan, by design, became a jointly sponsored pension plan where costs and responsibilities are shared equally by members and employers. This structure continues to serve as a model of responsible and effective governance. It ensures that those who share in the costs and risks have a voice at the table.

FOUNDATIONS FOR SUCCESS

We're proud of what the CAAT Plan has accomplished during its first 50 years and the traditions that have been established. We believe the Plan's success is built on shared governance and its collective focus on benefit security, stable and appropriate contribution rates, and the goal of treating members of different groups and generations fairly.

The Funding Policy is the hallmark of a Modern DB pension plan. It provides a solid framework for the CAAT Plan governors to make decisions as they exercise their fiduciary duty and weigh the uncertainties that sit beyond the horizon. Our collaborative and frank discussions are guided by thoughtful policies, pension expertise, and thorough analysis. It is in this way that we keep the CAAT Plan on a steady course to continued stability and long-term success.

NOTEWORTHY IN 2016

We have completed the merger with the ROM Pension Plan and this milestone earned the CAAT Plan the 2016 Innovation Finalist Award presented at the World Pension Summit conference in The Hague, Netherlands.

Also notable in 2016 was the CAAT Plan's decision to explore other mutually beneficial mergers with single employer pension plans from beyond the postsecondary sector. These include plans with defined contribution arrangements, and private sector employers where there is a strong alignment.

This expanded approach to welcome new employers and members is founded on forward thinking. Independent actuarial assessment shows that a merger of an aligned single-employer pension plan into the CAAT Plan would be a win-win-win solution: the employer would no longer be required to manage the risks of their pension plan; its employees would build valuable pension benefits in a sustainable defined benefit plan; and, as a result of the growth in membership, the CAAT Plan would improve its long-term probability of remaining fully funded and move even closer to lowering its contribution rates for the benefit of employers and members.

98%
SATISFIED WITH PLAN GOVERNANCE

98% of active and retired member survey respondents with an opinion said they are satisfied or very satisfied with how well their interests are represented by the Plan's joint governance structure.

STRONGLY INDEPENDENT

As a jointly sponsored pension plan, the Board of Trustees is ultimately responsible for overseeing the administration of pensions and the investment of CAAT Plan assets and to act in the best interests of the Plan and its members. The Board works closely with the Sponsors' Committee, which determines how to best balance the use of contribution rates, funding reserves, and benefit design to keep the Plan meaningful, stable, and sustainable over the long term.

The representative governance structure has been tested over time and is a model of cooperation, mutual respect, and common purpose. Current and former trustees and Sponsors' Committee members have contributed to the CAAT Plan's health and success by assessing challenges and making required adjustments in a timely manner.

Since our last annual report, the Board welcomed Karen McRae as a Trustee.

The Sponsors' Committee saw two long-serving members, Peggy McCallum and Jeff Zabudsky, leave the committee. On behalf of the CAAT Plan governors, it is with gratitude that we warmly wish Peggy and Jeff well in their future endeavours.

Early in 2017, the Sponsors' Committee welcomed Ross Gascho, a Partner at Fasken Martineau, practising in pensions and employee benefits, and Anne Sado, President of George Brown College.

Along with our fellow Plan governors, we wish to sincerely thank staff at the CAAT Plan for their expertise, diligence, and the thoughtfulness through which they deliver the excellent performance and service members and employers have come to expect.

With the management team, so well-led by Derek Dobson, and our strong and experienced Board, the entire team remains committed to work with all our stakeholders for the unified purpose of keeping the CAAT Plan strong and viable for current and future beneficiaries.

Donald Wright,
Chair

Beverley Townsend,
Vice-Chair

Building champions for valuable Modern DB pensions

Many members and participating employers understand the high value the pension plan brings – they are champions of the CAAT Plan. Our annual opinion survey confirms that members feel that they are getting high value for the contributions they make. We believe this is a fundamental goal of the CAAT Plan and we work diligently to help more stakeholders understand the true value of the Plan.

The goal of educating our key stakeholders about the Plan and what it provides is rewarding in itself and is the right path to take. Building more champions also gives us a strong collective voice in advocating for policies and standards that could impact the Plan.

We're building champions by making effective use of our daily interactions with our stakeholders.

One particularly effective way we are doing this is through member workplace presentations delivered by staff. Our ambitious goal for the period September 1, 2016 to December 31, 2017 is to reach 5,000 active members through our popular in-person sessions or online videos. The sessions are free to members and employers and the feedback from participants indicates that they have a meaningful and positive impact.

We're also reaching out to college boards of governors and offering to present at one of their regular meetings because we understand that the more stakeholders know about the CAAT Plan, the more they value the Plan and are willing to stand with it.

The success of building champions of the Plan is not in the method or frequency of the message. It is in sharing the strength of the Plan, the security of its valuable benefits, the stability of its contributions, the power of an effective governance structure, and the dedication of its thoughtful experts who have delivered consistently strong results over many years.

THE MESSAGE IS CLEAR AND STRONG

For members, the CAAT Plan provides an efficient worry-free way to build predictable retirement income without the need to become an investment expert, understand longevity risk or the effects of inflation on purchasing power, or to monitor the best time to retire predominantly based on investment market cycles. For employers, the Plan provides a great opportunity to offer an attractive pension program at a lower cost and risk level than traditional single-employer pension plans.

At its January 1, 2017, valuation, the Plan is 113.3% funded on a going-concern basis, and the CAAT Plan governors have prudently decided to continue building reserves to focus on the core goals of security of pension benefits, stability of contributions, and equity among groups and generations of members. With this year's funding reserve growing to $1.6 billion, the governors move the Plan closer to a reduction in contribution rates for members and employers.

Appropriate funding reserves, created by design, are in place to avoid contribution increases and to keep the pension promise strong, including paying conditional inflation protection to our retired members. Contribution rates are at a level that sustains the benefits of the Plan over the long term and, equally important, builds a funding reserve in accordance with the Funding Policy.

The Plan's investment team continues to demonstrate consistency in their ability to earn impressive investment returns over time. This year's 8% rate of return, net of investment management fees, moves the five-year annualized net rate of return to 10.5%, well above the long-term target of 5.6% needed to sustain the Plan over time.

Again this year, we made significant improvements to the quality, timeliness, and efficiency of services to members and employers. Our employers' commitment to providing timely and accurate data has been a major contributor to our achievements in faster service.

FORWARD THINKING

A Modern DB pension plan, such as the CAAT Plan, is farsighted and a model pension plan for the future.

We're open and ready for growth in membership where it is beneficial. This includes single-employer defined benefit pension plans, defined contribution plans, and workplaces without a pension plan, including those in the private and not-for-profit sectors.

We're also advocating for effective, efficient, and secure workplace retirement plans in Ontario and more broadly. Building Modern DB champions inside and outside the Plan has far-reaching benefits.

As we pause to recognize the milestone that is our 50th anniversary as a pension plan, our sights remain firmly fixed on a secure future.

Derek W. Dobson,
CEO and Plan Manager

> **"For members, the CAAT Plan provides an efficient worry-free way to build predictable retirement income without the need to become an investment expert..."**

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, 2016.

The CAAT Pension Plan provides secure defined benefit pensions to its 44,700 members who work at, or have retired from, Ontario's 24 community colleges and 14 other participating employers. These pensions are pre-funded by contributions from members and employers and, to a larger extent, by the investment returns earned over time by prudently 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.

As participants in 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 2016, the Plan further strengthened its financial position, closing the year 113.3% funded on a going-concern basis, based on its actuarial valuation as at January 1, 2017. The valuation has been filed with the pension regulators, the Financial Services Commission of Ontario, and the Canada Revenue Agency. Funding reserves increased to $1,601 million from $1,179 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 2016 was $9.4 billion, up from $8.6 billion at the close of 2015.

MISSION AND FOCUS

The Plan's mission is to improve the financial security of members in retirement with meaningful and secure benefits supported by stable and appropriate contribution rates.

Benefit security is the Plan's central focus. It includes paying inflation protection that is conditional on the Plan's financial health, for pension service after 2007.

Contribution rates are maintained at steady levels appropriate for the benefits earned to deliver value for members and employers, and recognizing the desire for fairness amongst member occupational groups and generations.

Members rely on the Plan to be there to pay their pensions through the almost three decades they spend, on average, in retirement. The Plan upholds that trust through its expertise in managing the risks associated with delivering lifetime pensions, controls on long-term costs, delivery of timely education and service, and through transparent communication.

Other areas of focus include advocating with government and industry representatives on behalf of the Plan and its members and employers, and building alliances to reinforce the value and efficiency of defined benefit pensions. Plan leaders are also increasingly taking advantage of opportunities to make presentations and publish articles to advance these same messages with a broad range of stakeholders.

PLAN'S FOCUS

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, controls on long-term costs, delivery of timely education and service, and transparency

Benefits and Administration

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

PLAN FUNDING

Keeping the Plan properly funded is the foundation of benefit security. The Plan is 113.3% funded on a going-concern basis, based on its actuarial valuation as at January 1, 2017, up from 110.4% in the prior valuation of January 1, 2016. The 2016 investment performance and temporary stability contributions enabled further strengthening of the funding reserve to $1,601 million, from $1,179 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 over the long-term.

The Plan measures its success against these key criteria:

- Securing promised pensions
- Paying conditional inflation protection (for service earned after 2007)
- Maintaining stable contribution rates that are appropriate for the benefits earned.

For valuation purposes, an asset smoothing calculation is used to spread the impact of annual investment gains or losses over a five-year period. Asset smoothing is commonly performed in pension valuations and better aligns to the important goals of funding and contribution stability. The smoothing adjustment as at January 1, 2017 creates a future valuation reserve cushion of $457 million in addition to the funding reserve of $1,601 million.

Based on the results of the January 1, 2017 actuarial valuation, conditional inflation protection increases (for service earned after 2007) will be made until at least January 1, 2020. In addition, contribution rates can remain at their current levels through the end of 2021.

Angela Goodchild, Vice President, Service Delivery and **Andrew Mathenge**, Director, Information Technology

VALUATION SUMMARY

Going-concern funding results (modified aggregate basis)	January 1, 2017 Filed valuation
ASSET VALUES:	($ millions)
Market value of net assets	9,364
Smoothing adjustment	(457)
Present value of future contributions	
Basic contributions	3,398
Supplemental contributions	1,318
Total actuarial value of assets	13,622
Liabilities for accrued benefits	8,848
Present value of future benefits for active members	3,140
Provision for indexation adjustments relating to post-2007 service to 2020	34
Total actuarial liabilities	12,022
Funding reserve	1,601

Amounts do not add due to rounding

The Plan secures benefits by:

- Using prudent, realistic assumptions about future longevity, long-term investment returns, interest rates, member demographics, and inflation
- Conducting ongoing and detailed analysis of Plan data, economic conditions, postsecondary education reform, and demographics, to anticipate and manage change
- 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 contributions in a diversified mix of asset classes appropriate for the Plan's liabilities
- Evaluating opportunities for growth that enhance the Plan's efficiency
- Maintaining a healthy funding reserve as a buffer against unforeseen economic and demographic shocks.

> **"The last decade has been a challenging time for defined benefit pension plans. Some plans have performed better than others. With its fully funded pension benefits, equal sharing of all pension costs and risks between employers and employees, and post-retirement indexation that is conditional on the funding level, the CAAT Pension Plan stands out among public sector pension plans as a model of good governance."**
>
> **Frederick Vettese**
> Chief Actuary, Morneau Shepell

Realistic assumptions

Economic and demographic assumptions, foundational to funding projections, are reviewed at least annually to ensure they continue to be realistic and properly reflect the Plan's risk tolerance.

The discount rate is the estimate of long-term future returns on the Plan's investment portfolio, a key factor in the Plan's funded status. For the January 1, 2017 valuation, the discount rate was lowered to 5.6% from 5.7%, to recognize expected future trends in global market returns.

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 updated Canadian Institute of Actuaries' mortality tables.

Key assumptions used in the valuation are listed in the financial statements on page 54.

Asset-Liability Modelling tests funding forecasts

At least every three years, an Asset-Liability Modelling study is conducted to check the Plan's financial projections against a variety of diverse economic and demographic scenarios. Conducting such studies regularly enables prudent planning and the evaluation of emerging risks and opportunities.

A study completed in 2016 led to changes to the asset mix, which are explained on page 24.

Funding Policy foundational to benefit security

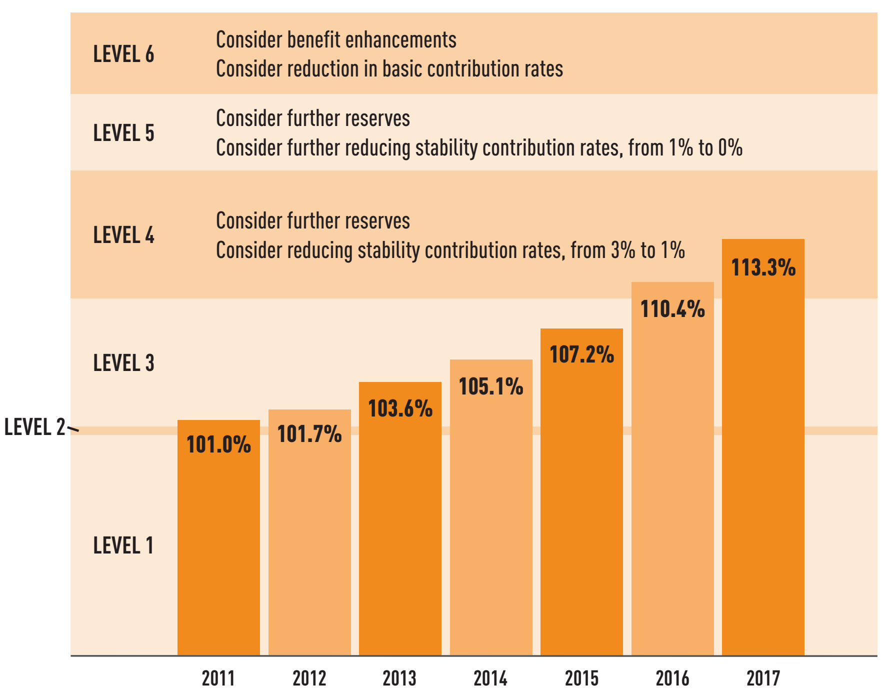
Since 2006, the Plan governors have been guided by the Funding Policy when making decisions that affect contribution rates, benefits, and reserves. The Funding Policy is designed to keep the Plan healthy over the long term to protect promised benefits, while managing through periods of volatility. The policy has three funding controls: reserves, contributions, and conditional benefits, and sets guidelines for the use of these controls based on the Plan's current financial health. Reserves and stability contributions support the strong desire to keep benefits secure. Temporary stability contributions, currently 3% of pensionable earnings, are those above the basic amount required to fund the expected cost of benefits members will be paid over their lifetimes. Together with investment gains above the valuation discount rate, they are used to purposely build reserves to secure benefits and keep the Plan's contribution rates stable.

The filed actuarial valuation determines the Plan's funded status and at what level of the Funding Policy the Plan sits. The Plan currently sits in Funding Level 4. In this level, different options to allocate the surplus become available to the Plan governors: the setting aside of additional reserves, the pre-funding of conditional inflation protection, or reductions to contribution rates. The priority and timing of the allocation in Level 4 is not pre-determined: with each filed valuation the Plan governors may evaluate the options available. This allows decisions to reflect the evolving needs of stakeholders or emerging risks to the Plan.

Reserves are an important tool in shared risk plans

Reserves are a key tool in delivering benefit security with stable contribution rates. In a jointly sponsored pension plan, such as the CAAT Plan, members and employers share the funding risks of the ongoing plan. Should a confluence of events, such as a global market decline, continuing longevity improvements, and even lower interest rates lead to a deficit, members and employers together would be required to make up the shortfall by increasing future contributions

Funding Policy guides decisions



As at December 31.
The Funding Policy is summarized on page 36.

The Funding Policy defines six levels of Plan financial health and sets guidelines for 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 can be a combination of: reducing stability contributions, building additional reserves, and prefunding conditional inflation protection. With the Plan's funded status remaining in Level 4 based on the January 1, 2017 valuation, the Plan governors determined that building additional reserves was the most prudent option to further strengthen benefit security and contribution stability.

or reducing benefits earned in the future. Reserves reduce the probability of a future deficit and minimize the chance of a contribution increase.

Through their equal representation on the CAAT Plan's governing bodies, members and employers have expressed a strong desire to pay conditional inflation protection and to avoid both benefit reductions and future contribution rate increases.

Everyone benefits from stable, predictable contribution rates. Employers can plan their budgets and members avoid adverse changes in take-home pay, while the Plan stays on a sustainable course.

Consistent with the desire for benefit security and contribution stability, the Plan governors decided to allocate the surplus identified in the January 1, 2017 valuation to additional reserves.

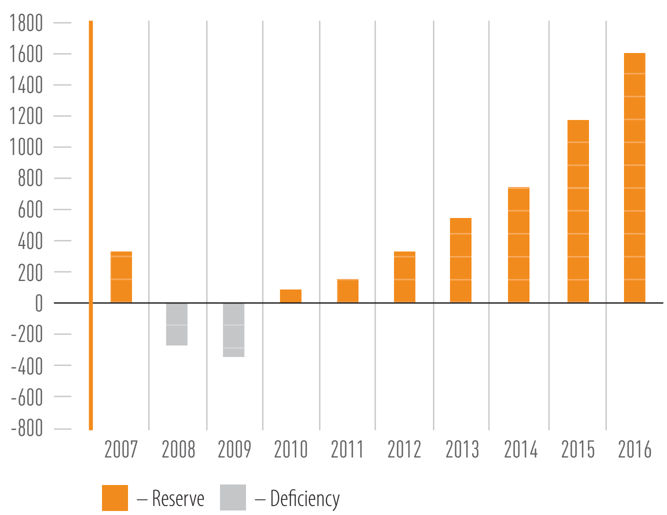
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS IN 2016

		($ millions)
Net assets December 31, 2015		8,592
Investment income		700
Contributions received		443
Transfer from ROM plan		106
Benefits paid		(431)
Pension administration expenses		(15)
Investment administration expenses		(7)
Net increase in assets available for benefits	**796**	
Net assets December 31, 2016		9,388

> **"During the years when it became independent, the CAAT Plan's most valuable asset was its board of governors. The board capably addressed the financial challenges of a difficult decade. By focusing on the needs of the Plan and by skillfully balancing the interests of participating employees, retired members, and the colleges, the board set a high standard for future boards to follow."**
>
> **Malcolm Hamilton**
> Senior Fellow, CD Howe Institute
> Retired Actuary / Former Partner, Mercer

FUNDING VALUATIONS HISTORY (as at December 31)

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



Funding adjustments:

- Contribution rates increased by 1% in each of 2008, 2009, and 2010.
- Contribution rates increased by 0.8% in 2012 and 0.4% in each of 2013 and 2014 to help offset increased longevity costs.

Alan Elliot, Director, Project Management (left) and **Evan Howard**, Vice President, Pension Management

PLAN CHANGES

ROM pension plan merger completed

2016 saw the successful completion of the merger of The Royal Ontario Museum (ROM) pension plan into the CAAT Pension Plan that began in late 2015, with ROM plan members joining the CAAT Plan effective January 1, 2016 for future service. The merger was significant for several reasons. It was the first of its kind in Ontario – a single-employer pension plan in the broader public sector combining with a jointly governed, multi-employer pension plan – and it made use of new regulations in the province. The transaction improved benefit security for ROM plan members at a lower overall cost and risk for the ROM. It also had a positive impact on the CAAT Plan by diversifying and growing the active membership.

Plan staff worked diligently throughout 2016 to obtain regulatory approval of the merger from the Financial Services Commission of Ontario. The approval was finalized in December 2016. The transfer of $106 million in assets from the ROM pension plan to the CAAT Plan took place in December 2016 and will fund the previously-earned ROM plan pension benefits of the 640 active, retired, and deferred pension members.

Innovation recognized with international award

The successful and timely completion of the ROM plan merger exemplified the CAAT Plan's expertise in pension administration, funding, and communication. Further corroboration arrived with an international award for innovation in pension reform. At the 2016 Innovation Awards presented at the World Pension Summit in The Hague, Netherlands, the CAAT Plan received a Finalist Award (second place) in the category of pension reform for its merger with the ROM plan.

Plan Equity Review

Two Plan changes that were approved in early 2016, and summarized in the 2015 annual report, took effect on July 1, 2016: the pension accrual for members on long-term disability is now the same as for active members; and, the ability to elect a commuted value payout is limited to six months following termination of active membership.

> **"The CAAT Pension Plan is a model of how to communicate with plan members. In addition to the website, newsletters and personal pension statements, retired members have the opportunity to hear CEO Derek Dobson in person speak openly about the Plan, explain issues and answer their questions. His transparent communication style is much appreciated."**
>
> **Linda Choptiany**
> President, Ontario Colleges Retirees' Association

SERVING MEMBERS

Service standards met

The Plan's service standards for quality and timeliness were met for all transactions over the year. Volumes of retirements, pension estimates, and terminations, were up 10%, 22%, and 27% respectively over 2015. Efficiencies achieved through the automation of correspondence – part of the continuing enhancement of the pension administration system introduced in 2014 – were instrumental in achieving this result.

Overall, total member inquiries were steady compared with the prior year. Email inquiries were up 18%, while inbound phone calls declined by seven percent.

Annual statements delivered early, again

The early delivery of annual pension statements for active members attained in 2015 was repeated in 2016, with the first statements mailed on April 1, 98% mailed by May 31, and the remainder sent well ahead of the June 30 deadline. Employers' timely submission of accurate member data contributed significantly to this shared success.

Retired members received their annual statements in April and for the second consecutive year the annual pension payment confirmation was included in the mailing to all retired members. Completed confirmation forms were returned earlier than in 2015.

Targeted information

Clear communication is core to members understanding the value of their pension, that the Plan is well-managed, and that their benefits are secure. Helpful service and easy-to-understand information are also needed for the various benefit-related events that can occur during a member's career, as well as when there are legislated or Plan-driven changes affecting benefits.

The Plan's communications program is designed to meet the needs of members, employers, and other stakeholders, and to support strategic initiatives. Effectiveness of messages and channels is measured through metrics such as surveys and website usage.

Active and retired members receive updates through their annual statements, newsletters, and email. Additional targeted communications are developed to meet the needs of distinct audience segments, such as groups affected by a benefit change.

All general active and retired member communication is available simultaneously in French and English and member-specific correspondence is delivered in the official language of each member's choice.

13,573	MEMBER TRANSACTIONS PROCESSED
90%	OR MORE OF EACH TRANSACTION TYPE MET TARGET TURNAROUND TIME
9,292	PHONE CALLS ANSWERED
8	SECOND AVERAGE CALL RESPONSE TIME WITH A LIVE VOICE
40	PRESENTATIONS DELIVERED TO OVER 1,300 MEMBERS AT 16 LOCATIONS
5,891	EMAILS AND VOICE MAILS FROM MEMBERS RESPONDED TO
2,314	EMAILS AND VOICE MAILS FROM EMPLOYERS RESPONDED TO

> **The art of the possible 50 years on and counting! Every day the CAAT Pension Plan delivers maximum value to its diverse stakeholders, and in the process shows the world how it can and should be done. Congratulations to Derek Dobson and his entire staff for generating tremendous benefit to CAAT Plan members over the long term and for providing the rest of us with a Defined Benefit model of excellence. You prove that where art and (actuarial) science intersect, the possible should be the preferable.**
>
> **Blair Richards**
> CEO, Halifax Port ILA/HEA Pension Plan

Reaching more members through presentations

Surveys of members consistently show that the more they know about their Plan and benefits the more they value them. And members who have attended one or more of the Plan's presentations to learn about their benefits, value their pensions more than members who do not attend.

The Plan delivered 40 presentations to 1,303 members at 16 locations across the province during 2016.

To increase the value and awareness of the Plan's benefits, the Plan launched an initiative in the Fall of 2016 to reach 5,000 active members through workplace and regional presentations, webinars, and videos by the end of 2017. In support of this goal, late in 2016 a position was dedicated to be both the lead presenter and the coordinator of arranging, promoting, and evaluating presentations.

Regional presentation pilot a success

A pilot of a regional presentation proved enormously successful with more than 200 members and family members attending a Saturday session on retirement planning held at Centennial College in December. More of these sessions are scheduled for 2017.

Presentation content aligned to member questions

As part of continuous improvement, the core presentation, "Planning Your Retirement," was divided into short modules that answer the top questions members have about their pension. The format also lent itself to being turned into on-demand videos that members can watch at their own pace. The presentation can be adapted to meet the needs of specific groups, such as new members, those who work part time, and those considering purchasing past service.

Feedback shows presentations are effective

Session evaluations show that 99% of attendees would recommend the session to their colleagues. More than 80% said attending improved their opinions of the value and security of their pension and of the Plan's pension expertise.

Responding to demand for more videos

Videos are becoming a more important way to convey information in a straightforward and engaging way. In 2016, two video projects were launched in support of strategic initiatives:

- "Soar to Retirement" was developed to introduce new members to the value of the Plan and as a resource for employers in attracting and retaining employees. By year-end, it was one of the top three most-played videos on the website.
- The "Planning Your Retirement" series of nine videos launched in December. They deliver the content of in-person sessions at a member's own pace. They will help meet the goal of reaching 5,000 members through presentations.

Increased use of website, improved online tools

Use of the Plan's website is increasing annually. In 2016, the number of users grew to 94,000, a more than 30% increase over the prior year, while the number of sessions rose 22%, to more than 152,600.

The Plan's online tools are popular. There were more than 40,000 uses of the pension estimator during 2016. The ACE tool, for estimating the cost of a past service purchase or pension transfer, was used more than 5,000 times. The Pension Road Test for part-time employees considering joining the Plan was viewed over 1,000 times.

Award-winning communications

Over the past year, the Plan's communications expertise was recognized with two awards from the International Association of Business Communicators. One was an IABC 2016 Award of Merit in the Communications Management category for "Communicating a new option to join the pension plan," the project supporting the immediate enrolment eligibility provision for part-time employees. The other was an IABC 2017 Gold Quill Award of Excellence, in the Human Resources and Benefits Communication category, for "Earning member consent for a merger of two pension plans," which covered the decision support provided to ROM pension plan members. These latest IABC awards are among six the Plan has received for its communication programs in as many years.

SUPPORT FOR EMPLOYERS

The Plan relies on participating employers to carry out certain core functions of pension administration, including enrolling employees, remitting contributions, reporting data, and distributing publications. To assist employers and lower the risk of administrative errors, there is ongoing education, support materials and tools. There were nine training sessions and nine update sessions delivered as webinars during 2016.

New, easier-to-use administration manual

The administration manual for employer administrators was relaunched mid-year in an easy-to-navigate and search online format that organizes policies, step-by-step processes, service level standards, training resources, and forms and tools under each major member event. Other features include a 'What's new' list of updates, an index, and glossary.

INCREASED WEB USE

	2016	Compared to 2015
Users	94,000	+ 30%
Web sessions	152,603	+ 22%
Web page views	519,386	+ 24%

Use of online estimator tools	2016	Compared to 2015
3-Step Pension Estimator	40,125	+ 17%
ACE Tool (purchases and transfers)	5,631	+ 13%
Pension Road Test (for part-time considering joining)	1,030	+15%

Compliance monitoring

2016 was the inaugural year for employers to provide the Plan with an annual attestation of their compliance with the Plan's administrative processes. All employers completed the attestation form and no material compliance issues were identified.

To further strengthen its monitoring of administrative compliance, the Plan conducted its first on-site reviews of employer administrative processes. These reviews are designed to identify opportunities for process improvements or training needs, as well as best practices that can be shared with all employers. Four employers were visited during 2016 and all passed the review.

Strengthening understanding and relationships

During 2016, Plan representatives also continued their meetings with finance, payroll, and human resources teams at employers to deepen Plan knowledge of employer staffing strategies and administrative challenges. These meetings often identify ways the Plan can further assist employers with data reporting and how employers can incorporate the value of the Plan into their workforce planning.

VALUING THE OPINIONS OF STAKEHOLDERS

Members value their pensions and trust the Plan

Each year the Plan surveys members and employer administrators to gauge their views of the Plan. The findings are used in setting strategic priorities.

Survey response rates in 2016 were robust. More than 4,300 active members responded to the online survey, up from 3,500 the prior year. A mailed postcard inviting retired members and surviving spouses to take the survey online led to over 2,000 responses, far exceeding expectations and the prior year's response rate of 287.

The survey findings reaffirmed that members value their pensions and trust the Plan's governors and its pension experts to manage their benefits.

Ninety-eight percent of active members with an opinion about Plan governance said they were very satisfied or satisfied with Plan governance. The same percentage believes that the Plan has the expertise to manage their pensions effectively and prudently.

Pension knowledge, presentation attendance drive value

The 2016 surveys showed members continue to give the Plan high marks for value, with 91% of active members and 97% of retired members rating their pension as excellent, good, or reasonably good value for the contributions they made. Those rating value as excellent rose two percentage points over the prior year.

Attendance at the Plan's pension presentations was shown to positively affect members' ratings of value. Compared to members who had yet to attend a session, those who had attended in the past year were twice as likely to rate the Plan's value as excellent and those who have attended more than one presentation were three times more likely to rate the value as excellent.

Members want the Plan to advocate for DB pensions

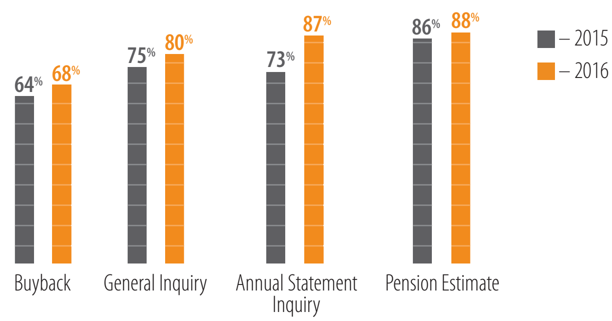
When asked about the ongoing debate on the fairness and affordability of public sector pension plans, 78% of active members reported being very concerned or somewhat concerned. Among those with an opinion, 96% said they expect the Plan to be active in the public pension debate, up from the 2015 survey.

The Plan's advocacy activities to reinforce the value and efficiency of defined benefit pensions are summarized on page 20.

Member satisfaction with service

Survey questions about active members' experiences with key transactions showed improvements over 2015. In their survey, 99% of retired members said they were satisfied with the Plan's service overall.

MEMBERS RATING SERVICE AS EXCELLENT, VERY GOOD, OR GOOD



Responses to active member surveys

Service satisfaction improves employers' view of the Plan

There were 61 respondents to the employer administrators' survey from a wide range of positions.

Overall there have been significant strides in improving employer satisfaction over the past three years. Twenty-eight percent reported having an improved view of the Plan over the prior year, compared with 20% in 2015. Service to employers was cited as the single biggest driver of their improved view, while service to members and member education tied as the next most significant factors.

College chief financial officers rated the value of the Plan, compared to the cost to offer it, as 8.4 out of 10, up from 8.1 in 2015.

OPERATIONAL RISK MANAGEMENT

Risk and controls review

During 2016, Plan management reviewed tools and models to perform operational risk analysis and collected information on tools and processes. A documentation framework was designed and tested through an operational control review for a specific financial process as an initial case.

Advocating in the best interest of the Plan, its members, and employers

The CAAT Pension Plan regularly reviews the key risks that can impact the Plan's health, contributions, and benefits. It takes active steps to mitigate key risks. In addition, Plan staff monitors the development of pension-related legislation and makes submissions to government when it is appropriate to represent the collective interests of the Plan and its key stakeholders: members and employers. In 2016 the Plan was active in the following areas:

Potential risk to jointly sponsored pension plans' funding rules

The Ontario government's review of solvency funding requirements for private-sector, single-employer pension plans has the potential to be extended to include jointly sponsored pension plans (JSPPs), such as the CAAT Plan. The Plan worked independently and with the other JSPPs and industry groups to advocate against making the current JSPP funding requirements more onerous, given that the current JSPP funding system reflects joint governance and risk sharing characteristics. This work continues.

Financial advisors should be required to act in best interests of pension plan members

The Plan made a submission and a presentation to Ontario's Expert Committee to Consider Financial Advisory and Financial Planning Policy Alternatives to support applying a statutory best-interest duty to those who provide financial product sales, advice, or financial planning in the province. Such a policy would help to protect terminating members of any pension plan who have the option to commute the value of their lifetime defined benefit pension. The Plan favours the mandatory disclosure of investment fees and commissions and a clear explanation of the investment and other risks being borne by individuals.

Monitoring the potential impact of public pension plans

2016 saw significant news on universal public pension plans. The year opened with the Ontario government announcing design details for the previously announced Ontario Retirement Pension Plan (ORPP). By year-end the federal and provincial governments completed the CPP agreement, enabling legislation had received Royal Assent, and Ontario formally ended its implementation plans for the ORPP. Throughout these developments, as information became available, the Plan analyzed the potential implications for the CAAT Plan and its stakeholders. Analysis of the potential effects of the enhanced CPP continues as the implementation details are unveiled.

PROMOTING DEFINED BENEFIT PLANS IN INTERESTS OF ALL

The country is made stronger by Modern DB pension plans. They deliver adequate retirement income to members, reducing reliance on social programs while boosting local economies, as retired members have the means and confidence to spend their pensions on goods and services. Plan assets are large sources of investment capital.

Senior staff made over a dozen presentations to a range of stakeholders about the Plan's success as a Modern DB pension plan, with its strong governance and shared risk model. Several interviews and articles were also published in industry media to help showcase the efficiency and sustainability of Modern DB pensions.

These efforts formed part of the Plan's strategy to move the public discourse away from the conversion of DB pension plans to DC (defined contribution) savings arrangements, and introduce efficient alternative solutions that include shared-risk models, such as the CAAT Plan.

Plan staff actively participates in various pension industry groups to ensure the interests of broader public sector plans and, more specifically, jointly sponsored Modern DB pension plans such as the CAAT Plan are known and understood. The Plan's CEO Derek W. Dobson co-chairs the Canadian Public Pension Leadership Council (CPPLC), a non-partisan group of public sector pension plan senior administrators from across the country. The nine plans that belong to the CPPLC are working together to help inform the debate about retirement income security using evidence-based research.

Senior staff members also serve on the Association of Canadian Pension Management: Derek W. Dobson on the board of directors; Evan Howard, Vice President of Plan Management, on the ACPM's National Policy Committee; and, John Cappelletti, Manager, Stakeholder Relations, as Chair of its Strategic Initiatives Committee.

A Modern DB pension plan, open to all

As a fully funded multi-employer, jointly sponsored plan with pension management expertise, a proven investment program, functional joint governance, and a permanent exemption from solvency funding, the CAAT Plan is a model Modern DB pension plan to emulate or join.

The CAAT Plan's newest employer, the Royal Ontario Museum (ROM) merged its single-employer, 640-member pension plan with the CAAT Plan in 2016 to create greater efficiencies and eliminate its pension management risk, enabling the ROM to focus on its core mandate of operating a world-class museum. The merger was the first of its kind in Ontario and laid the groundwork for similar mergers. CAAT Plan staff shepherded the transaction through the necessary levels of education, consent, and regulatory approval. The transaction was completed relatively quickly and response from the ROM's plan members, management, and board to becoming part of a sustainable pension plan has been overwhelmingly positive.

For the CAAT Plan, membership growth through mergers further strengthens the Plan by pooling risk, moving it closer to reducing the portion of contributions used to build reserves as a cushion against market and interest rate volatility.

At the close of 2016, the Plan was in discussions with several prospective employers and member representatives. Organizations with single-employer pension plans are interested in a longer-term pension solution that delivers valuable defined benefits at stable and predictable contributions.

Member groups with DC savings arrangements are exploring joining the CAAT Plan, so their members can build secure DB pensions going forward and individually opt to transfer their DC account balances into the CAAT Plan to purchase guaranteed pension income and be spared from the risks of managing their investments.

Forward-thinking groups are well aware that pensions are sought and valued by even the youngest of employees and so serve as a competitive advantage in attracting and retaining skilled workers.

> **"The CAAT Plan's jointly sponsored, jointly governed model has served members and employers well, allowing for the sharing of costs and risk. The Plan is fully funded and provides predictable retirement security for members in an efficient and cost-effective manner.**
>
> **The CAAT Plan has also been a leader in inviting smaller plans to join its plan, and in advocating for the value of modern public pension plans."**
>
> **Alex Mazer**
> Founding Partner, Common Wealth

Modern DB pension plans, such as the CAAT Plan:

- Are independent and jointly governed, with members and employers sharing 50/50 in all decisions about contributions and benefits, and risks of running the plan
- Are more sustainable and efficient at funding pensions than single-employer plans, offering employers and members higher value at a lower risk, cost, and complexity
- Deliver predictable and secure lifetime retirement income, often with some inflation protection, at an appropriate cost that is shared equally between members and employers
- Are well-governed and managed with transparent funding and other policies, and sufficient in scale to attract and retain focused expertise
- Are multi-employer plans, allowing for automatic portability for members to consolidate and grow their pensions across many employers and have long-term pension sustainability tied to the long-term health of the pension plan rather than a single employer
- Include individual protection features such as early retirement options and disability provisions that help members and employers when unexpected changes occur
- As not-for-profit trusts, are efficient in their operations, directing the vast majority of contributions to future benefits rather than fees and overhead.

Investment Management

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

Julie Cays,
Chief Investment Officer

The Plan's team of investment professionals implements and manages the investment strategy established by the Board of Trustees. The team recommends to the Board of Trustees the asset mix, based on Asset-Liability Modelling studies. These studies test the future potential investment performance of various asset mixes and funded status and other key outcomes under a range of economic and demographic scenarios. The result is a well-diversified portfolio with exposures to appropriate levels of investment risks consistent with the strategic goals.

DIVERSIFIED PORTFOLIO

Historically, the Plan's investments were labelled as falling into two broad categories: Liability-hedging and Return-enhancing. Through the 2016 review and updating of the Statement of Investment Policies and Procedures, the Liability-hedging category was replaced with Interest-rate-sensitive and Inflation-sensitive categories, which more clearly describe the characteristics of the asset categories in which the Plan invests.

Interest-rate-sensitive and Inflation-sensitive assets help to offset the sensitivities to changing interest rates and to inflation that are inherent in the Plan's liabilities. They work to stabilize the Plan by offsetting the effect that changes in interest and inflation rates have on the calculation of the Plan's liabilities. Return-enhancing assets help the Plan meet its expected rate of return. Several asset classes have characteristics and risk factors that fit more than one asset category.

Asset mix

The 2016 Asset-Liability Modelling study resulted in adjustments to the asset mix policy approved in November. Key changes to be implemented over several years are an increase in allocation to private equity (from 5% of assets to 15%), and an increase in allocation to real estate and infrastructure, which have been combined and renamed as Real Assets (from 15% of assets to 20%). These allocations will be offset by a reduction of 15% in public equities.

The Plan is able to invest in long-term, illiquid assets for a portion of its investment program given the long-term nature of the Plan's liabilities and its ability to manage through periods of volatility.

The asset mix continues to be well diversified, with exposure to a broad range of asset classes.

Due diligence in selecting investment managers and partners

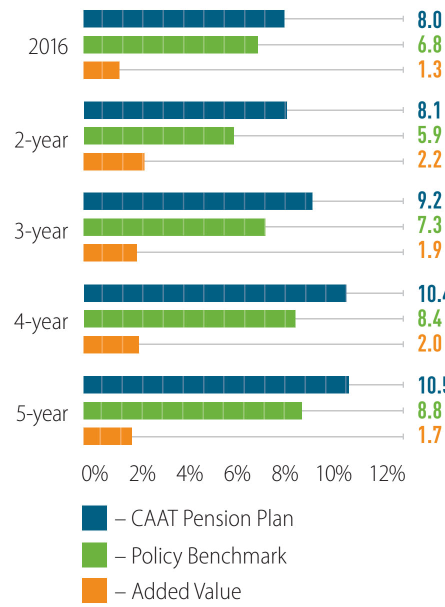
The investment team oversees the activities of approximately 50 investment and fund managers in public and private asset classes, and with a diversified mix of investment approaches, as well as a number of co-investments in private equity and infrastructure assets.

In selecting investment and fund managers and co-investment partners for recommendation, as well as monitoring them on an ongoing basis, the investment team follows disciplined processes for due diligence with the intent of hiring investment and fund managers that:

- are aligned with the interests of the Plan
- have cohesive teams with a high level of integrity
- have successful track records based on compelling and sustainable investment strategies, and
- in the case of fund investments, are willing to afford investors reasonable rights and protections.

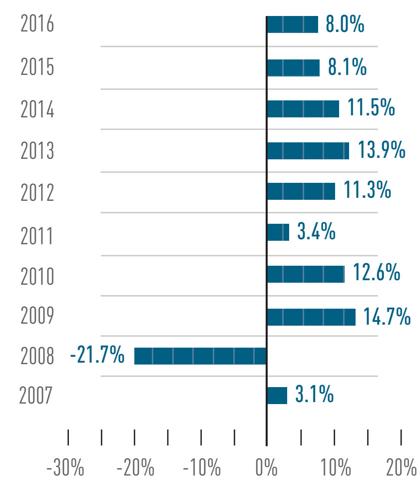
The processes, which vary for public and private market asset classes and for co-investments, consider a myriad of factors concerning a firm's organization, staff, investment strategy and process, portfolio characteristics, how environmental, social, and governance factors are considered in the investment process, and fees. Additionally, operational due diligence processes are carried out by the Plan's finance team to minimize non-investment related risks, such as reporting or operational errors and fraud.

NET RETURN VS. POLICY BENCHMARK



ANNUAL RATES OF RETURN

(net of investment management fees)



Over the past five years, the Plan has delivered an annualized net rate of return of 10.5%, adding $710 million of additional value above the policy benchmark returns.

MARKET OVERVIEW

From a headline perspective, 2016 was the year of the Brexit vote and the U.S. election. The outcomes of these events, combined with disappointing global growth, led to a volatile but largely positive year in equity markets. Positive drivers were expectations for higher growth in 2017, particularly in the U.S., a reduced risk of deflation, ongoing fiscal stimulus, and signs of a recovery in several emerging market economies.

North American equities posted strong returns for the year, with the S&P/TSX index in particular benefiting from the Energy and Materials sectors. Oil prices moved up after reaching a 12-year low in February, driven by increasing demand and lower production. Canadian bank stocks also performed well for the year.

European equities posted negative returns in Canadian dollars as the Brexit vote weighed on the region. Emerging market equities had a good year, benefiting from stronger commodity prices and a stabilizing Chinese economy.

The Canadian bond market also delivered small positive returns with the long bond index returning 2.5% for the year. The yield on government long bonds in Canada finished the year at 2.3% versus 2.1% at the beginning of the year.

Commodities finished the year strongly, ending up with a 7.5% return for 2016.

PERFORMANCE

Plan assets reached $9.4 billion at December 31, 2016, compared with $8.6 billion at the end of 2015. The Fund returned 8.0% net of investment management fees in 2016, outperforming its policy benchmark by 1.2%.

BENCHMARKS APPLICABLE TO ASSET CLASSES

ASSET CLASS	BENCHMARK
Interest-rate sensitive	
Long-term bonds	FTSE TMX Long Bond Index
Universe bonds	FTSE TMX Universe Index
Inflation sensitive	
Real-return bonds	FTSE TMX Real Return Bond Index
Real assets	CPI + 5%
Commodities	S&P GSCI Commodity Index
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%

NET INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

as at December 31, 2016 (net of expenses)

ASSET CLASS	ASSETS INVESTED ($ Millions)	2016 RETURN	BENCHMARK	VALUE ADDED
Interest-rate sensitive				
Long-term bonds	$1,334	2.9%	2.5%	0.4%
Universe bonds	$461	3.8%	1.7%	2.1%
Inflation sensitive				
Real-return bonds	$519	2.9%	2.9%	0.0%
Real assets	$1,207	7.1%	6.2%	0.9%
Commodities	$498	9.9%	7.5%	2.3%
Return-enhancing				
Canadian equity	$760	20.4%	21.1%	(0.6%)
Global developed equity*	$3,128	3.8%	3.3%	0.5%
Emerging markets equity	$852	1.8%	7.3%	(5.6%)
Private equity	$511	16.9%	7.1%	9.7%

*Global developed equity includes U.S. equity, international equity, and global equity portfolios.
The total fund return of 8.0% includes 1.3% from the impact of currency hedging.
Numbers are subject to rounding.

Over the past five years, the Plan has delivered an annualized rate of return of 10.5%, net of investment management fees, outperforming its policy benchmark by 1.7% per annum. This five-year performance has added $710 million in value to the Plan's assets above the policy benchmark returns.

All asset classes contributed positively to the 2016 return, with Canadian and Global Developed Equity, Private Equity, Fixed Income, and Infrastructure all adding more than 1% each to the 8.0% net return. The Fund's currency hedging policy, as defined in the Plan's Statement of Investment Policies and Procedures, added 1.3% to the return.

The performance in each asset class is measured in comparison to a relevant benchmark return, as listed in the table on page 25.

Global Developed and Emerging Markets Equity

Both the Global Developed and Emerging Markets Equity portfolios have a bias towards small and midcap stocks relative to their respective indexes. This segment of the market outperformed in the U.S. and internationally during 2016, but underperformed in emerging markets. Over the past five years, this structuring decision has had a positive impact on performance.

The Emerging Markets Equity portfolio has been structured to focus on stocks whose performance will be driven mainly by growing domestic consumer demand within emerging markets. This implies an overweight to consumer, health care, and financials sectors, and an underweight to commodity sectors (Energy and Materials). This positioning detracted value during 2016, but has added value since the inception of the active program in emerging markets four years ago.

U.S. Equities

The U.S. Equity sub-portfolio is structured such that the majority of the active risk is taken within portable alpha mandates. Portable alpha involves using derivatives to replicate the return of the index – in this case the S&P 500 – and using hedge funds in place of active management of the asset class represented by the index – in this case U.S. large cap equities. This program added value in 2016 and over the past five years.

Commodities

The Commodities portfolio has been structured to match the performance of the GSCI Enhanced Index; this structuring decision added value in 2016 relative to the GSCI Index, as it has since the inception of the active program in commodities four years ago.

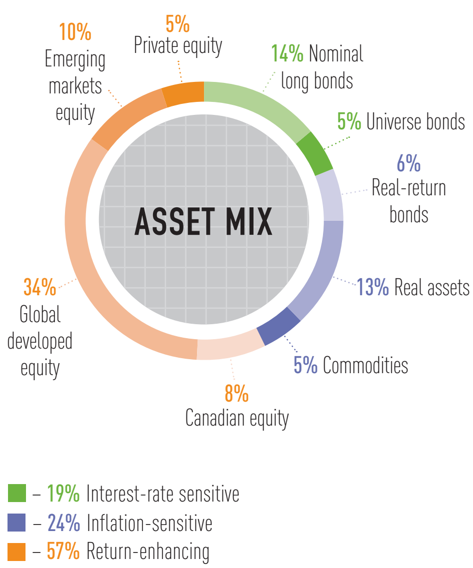
Private Equity

The Private Equity portfolio consists primarily of buyout fund investments, with a current tilt toward U.S. holdings relative to the benchmark. The private equity portfolio has benefitted from strong manager selection relative to the universe of available funds, which has contributed to strong performance in 2016 and over longer time frames. The realization of the Plan's first co-investment also contributed to returns in 2016.

Infrastructure (now part of Real Assets)

Low Canadian inflation has kept the Plan's Consumer Price Index-based infrastructure benchmark below 7% in recent years. During the same time frame, the Infrastructure portfolio has continued to benefit from strong market conditions (i.e., rising asset

WELL-DIVERSIFIED $9.4 BILLION IN INVESTMENTS



The Plan's first Private Equity co-investment, in a U.S.-based healthcare services business, was realized in 2016, generating a return of 2.6 times the initial investment over two-and-a-half years.

valuations), resulting in several consecutive years of outperformance through the end of 2016.

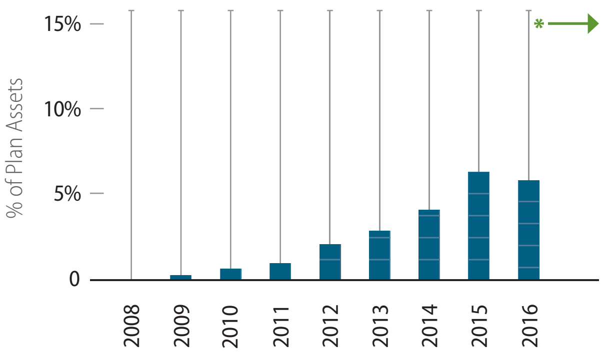
Real Estate (now part of Real Assets)

The addition of non-Canadian assets to the CAAT Plan's Real Estate portfolio had a small negative impact on returns in 2016 relative to a Canadian market-based benchmark, due in part to currency and because a portion of the fund commitments are new and have not had time to generate value.

> **With its sustainable plan design, strong governance process based on fiduciary principles, and balanced investment program, the CAAT Pension Plan is truly an effective workplace pension plan for the 21st Century. I congratulate the CAAT Pension Plan organization on its 50-year anniversary. Its ability to adapt to changing circumstances stands it, and its 45,000 members, in very good stead.**

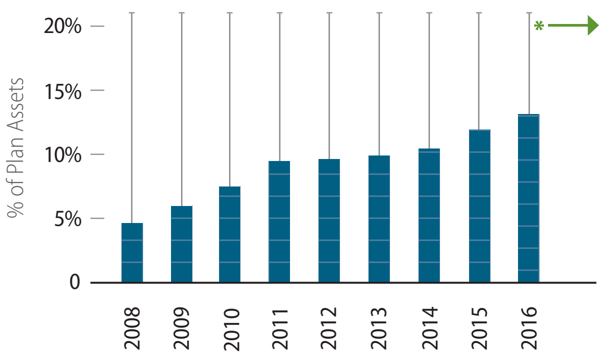
Keith Ambachtsheer
President, KPA Advisory Services Ltd.
Director Emeritus, Rotman International Centre for Pension Management, University of Toronto, and author of four books, including the most recent, *The Future of Pension Management*

PRIVATE EQUITY INVESTMENTS



***New policy target:** The Plan's policy allocation to Private Equity increased from 5% to 15% in 2016.

REAL ASSET INVESTMENTS



***New policy target:** The Plan's policy allocation to Real Assets (Real Estate and Infrastructure) was increased from 15% to 20% in 2016.

Kevin Fahey, Director, Investments (seated) and **Asif Haque**, Director, Investments

Investing for Sustainability

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 in investment processes.

PRINCIPLES FOR RESPONSIBLE INVESTMENT INITIATIVE

The CAAT Plan is a signatory to the United Nations-supported Principles for Responsible Investment, together with nearly 1,700 institutional investors from around the world managing more than $80 trillion in assets. The signatories to the six Principles for Responsible Investment believe that: "an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole."

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 (ESG) 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 Chair of the CCGG Board of Directors and as part of that role participates in engagement meetings with directors of Canadian public corporations throughout the year.

During 2016, the CCGG made several submissions, including one to Ontario's Business Law Advisory Council concerning the need to imbed majority voting rights in uncontested director elections for public companies governed by the Ontario Business Corporations Act. Another submission to the Toronto Stock Exchange supported simplified disclosure of security-based compensation arrangements by Canadian corporations. And a submission to the Alberta Securities Commission supported the commission's proposal to require reporting of gender diversity on boards.

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 evaluate and promote sound standards of corporate governance in Canada.

> **Plan employees lead key governance groups**
>
> The Plan's Chief Investment Officer Julie Cays is Chair of the Canadian Coalition for Good Governance.
>
> Director of Investments Kevin Fahey is Chair of the Pension Investment Association of Canada.

Kevin Fahey, Director, Investments for the CAAT Plan, is Chair of the PIAC Board of Directors. Julie Cays is a past Chair of PIAC.

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

The CAAT Plan is a signatory to the CDP (formerly the Carbon Disclosure Project). The CDP acts on behalf of hundreds of institutional investors in encouraging companies around the world 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 as well as enabling corporations to measure and manage their environmental impacts.

Extractive Industries Transparency Initiative

In 2016, the CAAT Plan was a signatory to the Statement of support to the EITI (Extractive Industries Transparency Initiative). The EITI aims to improve the way countries manage their natural resources by promoting transparency and accountability by corporations and governments around the world. The EITI Standard requires implementing countries and companies to disclose information on their governance of revenues from oil, gas, and mining.

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

Exercising proxy votes in 2016

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 2016, 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 258 shareholder proposals raised and the Plan voted for 133 of these. Seventeen 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 15. The Plan also voted in favour of proposals related to governance, including increased diversity on boards of directors and executive teams, and adding proxy access rights for shareholders.

Shared decisions through joint governance – core to the success of a Modern DB plan

Through their representatives on the Plan's governing bodies – the Sponsors' Committee and the Board of Trustees – members and employers have an equal say in and share the risks of Plan decisions. This joint governance structure is recognized as a model for success in keeping defined benefit pension plans sustainable.

The governors 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).

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 Committee's focus is determining how to best balance contribution rates and benefit design.

> **"The CAAT Plan exemplifies what can be achieved when members and employers share decision-making about important financial terms of their pension arrangement and appoint a joint board with investment and administrative responsibility for the plan. This jointly governed plan has prudently managed risks to secure defined benefit pensions, and through innovative membership growth remains relevant to the sector it serves."**
>
> **Murray Gold**
> Partner, Koskie Minsky

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 operational 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 employees and governors and has the authority to retain independent counsel to advise or assist in the conduct of an investigation.
- **Finance and Administration Committee** – is concerned with Plan design, funding and administration, legislation, litigation, and the appointment and evaluation of actuarial and legal advisors. This committee also oversees 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 responsible investing and investments in derivatives. It reviews compliance with investment policies and the performance of the Plan's investments. 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. To accomplish this, the governors established a Plan Equity Review Task Force that completed a review of certain Plan provisions in early 2016. Two changes to benefit provisions that were the outcome of its review took effect mid-year and are described on page 15.

Trustees have diverse and relevant qualifications

By design, the composition of the Board of Trustees has individuals with the desired skills to properly oversee the Plan, including:

- an understanding of the post-secondary education system in Ontario, its various employee groups, and the CAAT Plan
- financial accounting, budgeting, and planning
- understanding of investment principles, capital markets, and financial securities
- pension plan design, operations, and regulatory frameworks
- labour/management relations, negotiations, and contracts
- actuarial principles and concepts
- governance and oversight
- financial and operational risk management, and
- diversity reflective of Plan membership, in particular gender diversity.

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.

Marilou Martin
Co-Chair
Employee Committee Member
Coordinator, CHCA Externships for the Centre for Hospitality and Culinary Arts, George Brown College; President of OPSEU Local 557; former board member of George Brown College and of OPSEU.

Brian Tamblyn
Co-Chair
Employer Committee Member
Private practice management consultant; former President of Georgian College; former Vice Chair of the Governing Council of the College Employer Council.

Ross Gascho
Employer Committee Member
Partner at Fasken Martineau; member of the Canadian Bar Association and the Ontario Bar Association Pension & Benefits Section.

Steve Hudson
Employer Committee Member
Vice-president, Academic at Niagara College.

Patrick Kennedy
Employee Committee Member
Professor in the Career and Academic Access Centre at Algonquin College; President of OPSEU Local 415.

Kim Macpherson
Employee Committee Member
Benefits Counsellor in the Pensions and Benefits Unit at OPSEU; governor of two other jointly sponsored pension plans.

Kelly Murray-Scott
Employee Committee Member
Director, Financial Planning at Lambton College.

Anne Sado
Employer Committee Member
President of George Brown College; Chair of the Board of ORION and the Toronto Region Board of Trade; board member for Legacy Private Trust and Mount Pleasant Cemetery Group; Member of the Order of Canada.

Tom Wilcox was appointed as an Employee Committee Member effective April 1, 2017, following Marilou Martin's retirement.

Peggy McCallum served as an Employer Committee Member from January 1, 2005 to December 31, 2016.
Jeff Zabudsky served as Employer Committee Member and Co-Chair from January 1, 2012 to August 4, 2016.

GOOD GOVERNANCE, GROUNDED IN POLICY AND KNOWLEDGE

Rigorous policies

In carrying out their responsibilities, Plan governors are guided by numerous policies. The policies are reviewed at least every three years to ensure they remain relevant and up to date with the environment in which the Plan operates. During 2016, the governors reviewed 21 of these policies, as listed below.

Education

New governors receive an orientation and materials for self-education. During regular meetings and at an annual retreat, all governors receive education sessions delivered by senior managers and other industry experts. They also attend and report on pension industry conferences throughout the year. During 2016 these educational activities included sessions on key global risks and improving longer-term investment outcomes, employee benefits, trustee education, and trust management standards. Members of the Investment Committee received presentations on risk management, private market investing, responsible investing, and climate change and fiduciary duty.

30% Club Canada initiative

The Plan's CEO and the Chair and Vice-Chair of the Board of Trustees joined the 30% Club Canada initiative, a group that advocates for gender diversity on boards and in senior management. The vision of the 30% Club is to promote gender balance, which can lead to better leadership and governance.

GOVERNING POLICIES UPDATED OR AMENDED DURING 2016

- Appeals Subcommittee Terms of Reference
- Application Criteria for New Employers
- Board Communications Policy
- Board Self-Assessment Policy
- Board of Trustees Confidentiality Policy
- Board of Trustees Monitoring and Reporting Policy
- Business Plan Policy
- CEO & Plan Manager Review Policy
- Funding Policy allocation
- Portfolio Implementation Policies and Procedures
- Procurement Policy
- Protected Disclosure policies
- Reciprocal Transfer Agreement Policy
- Responsible Investment Policy
- Role of Board Officers – Chair and Vice-Chair
- Sponsors' Committee Advisor Selection and Review Policy
- Sponsors' Committee Code of Conduct Policy
- Sponsors' Committee Communications Policy
- Sponsors' Committee Confidentiality Policy
- Sponsors' Committee Monitoring and Reporting Policy
- Sponsors' Committee Planning Policy
- Sponsors' Committee Protected Disclosure Policy
- Sponsors' Committee Self-Assessment Policy
- Statement of Investment Policies and Procedures

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.

Donald Wright
Chair
Employee Trustee
General Accountant at George Brown College; Treasurer for OPSEU Local 557; member of the OPSEU Resolutions Committee.

Beverley Townsend
Vice-Chair
Health care consultant; past Chair of ACAATO (predecessor to Colleges Ontario); Chair of the Loyalist College Foundation; past Chair of the Loyalist College Board of Governors.

Darryl Bedford
Employee Trustee
Professor in the School of Information Technology at Fanshawe College; President of OPSEU Local 110.

Scott Blakey
Employer Trustee
Chief Administrative Officer at Durham College; former President of the TTC Pension Fund Society.

Rasho Donchev
Employee Trustee
Scheduling Officer at Centennial College; President of OPSEU Local 559.

Harry Gibbs
Employer Trustee
Former Vice President, Investments, at the Workplace Safety and Insurance Board of Ontario.

Bill Kuehnbaum
Employee Trustee
Retired Professor of Mathematics at Cambrian College; former First-Vice President/Treasurer of OPSEU; board member of SHARE.

Karen McRae
Employer Trustee
Former Senior Vice President, Investments at the Mackenzie Financial Corporation; Trustee for the Anglican Church of Canada Pension Fund; board member, Trinity College Investment Committee.

Alnasir Samji
Employer Trustee
Managing Principal at Alderidge Consulting Inc.; chair of the Pension Committee on the Torstar Corporation Board of Directors.

Michael Seeger
Employee Trustee
Director of Financial Services for Loyalist College (retired).

Don Smith
Employee Trustee
Faculty member in the School of Business at Georgian College.

Gretchen Van Riesen
Employer Trustee
Principal GVR Consulting; member of board of Newfoundland and Labrador Teachers Pension Plan Corporation.

More information about the Plan governors is available on the Plan's website.

Funding Policy guides use of reserves, contributions, and conditional benefits to keep Plan strong

The CAAT Pension Plan Funding Policy defines six levels of Plan financial health and sets guidelines for the Plan governors to use three levers of control to keep the Plan strong over the long term to protect promised benefits and manage through periods of volatility. The levers of control are: reserves, contributions, and conditional benefits.

Each filed actuarial valuation determines at which level of the Funding Policy the Plan sits, based on its funded status.

The following chart summarizes the options available at each funding level under the policy. At Funding Level 4, where the Plan currently sits, the priority and timing of the options is not pre-determined but rather allows the decisions to reflect the evolving needs of stakeholders or emerging risks to the Plan.

Funding Policy at a glance

LEVERS OF CONTROL	Level 1	Temporary Level 1 Until December 31, 2017	Level 2	Level 3	Level 4 113.3% funded	Level 5	Level 6
Reserves	Fully used	Fully used	Fully used	Allocate for up to a 0.5% change in discount rate	Current priority **Allocate for up to a 1% change in discount rate**	Further allocate for up to a 7.5% increase in liabilities	Further build, up to tax limit
Contributions	Basic plus 3% stability plus consider other increases	Basic plus 3% stability	Basic plus 3% stability	Basic plus 3% stability	**Basic plus 1% to 3% stability**	Basic plus 0% to 1% stability	Consider reducing basic
Conditional inflation protection	None	None	Paid	Paid plus catch-up	**Paid plus reserves for future**	Paid plus reserves for future	Consider ad hoc increases
Future benefits	Consider reduction to benefits earned in the future	Temporary reduction to benefits earned in the future	Restoration of any temporary reductions				Consider improving benefits

This is a summary of the CAAT Pension Plan Funding Policy.
The full policy is available in the governance section of the CAAT Plan website.

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 judgments 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 on the annual financial statements.

Derek W. Dobson,
CEO and Plan Manager

Kevin Rorwick,
Chief Financial Officer

April 24, 2017

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, 2016, 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, 2016, 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

April 24, 2017

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, 2016, 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, 2016;
- membership data provided by the Board as at December 31, 2015;
- methods prescribed by Section 4600 of the Chartered Professional Accountants of Canada Handbook – Accounting 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, 2016 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 2016, 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 24, 2017

Statement of Financial Position

				December 31
($ thousands)		**2016**		2015
ASSETS				
Investment assets				
Investments *(Note 3)*		**$ 9,752,901**		$ 9,022,697
Accrued income		**25,246**		20,851
Unsettled trades receivable		**253,175**		149,431
Derivative-related receivables *(Note 5)*		**55,147**		10,361
Employer contributions receivable (Note 11)		**17,960**		16,793
Member contributions receivable (Note 11)		**17,851**		16,793
Other assets *(Note 7)*		**5,795**		5,872
		10,128,075		9,242,798
LIABILITIES				
Investment liabilities				
Unsettled trades payable		**698,140**		445,737
Derivative-related liabilities *(Note 5)*		**21,951**		190,998
Accounts payable and accrued liabilities *(Note 8)*		**19,757**		13,762
		739,848		650,497
Net assets available for benefits		**$ 9,388,227**		$ 8,592,301
Pension obligations *(Note 9)*		**8,880,936**		8,368,251
Regulatory surplus *(Note 10)*	**1,600,890**		1,179,072	
Measurement differences between regulatory and accounting deficit *(Note 10)*	**(1,093,599)**		(955,022)	
Surplus		**$ 507,291**		$ 224,050

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

Statement of Changes in Net Assets Available for Benefits

Year ended December 31

($ thousands)	2016	2015
Increase in net assets available for benefits		
Contributions *(Note 11)*	**$ 442,494**	$ 432,071
Investment income *(Note 12)*	**700,129**	621,481
Assumption of ROM Pension Plan *(Note 18)*	**105,780**	-
	1,248,403	1,053,552
Decrease in net assets available for benefits		
Benefits *(Note 13)*	**430,594**	406,314
Investment administration expenditures *(Note 14)*	**7,201**	5,992
Pension administration expenditures *(Note 14)*	**14,682**	13,748
	452,477	426,054
Net increase in net assets available for benefits	**795,926**	627,498
Net assets available for benefits, beginning of year	**8,592,301**	7,964,803
Net assets available for benefits, end of year	**$ 9,388,227**	$ 8,592,301

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

Statement of Changes in Pension Obligations

Year ended December 31

($ thousands)	2016	2015
Accrued pension obligations, beginning of year	**$ 8,368,251**	$ 8,052,169
Increase in accrued pension obligations *(Notes 9 & 10)*		
Interest on accrued benefits	**478,739**	469,075
Benefits accrued	**249,430**	238,481
Changes in actuarial assumptions	**109,541**	(38,038)
Assumption of ROM Pension Plan *(Note 18)*	**101,898**	-
Experience losses	**3,671**	52,878
	943,279	722,396
Decrease in accrued pension obligations		
Benefits paid *(Note 13)*	**430,594**	406,314
Net increase in accrued pension obligations	**512,685**	316,082
Accrued pension obligations, end of year	**$ 8,880,936**	$ 8,368,251

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)	2016	2015
Surplus (deficit), beginning of year	**$ 224,050**	$ (87,366)
Net increase in net assets available for benefits	**795,926**	627,498
Net increase in accrued pension obligations	**(512,685)**	(316,082)
Surplus, end of year	**$ 507,291**	$ 224,050

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 24 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 Plan provisions 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 contributions from participating employees and employers, and by investment earnings. The Plan has three sponsors: The College Employer Council, 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 staff employed by the Plan) 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 assumptions approved by the Board of Trustees, and 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 60 consecutive months of pensionable earnings and the age of the member at retirement. A member is eligible for an unreduced pension at the earlier of i) age 65, ii) when the sum of their age plus pensionable service totals at least 85, or iii) at least 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 active or retired member, benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary, or the active retired member'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 to a 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 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 would be 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 that prescribe in the event a funding deficit is determined, there would be no increases to contributions beyond current levels and 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 fund managers which are determined with reference to the fair value of the underlying investments of the fund.
- Infrastructure and private equity investments are held through ownership in limited partnership arrangements. Fair value is determined by the limited partnership's manager, using the most recent financial information obtained from underlying investments, and/or forecasts of future financial performance and then applying appropriate valuation techniques such as market comparables and/or discounted cash flows. Underlying infrastructure investments are often valued using estimated future cash flows to the investor which are then discounted, reflecting an extended cash flow forecasting period and a higher predictability of cash flows.

- The fair value of real estate investments is determined by the external manager using the most recent financial information obtained from the individual property managers. Valuations are based primarily on the discounted cash flow and income capitalization methods.

- Derivative financial instruments are recorded at fair value using pricing models generally used by market participants. The fair value is provided by established pricing vendors and is determined using valuation models requiring the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices as well as the impact of counterparty credit risk where applicable.

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 on the financial statements, however the extent of the impact has not yet been determined.

NOTE 3: INVESTMENTS

3(a) – Summary of Investments

($ thousands)	2016 Fair Value	2016 Cost	2015 Fair Value	2015 Cost
Short-term investments	**$ 1,028,075**	**$ 1,025,704**	$ 807,462	$ 785,847
Fixed income *(Note 3b)*	**2,543,155**	**2,456,003**	2,459,032	2,328,363
Equities *(Note 3c)*	**4,451,912**	**3,825,453**	4,267,139	3,564,111
Infrastructure	**744,966**	**546,738**	599,613	428,198
Real estate	**469,055**	**287,804**	418,634	261,311
Private equity	**515,738**	**342,884**	470,817	286,997
	$ 9,752,901	**$ 8,484,586**	$ 9,022,697	$7,654,827

3(b) – Fixed Income

Investments in fixed income include the following issuers:

($ thousands)	2016 Fair Value	2016 Cost	2015 Fair Value	2015 Cost
Government of Canada	**$ 953,577**	**$ 903,289**	$ 931,820	$ 868,535
Provincial Governments	**946,138**	**924,689**	1,012,224	964,907
Municipal Governments	**10,334**	**10,522**	14,079	14,368
Corporate	**329,750**	**325,541**	404,037	401,536
Foreign	**303,356**	**291,962**	96,872	79,017
Total Fixed Income	**$ 2,543,155**	**$ 2,456,003**	$ 2,459,032	$ 2,328,363

Government bonds include those issued or guaranteed by the government.

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

	2016 Fair Value	2015 Fair Value
1 – 5 years	**$ 325,886**	$ 238,629
6 – 10 years	**434,276**	382,116
11 – 20 years	**505,571**	660,395
Greater than 20 years	**1,277,422**	1,177,892
Total Fixed Income	**$ 2,543,155**	$ 2,459,032

3(c) – Equity Investments

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

	2016 Fair Value ($ thousands)	2016 %	2015 Fair Value ($ thousands)	2015 %
United States	**$ 1,533,517**	**34.4**	$ 1,466,246	34.5
Other Asia / Pacific	**782,697**	**17.6**	679,956	15.9
Canada	**766,791**	**17.2**	620,003	14.5
Europe (excluding United Kingdom)	**503,015**	**11.3**	704,456	16.5
Japan	**395,877**	**8.9**	425,440	10.0
United Kingdom	**195,425**	**4.4**	184,741	4.3
Other	**178,315**	**4.0**	103,859	2.4
Latin America	**96,275**	**2.2**	82,438	1.9
Total Equity	**$ 4,451,912**	**100.0**	$ 4,267,139	100.0

3(d) – Summary of Significant Investments

At December 31, 2016 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	$ 486,210	$ 486,445
Fixed income		
Canada Housing Trust No. 1	98,659	101,147
CIBC Pooled Long-Term Bond Index Fund	153,506	157,668
Fannie Mae Pass Thru Certificates	100,876	98,972
Government of Canada Bonds	815,006	761,578
Province of Ontario Bonds	392,527	387,675
Province of Quebec Bonds	276,278	259,786
Equities		
Acadian Emerging Market Small-Cap Fund	106,396	102,018
Arrowstreet Global World Alpha Extension Fund	841,286	811,535
Beutel Goodman Money Market FD 1-207	155,031	155,031
BlackRock Global Fixed Income Alpha Offshore Fund A1	325,643	254,440
Bridgewater Pure Alpha Fund II	239,729	156,970
GMO Emerging Domestic Opportunities Fund IV	337,490	364,374
ISHARE Core S&P Midcap ETF	107,188	93,146
ISHARE Core S&P 500 ETF	103,849	75,891
SPDR S&P 500 ETF Trust	102,250	73,941
Real estate		
Greystone Real Estate Fund	383,477	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, 2016, the Plan's investments included loaned securities with a fair value of $982,135 thousand (2015 – $1,310,705 thousand). The fair value of collateral received in respect of these loans was $1,031,736 thousand (2015 – $1,375,170 thousand). Net income earned from securities lending for the year was $3,385 thousand (2015 – $3,609 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 funded ratio and maximizes the opportunity for gains over the entire portfolio. This is achieved through asset diversification to limit exposure to any single issuer or component in the capital markets.

Investment risk management relates to the understanding and active management of risks associated with invested assets.

Investments are primarily exposed to currency, interest rate, market, credit, and liquidity risk. The Plan first established a Statement of Investment Policies and Goals (now named Statement of Investment Policies and Procedures – the "Statement") in July 1996 that addresses the manner in which funds can be invested. The Statement requires diversification of investments within asset classes and sets limits on the exposure to individual investments. Investments are selected and held in accordance with the criteria and limitations set forth within the Statement and in accordance with relevant legislation. The Board of Trustees approves the policies in the Statement and reviews them at least annually. The Statement was last reviewed on November 29, 2016 and February 28, 2017 whereby the infrastructure and real estate asset classes were combined into a real asset class, and the allocation ranges for the real asset class, as well as other asset classes, were changed as follows:

	Prior asset allocation range	**Revised asset allocation range**
Nominal long bonds	10%-30%	10%-25%
Real return bonds	4%-8%	3%-7%
Real assets	Not applicable	10-25%
Infrastructure	5-15%	Not applicable
Real estate	2-10%	Not applicable
Canadian equity	6%-10%	3%-10%
Global developed equity	30%-40%	20%-40%
Private equity	2%-10%	5%-20%

The Statement designates 9 broad classes of assets (10 asset classes for 2015). A set of benchmarks has been identified to measure performance against each class' annual rate of investment return. The total investments annual rate of return is measured against a composite index made up of the weighted average of each class' benchmark return using the actual allocation of assets to weight the various classes. The Plan's relative annual rate of return expectation is to equal or exceed the composite index. Over a long-term period of at least 10 years, the rate of return less inflation is expected to exceed 4.5%. The Plan's assets were allocated within the allowed allocation ranges as at December 31, 2016.

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

		2016		2015	
Asset Class	**Benchmark Index**	**Allocation Range**	**Actual Allocation**	Allocation Range	Actual Allocation
Liability-hedging assets		**29-71%**	**43.1%**	38-48%	43.1%
Nominal long bonds	FTSE TMX Long Bond Index	**10-25%**	**14.4%**	10-30%	15.7%
Nominal universe bonds	FTSE TMX Universe Index	**3-7%**	**4.9%**	3-7%	4.8%
Real-return bonds	Actual RRB portfolio return	**3-7%**	**5.6%**	4-8%	6.4%
Real assets	CPI + 5%	**10-25%**	**12.9%**	Not applicable	-
Infrastructure	CPI + 5%	**Not applicable**	**-**	5-15%	7.0%
Real estate	IPD Canadian Property	**Not applicable**	**-**	2-10%	4.9%
Commodities	S&P GSCI	**3-7%**	**5.3%**	3-7%	4.3%
Return-enhancing assets		**36-82%**	**56.5%**	52-62%	56.5%
Canadian equity	S&P/TSX Composite	**3-10%**	**8.0%**	6-10%	7.8%
Global developed equity	MSCI World ex Canada	**20-40%**	**33.4%**	30-40%	33.2%
Emerging markets equity	MSCI Emerging Markets Index	**8-12%**	**9.7%**	8-12%	10.0%
Private equity	MSCI ACWI + 3%	**5-20%**	**5.4%**	2-10%	5.5%
Cash, cash equivalents, and other	Not applicable	**Not applicable**	**0.4%**	Not applicable	0.4%
Total investments			**100.0%**		100.0%

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)	2016			2015
	Gross Exposure	**Hedging Impact**	**Net Exposure**	Net Exposure
United States Dollar	**$ 3,523,691**	**$ (1,702,540)**	**$ 1,821,151**	$ 1,887,148
Other currencies	**358,991**	**(71,617)**	**287,374**	289,084
Japanese Yen	**321,668**	**(188,975)**	**132,693**	214,109
Euro	**518,049**	**(410,474)**	**107,575**	250,784
Hong Kong Dollar	**122,410**	**(23,098)**	**99,312**	126,718
British Pound Sterling	**182,776**	**(112,303)**	**70,473**	83,389
Swiss Franc	**55,539**	**(46,002)**	**9,537**	30,893
Total foreign	**5,083,124**	**(2,555,009)**	**2,528,115**	2,882,125
Canadian Dollar	**4,264,370**	**2,573,893**	**6,838,263**	5,684,480
	$ 9,347,494	**$ 18,884**	**$ 9,366,378**	$ 8,566,605

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, 2016 would result in a gain/loss of $126,406 thousand (2015 – $144,106 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, 2016, the duration of the fixed income portfolio was 13.5 years (2015 – 13.4 years). If interest rates were to rise by 1%, the fair value of the fixed income portfolio would decline by approximately $279 million (2015 - $287 million). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income portfolio would increase by approximately $279 million (2015 – $292 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)	2016		2015	
	10% Change results in a change of	**Gain / Loss**	10% Change results in a change of	Gain / Loss
Canadian equity	**10.6%**	**$ 80,532**	10.4%	$ 65,443
Global developed equity	**9.5%**	**$ 297,186**	10.0%	$ 307,058
Emerging markets equity	**9.9%**	**$ 84,334**	9.8%	$ 81,665

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 20% 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)	**2016**	2015
Short-term investments	**$ 1,028,075**	$ 807,462
Fixed income	**2,543,155**	2,459,032
Derivative-related receivables	**55,147**	10,361
Interest receivable	**13,676**	12,090
Loaned securities	**982,135**	1,310,705
Credit default derivatives – written	**27,005**	2,790
Total maximum exposure	**$ 4,649,193**	$ 4,602,440

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

($ thousands)	**2016**	2015
AAA	**$ 1,059,583**	$1,057,374
AA	**220,225**	236,348
A	**920,224**	981,251
BBB or lower	**343,123**	184,059
	$ 2,543,155	$ 2,459,032

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, 2016, the fair value of such bonds held by the Plan was $1,899,715 thousand (2015 – $1,944,044 thousand). In addition, the Plan's portfolio of short-term investments of $1,028,075 thousand (2015 – $807,462 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.

	2016			2015		
($ thousands)	Notional Value	Fair Value		Notional Value	Fair Value	
		Positive	Negative		Positive	Negative
Equity						
Futures	$ 922,579	$ -	$ (2,299)	$ 1,012,832	$ 2,022	$ (3,072)
Fixed income						
Futures	444,163	1,164	(2,575)	863,994	1,592	(403)
Currency Derivatives						
Forwards	3,325,962	18,905	-	2,793,848	-	(113,632)
Swaps	3	647	(645)	1,130	647	(673)
Interest Rate Derivatives						
Swaps	954,362	5,212	(3,334)	223,893	1,909	(2,157)
Options	(47,107)	-	(271)	-	-	-
Credit default swaps						
Purchased	65,443	2,158	(68)	76,635	704	(110)
Written	27,005	70	(237)	2,790	-	(386)
Commodity						
Futures	498,042	26,991	(12,313)	370,933	3,188	(70,545)
Inflation						
Swaps	7,291	-	(209)	16,584	300	(20)
	$ 6,197,743	$ 55,147	$ (21,951)	$ 5,362,639	$ 10,362	$ (190,998)

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

($ thousands)	2016	2015
Under 1 year	$ 4,472,545	$ 4,886,647
1 to 5 years	1,540,503	382,313
Over 5 years	184,695	93,679
	$ 6,197,743	$ 5,362,639

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:

		2016		
($ thousands)	Level 1	Level 2	Level 3	Total
Short-term investments	$ 11,518	$ 1,016,557	$ -	$ 1,028,075
Fixed income	-	2,543,155	-	2,543,155
Equities	3,150,515	1,301,397	-	4,451,912
Infrastructure	-	-	744,966	744,966
Real estate	-	-	469,055	469,055
Private equity			515,738	515,738
Derivative-related receivables	28,155	26,992	-	55,147
Derivative-related liabilities	(17,188)	(4,763)	-	(21,951)
	$ 3,173,000	$ 4,883,338	$ 1,729,759	$ 9,786,097

		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

There were no significant transfers of investments between Level 1 and Level 2 during 2016 or 2015.

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:

	2016			
($ thousands)	**Infrastructure**	**Real estate**	**Private equity**	**Total**
Opening balance	**$ 599,613**	**$ 418,634**	**$ 470,817**	**$1,489,064**
Acquisitions	**226,669**	**44,043**	**114,477**	**385,189**
Dispositions	**(140,735)**	**(18,520)**	**(154,439)**	**(313,694)**
Realized gains	**32,606**	**970**	**95,848**	**129,424**
Unrealized gains (losses)	**26,813**	**23,928**	**(10,965)**	**39,776**
Closing Balance	**$ 744,966**	**$ 469,055**	**$ 515,738**	**$1,729,759**

	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

NOTE 7: OTHER ASSETS

($ thousands)	2016			2015
Fixed Assets	**Cost**	**Accumulated depreciation & amortization**	**Net book value**	Net book value
Systems software	**$ 4,480**	**$ 1,470**	**$ 3,010**	$ 3,348
Leasehold improvements	**197**	**142**	**55**	116
Computer equipment	**543**	**342**	**201**	228
Furniture, fixtures & equipment	**826**	**499**	**327**	289
	$ 6,046	**$ 2,453**	**$ 3,593**	$ 3,981

Other assets consist of fixed assets with a net book value of $3,593 thousand (2015 – $3,981 thousand) and miscellaneous receivables and prepaid expenses in the amount of $2,202 thousand (2015 – $1,891 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 $9,051 thousand (2015 – $6,302 thousand) for supplemental employment retirement benefits for staff employed by the Plan based on pension entitlements that are in excess of registered pension plan maximums under the Income Tax Act (Canada).

NOTE 9: PENSION OBLIGATIONS

Pension obligations represent the value of accrued pension benefits payable in the future to members and are based on an actuarial valuation prepared by 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 conditional inflation adjustments for post-2007 service to January 1, 2020 and exclude further conditional 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, 2017. The next regulatory valuation is required to be filed no later than as at January 1, 2020.

Pension obligations as at December 31, 2016 were $8,880,936 thousand (2015 – $8,368,251 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, reflects the Plan's asset mix and is based on 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:

	2016	2015
Discount rate	**5.60%**	5.70%
Salary escalation rate	**3.75%**	3.75%
Inflation rate	**2.00%**	2.00%
Real discount rate	**3.60%**	3.70%

Changes in actuarial assumptions between 2015 and 2016 resulted in an increase in the pension obligation of $109,541 thousand due to a 10-basis-point decrease in the discount rate (between 2014 and 2015 – decrease of $38,038 thousand to reflect updated demographic assumptions, offset in part by a 10-basis-point decrease in the discount rate).

Experience Losses

Experience losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2016, experience losses were $3,671 thousand (2015 – losses of $52,878 thousand). Experience losses in 2016 and 2015 stemmed from demographic experience losses offset in part by lower than assumed salary escalation and inflation.

Plan Provisions

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 (YMPE) ($55,300 in 2017 and $54,900 in 2016) as determined by the federal government to determine Canada Pension Plan contributions and 14.8% of contributory earnings in excess of the YMPE. Members employed by the Royal Ontario Museum and its foundation are contributing at lower contribution rates over a phase-in period to January 1, 2019 as a part of their agreement to join the Plan.

NOTE 10: SURPLUS

The excess of net assets available for benefits against pension obligations results in the Plan being in a surplus of $507,291 thousand as at December 31, 2016 (2015 – surplus of $224,050 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, 2016, which has been filed with FSCO subsequent to year-end is $1,600,890 thousand (2015 – surplus of $1,179,072 thousand). A 25-basis-point decrease in the discount rate assumption at December 31, 2016 would result in a decrease in the regulatory surplus of approximately $416 million (2015 – $385 million).

Measurement differences between the regulatory surplus and accounting surplus (deficit) in 2016 of $1,093,599 thousand (2015 – $955,022 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 2016 is a $457,474 thousand deferred gain (2015 – $558,862 thousand) actuarial asset value adjustment, whereby a portion of the 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)	2016	2015
Members		
Current service	**$ 210,603**	$ 201,319
Past service	**4,748**	5,895
Employers		
Current service	**211,607**	201,319
Past service	**3,048**	3,577
Transfers from other pension plans	**12,488**	19,961
	$ 442,494	$ 432,071

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 CAAT Pension 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, 2016, $17,960 thousand of employer contributions receivable and $17,851 thousand of member contributions receivable (2015 – $16,793 thousand of employer contributions and $16,793 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)	2016	2015
Interest income	**$ 88,286**	$ 83,199
Dividend income	**118,382**	112,480
Other income	**3,872**	4,324
	210,540	200,003
Investment gains		
Realized gain	**425,091**	404,233
Change in unrealized appreciation of investments	**129,930**	93,001
	555,021	497,234
Investment income prior to investment expenses	**765,561**	697,237
Investment management fees	**(60,969)**	(70,233)
Transaction costs	**(4,463)**	(5,523)
	$ 700,129	$ 621,481

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

($ thousands)	2016	2015
Short-term investments*	**$ 216,301**	($ 331,314)
Fixed income	**77,510**	107,025
Equities	**267,670**	632,323
Infrastructure	**81,117**	119,646
Real estate	**25,264**	32,782
Private equity	**97,699**	136,775
	$ 765,561	$ 697,237

* Includes gains on currency forwards and options and commodity futures of $155,387 thousand (2015 – losses of $345,411 thousand)

NOTE 13: BENEFITS

($ thousands)	2016	2015
Pensions	**$ 394,491**	$ 372,351
Payments on termination of membership	**36,103**	33,963
	$ 430,594	$ 406,314

NOTE 14: ADMINISTRATION EXPENDITURES

Investment Administration Expenditures

($ thousands)	2016	2015
Salaries and benefits	**$ 4,004**	$ 2,925
Custodial fees	**1,316**	1,492
Other professional services	**968**	629
Premises and equipment	**444**	574
Communications and travel	**254**	207
Audit fees	**105**	73
Board and Sponsors' Committee	**89**	72
Actuarial fees	**21**	20
	$ 7,201	$ 5,992

Pension Administration Expenditures

($ thousands)	2016	2015
Salaries and benefits	**$ 10,901**	$ 9,669
Premises and equipment	**2,184**	2,690
Communications and travel	**414**	401
Custodial fees	**389**	370
Other professional services	**330**	256
Actuarial fees	**297**	217
Board and Sponsors' Committee	**89**	72
Audit fees	**78**	73
	$ 14,682	$ 13,748

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, 2016, these commitments totalled $822,155 thousand (2015 – $824,200 thousand).

The Plan leases its office premises under an operating lease agreement that has an expiration date of November 30, 2027. In addition, there are various equipment leases in place with expiry dates between 2016 and 2022. Future lease payments over the remaining life of the leases total $7,618 thousand, with the following amounts payable over the next five years: 2017 – $432 thousand, 2018 – $472 thousand, 2019 – $470 thousand, 2020 – $453 thousand, and 2021 – $446 thousand.

NOTE 16: RELATED-PARTY TRANSACTIONS

Related parties to the Plan primarily include the Plan sponsors and each of the Plan's participating employers.

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

The Plan, in the regular course of its business, reimburses participating employers 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 participating employers in 2016 was $39 thousand (2015 – $54 thousand).

NOTE 17: GUARANTEES AND INDEMNIFICATIONS

The Plan provides indemnifications to its Trustees, Sponsors' Committee members, and officers for various items including, but not limited to, all costs to settle suits or actions due to services provided by the Plan, subject to certain restrictions. The Plan maintains Fiduciary and Directors & Officers insurance to mitigate the cost of any potential suits or actions. The contingent nature of the indemnification agreements prevents the Plan from making a reasonable estimate of the maximum potential payment that the Plan could be required to make. To date, the Plan has not received any claims nor made any payments pursuant to such indemnifications.

NOTE 18: ASSUMPTION OF ROM PENSION PLAN

In late 2015, employees of The Royal Ontario Museum and The Royal Ontario Museum Foundation who were 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 making contributions and earning benefits in accordance with CAAT Pension Plan provisions.

After receiving approval from FSCO to complete the transfer, on December 20, 2016, assets of the ROM Pension Plan totalling $105,780 thousand were transferred to the Plan and became a part of the Plan's investment assets.

As at January 1, 2017, benefit payments to former retired members of the ROM Pension Plan are now being made by the Plan. Pension obligations of $101,898 thousand have been assumed by the Plan for future benefit payments to former retired members of the ROM Pension Plan, as well as former active members for benefits accrued to December 31, 2015 and are included in the Plan's Pension Obligations as at December 31, 2016.

TEN–Year Review (Unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
FINANCIAL ($ in millions)										
Short-term investments	1,028	808	714	709	562	288	501	249	174	161
Fixed income	2,543	2,459	2,260	1,940	1,793	2,058	1,940	2,007	1,768	2,190
Equities	4,452	4,267	4,052	3,838	3,290	2,750	2,635	2,309	2,214	3,101
Infrastructure	745	600	400	297	237	217	162	146	130	84
Real estate	469	419	407	379	339	301	241	138	39	-
Private equity	516	471	311	183	119	47	29	13	-	-
Derivatives (net)	33	(181)	(42)	2	-	20	19	22	(18)	16
Total investments	9,786	8,843	8,102	7,348	6,340	5,681	5,527	4,884	4,307	5,552
Other assets (liabilities) (net)	(398)	(251)	(137)	(221)	(80)	(54)	(75)	(39)	(74)	(100)
Net assets available for benefits	9,388	8,592	7,965	7,127	6,260	5,627	5,452	4,845	4,233	5,452
Contributions	443	432	417	368	355	312	296	262	227	186
Investment income (loss)	700	621	808	860	624	178	607	629	(1,183)	159
Asset transfer from ROM	106	-	-	-	-	-	-	-	-	-
Benefit payments	(431)	(406)	(369)	(344)	(332)	(302)	(284)	(267)	(248)	(237)
Administrative expenses	(22)	(20)	(18)	(18)	(14)	(13)	(13)	(12)	(14)	(8)
Net change in net assets available for benefits	796	627	838	866	633	175	606	612	(1,218)	100
RETURNS										
Annual return, gross of fees	8.8%	9.0%	12.3%	14.5%	11.8%	4.1%	13.3%	15.2%	(21.4)%	3.4%
Annual return, net of fees	8.0%	8.1%	11.5%	13.9%	11.3%	3.4%	12.6%	14.7%	(21.7)%	3.1%
MEMBERSHIP										
Active members	28,400	26,500	24,700	22,000	21,400	20,500	19,600	19,500	18,800	18,000
Deferred members	1,400	1,400	1,800	1,700	1,300	1,100	1,100	1,100	1,100	1,100
Retired members	14,900	14,000	13,500	13,100	12,600	12,100	11,700	11,200	10,800	10,400
Total members	44,700	41,900	40,000	36,800	35,300	33,700	32,400	31,800	30,700	29,500
GOING-CONCERN FUNDING STATUS as at December 31										
Funded status	113.3%	110.4%	107.2%	105.1%	103.6%	101.7%	101.0%	95.7%*	96.7%*	104.4%
Funding reserves (deficit)	$ 1,601	$ 1,179	$ 773	$ 525	$ 347	$ 154	$ 88	($358)	($256)	$ 320
Discount rate	5.60%	5.70%	5.80%	5.80%	5.80%	5.90%	6.00%	5.85%	5.25%	5.74%

Numbers are rounded
*Valuations not filed

> **Despite widely held opinion to the contrary, the most effective and efficient means of supplying retirement income security is a well-governed, large, Defined Benefit plan. And the CAAT Plan is a shining example of excellence in its field.**
>
> **What the people at the CAAT Plan understand is that your goal is not to maximize assets; it is not to maximize investment returns. Rather it is to maximize the probability that retired members will get the benefits they have been promised, at an affordable price. Sounds simple, but it is not widely understood or practised. Congratulations to the CAAT Plan for getting it right.**
>
> **Robert L. Brown**
> Evidence Network
> Retired Professor of Actuarial Science and
> Director of the Institute of Insurance and Pension Research,
> University of Waterloo

For 50 years, the Colleges of Applied Arts and Technology (CAAT) Pension Plan has been delivering secure pensions to employees of the Ontario college system and related employers. The 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 113.3% funded on a going-concern basis with $9.4 billion in net assets available for the benefits of 44,700 members, and has 38 participating employers.

The Mission of the CAAT Pension Plan is to improve the financial security of members in retirement, with meaningful and secure benefits supported by stable and appropriate contribution rates.

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We welcome your comments and suggestions on this annual report.

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