

**READY TODAY
FOR YOUR
TOMORROW**



LEADING THE WAY IN BENEFIT SECURITY

CAAT Plan members have our promise of secure, lifetime pension benefits: it's our core purpose. First and foremost, this requires dedicated focus and expert management of a range of funding, demographic, investment, and operational risks.

In the evolving world of work, delivering on the promise of benefit security also demands adaptive thinking to ensure the Plan remains resilient, relevant, and ready for the future.

In 2018, we built on our strong foundation by launching DBplus, a second plan design that provides secure lifetime pensions at a fixed cost. DBplus better meets the needs of existing members who work part time and on contract. Its award-winning design can also bring value to organizations of any size and their employees in the private, public, and not-for-profit sectors. Those joining CAAT for DBplus enjoy more certainty and value, knowing that a large and established pension plan like CAAT can provide twice as much income in retirement for the same cost as a group RRSP or defined contribution plan¹.

DBplus and our original plan design, now known as DBprime, share the same investment fund, proven funding policy, rigorous risk management, pension administration expertise, and successful joint governance structure. This formula has made the CAAT Plan a model for delivering secure defined benefit pensions efficiently.

Making Modern Defined Benefit Pension Plans accessible to all Canadians is something that we strongly believe in. Through the innovation of DBplus, we are delivering retirement income security to a growing number of Canadians. The expansion and diversification of our membership is one of the ways we are making the Plan stronger and more resilient for the future – your future.

Some of our more recent and long-time members (left to right): Paul Morse, President, Unifor 87-M; Lorenzo deMarchi, Executive Vice-President and Chief Financial Officer, Torstar; Kendra Miller, Director, Human Resources Administration, Torstar; Francine Kalogris, OSLT Instructor, Collège Boréal; Shane Barretto, Customer Contact Associate, Ontario College Application Service (OCAS); Karen Creditor, President & CEO, OCAS; Mikias Abera, Front End Developer, OCAS; Alissa Robson, Manager, Marketing & Communications, OCAS; Evelyn Glube, Professor, Centennial College; Derek Gruchy, Professor, Seneca College; Paula Greaves, Professor, George Brown College; Gayle Anderson, Student Advisor - Faculty, Durham College.

¹ The Value of A Good Pension: How to improve the efficiency of retirement savings in Canada, Healthcare of Ontario Pension Plan, 2018



Plan Overview



WE CREATE VALUE FOR MEMBERS AND EMPLOYERS BY:

- Providing secure lifetime retirement benefits at stable and appropriate contribution rates
- Offering a sustainable pension plan that brings peace of mind
- Making participation simple, for members and employers
- Delivering transparent, timely, and accessible communication and services.



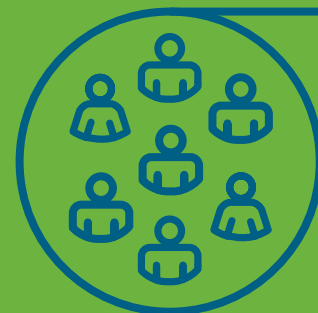
OUR FOCUS

- Benefit security
- Value for contributions
- Stable, appropriate contributions
- Equity across member groups and generations



MEMBERS AND EMPLOYERS JOINTLY GOVERN PLAN

50/50
SHARING | members and employers share costs, risks, decisions



PARTICIPANTS

The Plan's 49,900 beneficiaries include members who work at or have retired from Ontario's 24 community colleges and 27 other participating employers, and the surviving spouses of those members.

CONTENTS

06 Chairs' Message

08 CEO's Message

10 Management's Commentary

42 Plan Governance

49 Financial Statements

70 Ten-Year Review

Leading with purpose

REPORT FROM THE CHAIR AND VICE-CHAIR OF THE BOARD

June 1, 2018, was a landmark date for the CAAT Pension Plan. It is the effective date of our second plan design, DBplus.

DBplus emanated from the work of a task force comprised of Trustees and Sponsors' Committee members asked to improve the relevance and equity of the Plan for members who work part time or on contract in the college sector. The resulting innovative design delivers secure lifetime retirement income at a fixed contribution rate. It better meets the needs of a changing workforce among the existing membership and a wide array of organizations that want to offer a valuable and sustainable pension plan without the risks and costs associated with traditional, single-employer pension plans.

DBplus and our original plan design, now known as DBprime, share the same successful joint governance structure, Funding Policy, investment fund, and pension management expertise that has made CAAT a model pension plan. Both designs are part of a single CAAT Plan that remains focused on delivering benefit security, value, stable contributions, and equity across member groups and generations.

MEMBERSHIP GROWTH AND DIVERSITY

The introduction of DBplus also supports the Plan's strategy to become stronger through membership growth and diversity.

Since our last annual report, several employers have joined CAAT. These are the Canadian Collegiate Athletic Association, Lambton Student Administrative Council, Shareholder Association for Research and Education (SHARE) and Torstar Corporation. SHARE is notable for being the first CAAT employer with operations outside Ontario and from the not-for-profit sector, while Torstar is notable for being the first publicly traded company to join the Plan. Both these employers joined under DBplus. We continue to work closely with a number of prospective employers, unions, and consultants on the merits of joining CAAT.

CAAT's representative governance structure stands as our brand of common purpose and cooperation.

Current and former Trustees and Sponsors' Committee members have guided the Plan's continued relevance by assessing challenges and making timely adjustments.

Since our last annual report, we welcomed Virginia Di Monte, Payroll Administrator at Seneca College and Treasurer for OPSEU Local 561, and David Haley, Professor in the School of Advanced Technology at Algonquin College as Trustees. We also welcomed the return of Michael Seeger, now a retired professional accountant, who served on the Board from 2011 to 2017.

The Sponsors' Committee welcomed Veneise Samuels, a Student Success & Industry Liaison Officer at George Brown College and Second Vice President of OPSEU Local 557 as a member.

On behalf of the Plan governors, it is with a profound sense of gratitude that we extend our best wishes to former Trustees Donald Wright, Darryl Bedford, and Bill Kuehnbaum, and Sponsors' Committee members Kim Macpherson

and Tom Wilcox. These individuals have made important and lasting contributions to the success of the CAAT Plan.

Governance of the CAAT Plan is crucial to our future, and so too is having a dedicated staff of pension experts. At a time when the Plan has opened the door that introduces desirable pension change for Canadians, we are heartened

to have at the helm the thoughtful leadership of Derek Dobson and the pension management expertise of CAAT staff informing the decisions of the Plan governors.

We can all feel confident that the Plan is well-governed, expertly managed, and focused on what members and employers desire most – benefit

security, value, stable contributions, and equity among member groups.



Mr. Rasho Donchev,
Vice-Chair



Dr. Scott Blakey,
Chair*



*In keeping with the 18-month cycle for roles and responsibilities among the sponsors, as outlined in the Plan's Sponsorship and Trust Agreement, Don Smith became Chair of the Board and Scott Blakey Vice-Chair, effective April 1, 2019.

Benefit security is fundamental to members and employers

REPORT FROM THE CEO AND PLAN MANAGER

At an elemental level, the CAAT Plan exists to pay lifetime pensions to beneficiaries. Keeping the Plan properly funded is core to ensuring the security of those promised benefits and delivering on the Plan's commitment to provide benefit improvements that are conditional on its funded status, such as inflation enhancements.

We create value for members and employers by providing secure pensions at stable and appropriate contribution rates and by offering peace of mind. We also make participation simple for members and employers while delivering transparent, timely, and accessible communications and services.

I am pleased to report that the Plan is 120% funded on a going-concern basis, with a \$2.6 billion funding reserve as at January 1, 2019. This is the ninth consecutive year the Plan has experienced steady growth in its funding reserve. The Plan remains strong despite uncertain times. Our long-term assessments continue to project that the Plan will remain resilient well into the future. The funding reserves provide important protection against difficult-to-predict economic or demographic shocks.

Beyond building reserves, growing and diversifying Plan membership, along with *Promoting Modern Defined Benefit (DB) Pension Plans*

and *Building Plan Champions*, are other strategic priorities aimed at keeping the Plan resilient.

Growing Plan Membership includes increasing and diversifying the membership through new participating employers when it is mutually beneficial. Such mergers strengthen the Plan through improved risk pooling and efficiencies while making secure workplace pensions available to more Canadians. This increases the resilience of the Plan and further increases the likelihood that the Plan will have a healthy funding reserve for years to come. Growing Plan membership further improves the likelihood of making conditional benefit improvements and that reductions to DBprime stability contributions will come sooner.

Promoting Modern DB Pension Plans is a leading part of the Plan's advocacy efforts. It stems from our belief that Modern DB pension plans such as CAAT are the most effective and efficient way to deliver retirement income security to Canadians. This

initiative promotes the efficiencies and other advantages of Modern DB plans for members, employers, and society as a sustainable solution for delivering retirement income security.

Building Plan Champions focuses on raising member and employer awareness and understanding of the value they and their organizations receive from the Plan. We know that the more members know about the Plan, the more they value it. We also know that well-informed members and employers are promoters of the CAAT Plan and other Modern DB pension plans.

The Plan's assets totalled \$10.8 billion at the end of 2018 with an investment return 0.5% net of fees, exceeding the policy asset mix return by 1.3% and generating \$119 million in added value over benchmark returns. The five-year annualized return is 8.7% net of fees, exceeding the policy asset mix return by 2.15% and generating \$1 billion in added value, while the 10-year annualized return is 9.9%, exceeding

Our long-term assessments continue to project that the Plan will remain resilient well into the future.

the policy asset mix return by 1.26% and generating \$1.4 billion in added value. The success of our investment program over time has made a significant contribution to the benefit security and stable contributions members and employers enjoy today.

I am proud of what our dedicated team of pension professionals has accomplished in 2018 and I look forward to the exciting opportunities that lie ahead. I am privileged to be part of a committed and knowledgeable team of staff who together with Plan governors are focused on delivering promised pensions to a growing number of members and employers.



Derek W. Dobson,
CEO and
Plan Manager



Management's Commentary

Members trust the Plan to manage the demographic, economic, and investment market risks associated with paying pensions decades into the future – so they can plan for retirement with confidence that their lifetime pensions are predictable and secure.

OUR MEASURES OF SUCCESS

Benefit Security	Value	Stable Contributions
<p>The Plan is in a healthy funding position and we are confident we will meet our pension obligations and commitments today, tomorrow, and beyond.</p> <p>The Plan's long-term net investment returns exceed the discount rate in the funding valuation.</p> <p>Through membership growth and diversification, the Plan's financial health and long-term outcomes are improving.</p> <p>The Plan's funding projections, based on realistic assumptions, show a gradual strengthening of benefit security over time.</p> <p>We have a comprehensive understanding of the risks that could influence sustainability and have plans to manage and mitigate these risks.</p> <p>Our members and employers have confidence in the sustainability of the Plan.</p>	<p>Maintain a high endorsement from members and employers on value for contributions.</p> <p>Provide at least a 10-month advance notice of any conditional benefit changes.</p> <p>Invest in desired operational improvements while managing long-term costs.</p> <p>Maintain a high endorsement from members and employers on:</p> <ul style="list-style-type: none"> • The Plan's focus on benefit security; expertise; governance representation; trust; governance decisions including growth; and, on their support for advocacy • Satisfaction with Plan services. <p>Offer an attractive alternative for employers and members who want to reduce the stress, costs, and risks associated with their current pension or retirement savings plan.</p>	<p>Contribution levels are sufficient to minimize the likelihood of the Plan entering Funding Level 1 (deficit).</p> <p>The likelihood of a contribution increase for the DBprime plan design within five years of reducing stability contributions is minimized.</p> <p>Provide at least a 10-month advance notice of any DBprime contribution changes.</p>

Equity
<p>Members across generations and different cohorts can expect to receive a comparable amount of benefits in retirement per contribution dollar.</p> <p>Provide regular conditional inflation protection enhancements for retired members.</p> <p>Provide regular conditional wage inflation enhancements for DBplus participants.</p>

CONTENTS

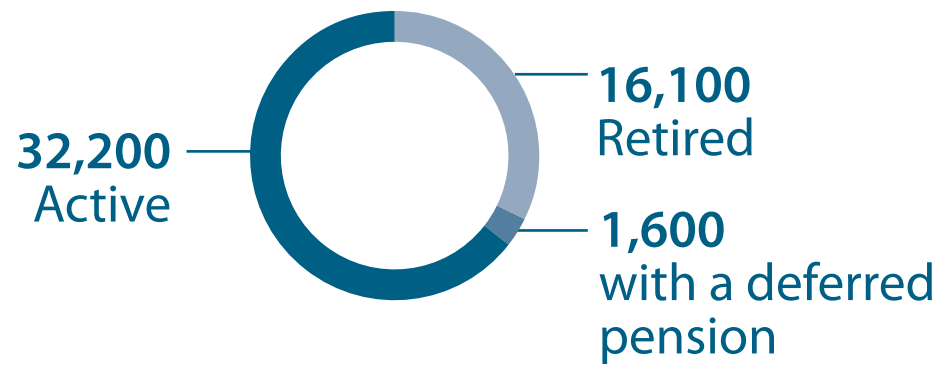
- 12 2018 Highlights
- 14 Plan Funding
- 19 Plan Changes
- 22 Investment Management
- 30 Strategic Priorities
 - 31 Promoting Modern DB Pension Plans
 - 33 Growing Plan Membership
 - 35 Building Plan Champions
- 37 Plan Operations

The following information provides management's view of the financial position and operations of the CAAT Pension Plan. It includes historical information and forward-looking statements that involve assumptions, known and unknown risks, and other uncertainties. The Plan's actual results will likely differ from those anticipated. This commentary should be read in conjunction with the financial statements and accompanying notes for the year ended December 31, 2018.

2018 Highlights

MANAGEMENT'S COMMENTARY

49,900 Members



3,530
net increase
in members
in 2018



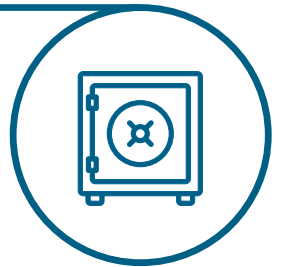
51 Employers

24 Colleges **27** other organizations



120% Funded
on a going-concern basis

\$2.6 billion in
reserves



to protect against investment market
declines and demographic shocks



\$10.8 billion
net assets
to secure pensions

Net investment returns, annualized

8.7% 5-year **9.9%** 10-year

Plan Funding

MANAGEMENT'S COMMENTARY

The CAAT Plan exists to pay lifetime pensions to its members. Keeping the Plan properly funded is core to ensuring the security of those promised benefits and to maintaining the Plan's record of providing benefit improvements that are conditional on its funded status, such as inflation protection.

THE PLAN STAYS PROPERLY FUNDED TO SECURE BENEFITS BY:

- Employing comprehensive risk management, including ongoing, detailed analysis of Plan data, economic conditions, proposed legislative changes affecting pensions, and demographic changes to anticipate and manage through change
- Using prudent, realistic assumptions about member longevity and demographics, long-term investment returns, and inflation
- Setting basic contribution rates at levels appropriate for the benefits earned
- Setting stability contribution rates for DBprime participants at levels required to meet desired levels of benefit security
- Maintaining a healthy level of funding reserves as a buffer against economic and demographic shocks
- 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 and strength.

FUNDED STATUS AS AT JANUARY 1, 2019

Based on its actuarial valuation as at January 1, 2019, the Plan is 120% funded on a going-concern basis, up from 118% in the prior valuation as at January 1, 2018.

This funded status allows:

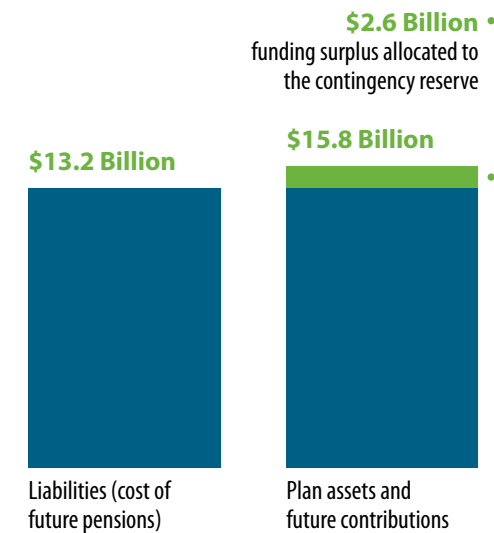
- conditional inflation protection increases to be applied annually to pensions in pay until at least January 1, 2022
- conditional Average Industrial Wage increases to be applied to benefits earned in DBplus until at least January 1, 2022, and
- contribution rates for the DBprime plan design to remain at their current levels through the end of 2023.

Reserves further strengthened to protect benefits

Additionally, the Plan's solid investment performance over the past five years, together with continuing stability contributions from members in the DBprime plan design, enabled the Plan to further strengthen its reserves to \$2.6 billion, up from \$2.3 billion in the previously filed valuation. The reserves are available as a cushion against investment market declines, or larger-than-expected liability growth due to demographic shifts, making it an important instrument to keep benefits secure and to keep non-fixed contribution rates stable over the long-term.

FUNDING VALUATION

As at January 1, 2019



The CAAT Plan's funding valuation is:

- a point-in-time determination of the Plan's financial health, comparing the Plan's liabilities (cost of future pensions) to its assets, including future contributions, with the market value of assets averaged (smoothed) over five years
- performed on a going-concern basis (assumes Plan will continue to operate)
- prepared by an independent actuary
- based on realistic assumptions about member life expectancy, future earnings, economic conditions and investment returns
- filed with provincial and federal regulators at least every three years

Smoothing adjustment aligns assets to liabilities

For valuation purposes, an asset smoothing calculation is used to spread the effect of annual investment gains or losses over a five-year period. Asset smoothing is performed in pension valuations because it better aligns potentially volatile investment returns with the long-term goals of funding and contribution stability. The smoothing adjustment as at January 1, 2019 creates a future valuation reserves cushion of \$161 million in addition to the funding reserves of \$2.6 billion.

Realistic assumptions include lower discount rate

The economic and demographic assumptions used in the Plan's 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, which incorporates an estimate of long-term future net returns on the Plan's investment portfolio, is a key assumption used in the funding valuation. For the January 1, 2019 valuation, the discount rate was lowered to 5.5% from 5.6% to reflect expected future trends in global market returns and the Plan's focus on benefit security and equity.

Each valuation includes a life expectancy assumption appropriate to the demographics of Plan membership, based on recent experience. The valuation as of January 1, 2019 assumes that members retiring in 2019 will live to 89 years on average while collecting their pensions. The life expectancy of future generations of Plan members is based on the updated 2014 Canadian Institute of Actuaries' mortality tables in conjunction with a mortality improvement scale that anticipates further increases to longevity.

Key assumptions used in the valuation are listed in the financial statements on page 69.

REALISTIC FUNDING ASSUMPTIONS



essential to securing pensions

- 89 years average lifespan
- 5.50% discount rate

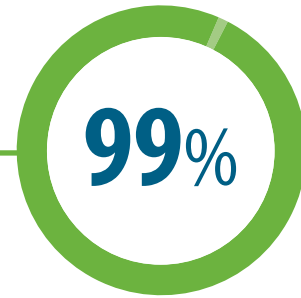
Projections tested with Asset-Liability Modelling

The Plan conducts an Asset-Liability Modelling (ALM) study at least every three years to validate its financial projections against a variety of diverse economic and demographic scenarios. Regularly conducting such studies enables prudent planning and the evaluation of emerging risks and opportunities. The last full ALM study was conducted in 2016 and the next is scheduled for 2019. An interim ALM study was carried out in 2018 to assess the impact of introducing the second plan design, DBplus.

VALUATION SUMMARY

Going-concern funding results (modified aggregate basis)	January 1, 2019 Filed valuation
ASSET VALUES:	(\$ millions)
Market value of net assets	10,818
Smoothing adjustment	(161)
Present value of future contributions	
Basic contributions – DBprime	3,341
Basic contributions – DBplus	535
Supplemental contributions – DBprime	1,274
Total actuarial value of assets	15,807
Liabilities for accrued benefits	9,606
Present value of future benefits for active members	
DBprime	3,161
DBplus	371
Provision for indexation adjustments relating to post-2007 service to 2022	50
Total actuarial liabilities	13,188
Funding reserve – with smoothing	2,618

Amounts do not add due to rounding.



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

Reserves are a key tool in delivering benefit security with stable contribution rates

Reserves are an important tool in a jointly sponsored pension plan, such as the CAAT Plan, where members and employers desire benefit security and stable, predictable contributions. Should a combination of events, such as a sustained global investment market decline, further improvements in member longevity, or challenging demographic patterns, lead to a funding deficit, members and employers would together be required to make up the shortfall by reducing benefits earned in the future or increasing DBprime contributions.

Reserves serve as a buffer against such economic and demographic shocks to reduce the probability of a future deficit and minimize the chance of benefit changes or DBprime contribution increases.

Through their equal representation on the CAAT Plan's governing bodies, members and employers have voiced a strong desire to grant conditional benefits and to avoid future benefit reductions and DBprime contribution rate increases. Reserves have enabled the Plan to meet those funding principles.

TWO PLAN DESIGNS, ONE FUNDING POLICY

Since its creation in 2006, the CAAT Pension Plan Funding Policy has been used to manage through periods of volatility to keep the Plan sustainable over the long term. The policy was built on the Plan's fundamental principles of paying both promised and conditional benefits and its commitment to equity across the entire membership, and from generation to generation. With the introduction of DBplus, the policy was updated in 2018 to integrate the funding of the two plan designs based on those same principles.

FUNDING POLICY GUIDES LONG-TERM DECISIONS
Balanced use of reserves, stability contributions, and conditional benefits enhances sustainability

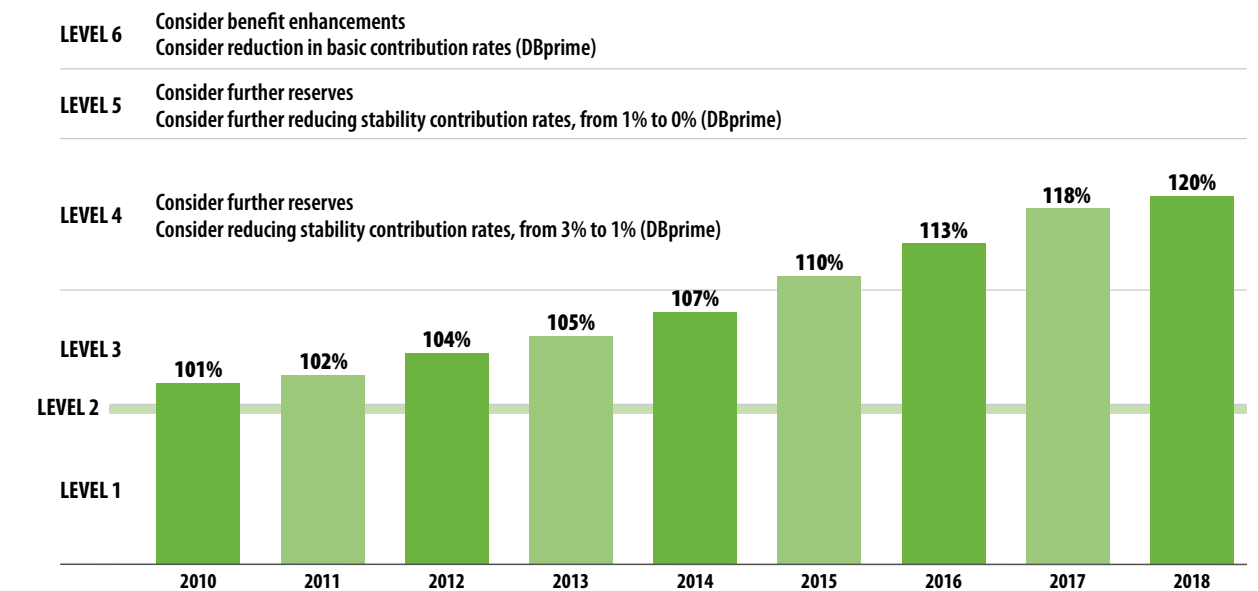
The Funding Policy defines six levels of Plan financial health and sets guidelines for the Plan governors to use reserves, stability contributions, and conditional benefits to manage through periods of volatility, to keep the Plan sustainable over the long term and to secure benefits while balancing fairness across the membership.

The filed actuarial valuation determines the Plan's funded status and, accordingly, where the Plan sits within the levels

of the Funding Policy. Based on the January 1, 2019 valuation, the Plan remains at Funding Level 4. Level 4 spans a broad band that allows Plan governors to determine how best to use reserves. The options available can be any combination of reducing stability contributions (for DBprime), building further reserves, and prefunding conditional benefits.

With the Plan's funded status remaining in Level 4 based on this latest valuation, the Plan governors determined that building additional reserves as a cushion against continuing investment market volatility was the most prudent option to keep the Plan strong and to secure benefits.

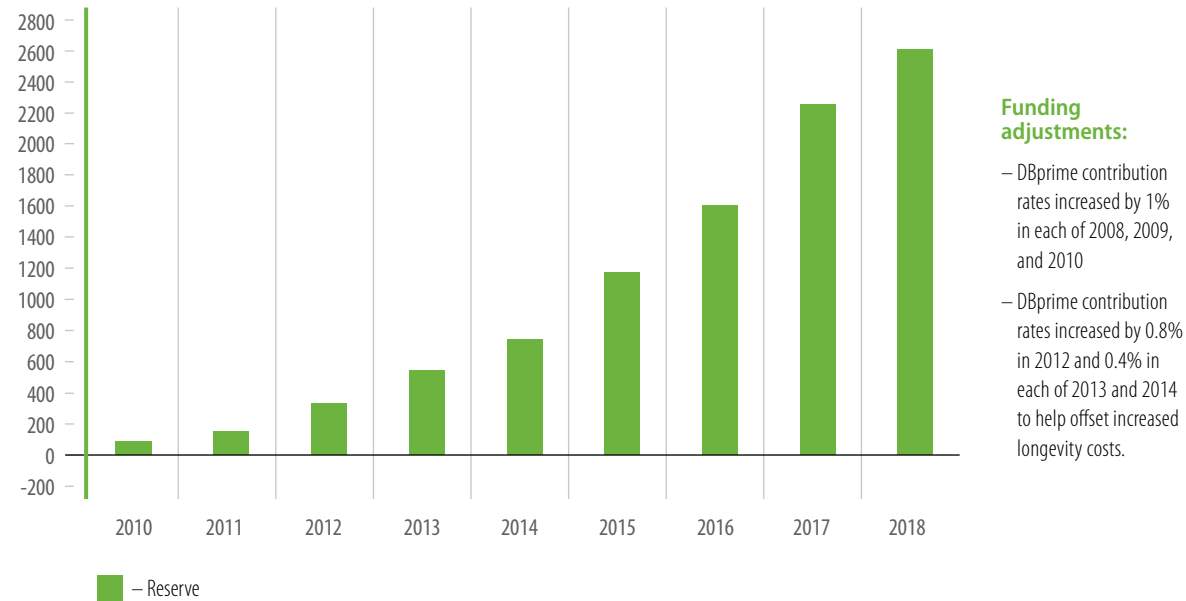
THE PLAN SITS IN LEVEL 4 OF THE FUNDING POLICY



As at December 31. The Funding Policy is summarized on page 47.

FUNDING VALUATIONS HISTORY (as at December 31)

2010-2018 (\$ millions) on a going-concern basis



Plan Changes

MANAGEMENT'S COMMENTARY

INTRODUCTION OF SECOND PLAN DESIGN, DBPLUS

Following through on the recommendations of a joint member and employer task force that examined the relevance and equity of the Plan for members who work part time or on contract in the college sector, in 2018 the Plan added a second, defined benefit plan design to better meet the needs of an increasingly changing workforce amongst the current membership and for organizations across various industries and sectors.

The second plan design, DBplus, operates as part of the CAAT Plan, sharing the same joint governance structure, funding policy, investment fund, and management expertise as the Plan's original design, DBprime.

The innovative design of DBplus delivers secure lifetime retirement income at a fixed contribution rate. Contributions are made and benefits accrue on all earnings, to cover evolving types of compensation in the postsecondary and other sectors. The benefit calculation uses a percentage of contributions based on all earnings, rather than a service calculation derived from hours of work. Member contributions are matched by the employer, reflecting the CAAT Plan principles that members and employers share Plan costs and decisions. The design of DBplus also simplifies communication and administration, increasing value for employers.

Better value for members who work part time or on contract

DBplus provides better value for members who work part time or on contract by delivering the Plan's key features of lifetime pension, survivor benefits, and inflation protection, while removing others not typically used by these members, including the bridge benefit and accrual during disability.

Existing members automatically covered

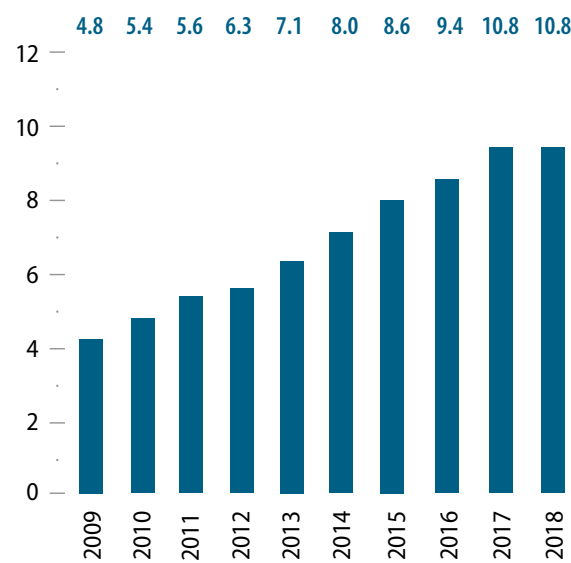
The approximately 8,400 existing CAAT Plan members who worked part time or on contract at year-end 2018 began to earn benefits under the new design effective January 1, 2019, contributing at a 9% employer-matched contribution rate.

The benefits earned under each plan design are paid as a single benefit at retirement or termination. DBplus benefits are added to those already accrued under DBprime. Similarly, members who change to full-time employment from part time while working at an employer that participates in DBprime will then contribute and accrue benefits under the DBprime design.

In the fall of 2018, members working part time or on contract received an information package about DBplus and how they would automatically be covered by the new plan design beginning in 2019. Employers received support to make the contribution and other local administration changes, as described on page 38.

GROWTH IN NET ASSETS

(\$ billions, at end of each year)



CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS IN 2018

	(\$ millions)
Net assets December 31, 2017	10,786
Investment income	40
Contributions received	495
Benefits paid	(479)
Pension administration expenses	(8)
Investment administration expenses	(17)
Net increase in assets available for benefits	31
Net assets December 31, 2018	10,818

Amounts do not add due to rounding.

A plan design for growth

The value and simplicity of DBplus also appeals to any employer looking to offer their employees a secure, valuable, predictable lifetime pension with cost certainty. The fixed contribution rate ranges between 5% and 9% of earnings, as set by the employer, often in consultation with members, and can be phased in.

The new plan design supports the Plan’s strategy to become stronger through membership diversity and growth. Information on the Plan’s growth strategy appears on page 33.

PLAN AMENDMENTS

The Plan text was amended effective June 1, 2018 to reflect the provisions of the new plan design, DBplus, providing the framework for its implementation. This included defining the DBplus early retirement age as 50 years as well as clarifying the rules for past service purchases as they would apply to members in DBplus. The implementation of DBplus is summarized in the member and employer services sections on pages 38 and 39.

The CAAT Plan Funding Policy was also amended effective June 1, 2018 to integrate the funding of both plan designs in alignment with the Plan’s commitment to equity across all membership groups. The full policy appears in the governance section on page 47.

Other amendments to the Plan text in 2018 were made to approve the new employers and mergers listed below and to facilitate the completion of the merger with the Royal Ontario Museum pension plan that began in 2016. These amendments were filed with the regulators. The Plan text is available on the Plan’s website.

Future amendments to support growth were also approved by the Plan sponsors and pending merger agreements will be announced and filed with the regulator.



INTERNATIONAL RECOGNITION FOR PENSION INNOVATION

The Plan received international recognition for DBplus, winning the 2018 Innovation Award in the category of plan design and reform at Pensions & Investments’ World Pension Summit in The Hague, Netherlands.

MERGERS WITH OTHER PENSION PLANS

Torstar pension and retirement savings plans

Approximately 800 active members of Torstar Corporation’s defined benefit pension plans joined the CAAT Pension Plan effective October 1, 2018. Through voting held as part of the regulatory consent process, the merger received 97% support from the Torstar defined benefit membership.

Assuming approval by regulatory authorities, the active and retired members of the Torstar pension plans will receive pensions based on the Torstar plan provisions for their service accrued before October 1, 2018 and pensions based on the CAAT Plan’s DBplus provisions from that date.

Through this agreement, Torstar became the first employer to join the CAAT Plan under DBplus.

As with any merger, the Plan fully assessed the liabilities and risks of the Torstar pension plans to determine the assets required to assume responsibility for those liabilities without risk to the Plan and its existing members. Applications have been made to the Superintendent of the Financial Services Commission of Ontario (the Superintendent) for its consent to transfer the defined benefit pension assets from the Torstar pension plans to the CAAT Plan.

Following the consent of the Superintendent, the assets and liabilities for all past defined benefits under the Torstar pension plans will be transferred to the CAAT Plan, and the CAAT Plan will assume responsibility for all pension benefit payments to members of the Torstar pension plans going forward.

Members of the actuarial team for growth (left to right): Andrea King, Ibrahim Toor, and Miranda MacDonald.

Effective January 1, 2019, approximately 1,000 Torstar employees who belong to its group RRSP and defined contribution savings arrangements also joined DBplus, and another 1,000 employees with no retirement savings arrangement will have the option to join.

Youth Services Bureau of Ottawa

Members of the Youth Services Bureau of Ottawa (YSB) pension plan joined the CAAT Plan on January 1, 2018 for future service, with overwhelming member approval to proceed with a merger of the plans. Through the member consent phase that finished in late 2017, 100% of votes from active YSB plan members were cast in favour of the merger with 99.6% of eligible votes submitted.

Assuming approval by regulatory authorities, the 300 active, retired, and deferred pension YSB plan members will receive a pension based on the YSB plan provisions for service accrued to December 31, 2017, and a pension based on CAAT Plan provisions for service accrued after that date.

An application to transfer assets from the YSB pension plan is awaiting consent from the Superintendent. Following that consent, the assets and liabilities for past benefits in the YSB plan will be transferred to the CAAT Plan, and the CAAT Plan will assume responsibility for all pension benefit payments from the YSB plan going forward.

NEW PARTICIPATING EMPLOYERS, MERGERS WITH OTHER PENSION PLANS

The following organizations joined the Plan on the dates listed:

Organization	Effective date in CAAT Plan	Type
Youth Services Bureau of Ottawa	January 1, 2018	Includes merger of defined benefit liabilities
Canadian Collegiate Athletic Association	May 1, 2018	Future service only
Lambton Student Administrative Council	May 1, 2018	Future service only
Torstar Corporation and its applicable subsidiaries: Toronto Star Newspapers Limited and Metroland Media Group Ltd.	October 1, 2018	Includes merger of defined benefit liabilities
SHARE (Shareholder Association for Research & Education)	January 1, 2019	Future service only



Investment Management

MANAGEMENT'S COMMENTARY

The CAAT Pension Plan's investment program is designed to generate sufficient long-term returns to keep benefits secure with a level of risk that is appropriate for the Plan and its strategic objectives.

The Plan's team of investment professionals implements the investment policies established by the Board of Trustees. The team recommends to the Board of Trustees the asset mix based on Asset-Liability Modelling studies. These periodic studies test the future potential outcomes of various asset mixes on the Plan's funded status and DBprime contribution rates under a range of economic and demographic scenarios.

The Plan's investment strategy is implemented through a mix of external investment manager relationships as well as private market fund investments and co-investments (direct investments in private companies alongside a lead investor).

DIVERSIFIED PORTFOLIO

The asset mix is well-diversified, with exposure to a broad range of asset classes.

The Plan's investment portfolio falls into three broad categories of assets:

Interest-rate-sensitive, Inflation-sensitive, and Return-enhancing.

Interest-rate-sensitive and Inflation-sensitive assets help to offset the effects of changing interest rates and inflation on the valuation of the Plan's pension payments. Interest-rate-sensitive asset classes comprise long and universe bonds while Inflation-sensitive asset classes comprise real assets (real estate and infrastructure), real-return bonds, and commodities.

Return-enhancing assets, comprising public and private equities, help the Plan meet its expected rate of return and keep contribution rates appropriate and stable for members and employers.

Asset mix policy

Over the past two years, the asset mix of the investment fund has shifted slightly away from public equities to private equity and real assets in response to the findings of the 2016 Asset-Liability Modelling Study. These long-term investments are a

good fit for the long-term nature of the Plan's liabilities and its risk tolerance, given its ability to manage through periods of short-term volatility. During 2018, progress was made moving private equity and real asset allocations closer to their targets of 15% and 20%, respectively.

Also in 2018, Canadian equity ceased to be a standalone allocation in the asset mix policy. The remaining Canadian equity exposure now forms part of the Global Developed Equity asset class.

In 2019, the asset mix policy will again be examined by means of an Asset-Liability Modelling Study that will employ updated assumptions about future asset-class returns, market risks and Plan member demographics.

Strategic partners

The CAAT Plan investment team oversees the implementation and monitoring of the asset mix that is executed through the activities of more than 50 investment and fund managers in public and private

asset classes. In addition, the use of co-investments in private equity and infrastructure assets continues to play an important role in these portfolios.

In selecting investment and fund managers and co-investment partners for recommendation to the Investment Committee of the Board of Trustees, 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 high-performing teams
- 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

The Plan's five-year performance has added over \$1 billion in value to the Plan's assets above the policy benchmark returns.

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.

Julie Cays,
Chief Investment
Officer



2018 MARKET OVERVIEW

The year 2018 was the weakest for global equity markets since 2008. In particular, markets declined significantly in the fourth quarter in reaction to higher interest rates, a slowing global economy, the U.S. government shutdown, and China / United States trade tensions.

In Canada, the S&P/TSX Composite Index finished down 8.9% over the one-year period, in large part due to lower energy prices. While energy was the worst performing sector, eight out of 10 sectors had negative returns in 2018.

In the U.S., the S&P 500 Index was up by 4.2% in Canadian dollar terms, but down 4.4% for the year in U.S. dollars. Sentiment was driven lower by interest rate increases, with the

Federal Reserve raising its rate four times – each time by 25 basis points. These hikes caused concern that higher rates could slow credit growth and company earnings in the future.

In overseas markets, international equities fell 6.0% in Canadian dollar terms. Worries about the ongoing Brexit negotiations were in part what drove the declines. Emerging markets were down 6.9% driven by global growth concerns, in particular China's weakening economy.

In 2018, the Bank of Canada increased its interest rate to 1.75% by announcing three rate increases of 25 basis points each. The Bank rate is at its highest since December 2008. Despite this, the Canadian dollar fell against the major currencies.

STRONG LONG-TERM PERFORMANCE

Despite the challenging market environment, the investment fund returned 0.5% net of investment management fees in 2018. While the policy asset mix benchmark declined by 1.1%, added value from active management was strong at 1.6%. As a result, Plan assets remained level over the year at \$10.8 billion.

Over the past five years, the Plan has delivered an annualized rate of return of 8.7% net of investment management fees, outperforming its policy benchmark by 2.2% per annum. This five-year performance has added over \$1 billion in value to the Plan's assets above the policy benchmark returns.

On an absolute basis during 2018, public equity portfolios produced negative

returns, public bond markets were generally flat, and all private market asset classes were positive. The Plan's currency hedging policy, as defined in the Statement of Investment Policies and Procedures, also detracted from performance.

Relative to benchmarks, both public and private markets have contributed positively to value added, in 2018 and over the past five years.

The performance of each asset class is measured in comparison to a relevant benchmark return, as listed in the table below. The following provides commentary on this performance.

Global Developed Equity

The Plan's Global Developed Equity portfolio combines managers with Canadian, U.S., international, and

broad global equity mandates. The total portfolio outperformed its benchmark (the MSCI World Index) in 2018.

The Global Equity sub-portfolio added significant value in 2018. The portfolio benefitted from stock selection decisions in a number of sectors and countries.

The Canadian Equity sub-portfolio has a slight bias towards high quality, midcap stocks. The portfolio outperformed the S&P TSX Composite Index in 2018 due to an underweight to the energy sector.

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 generally matched the benchmark in 2018. The portfolio also has a bias to midcap stocks in the U.S.; this positioning detracted value as midcap stocks underperformed the large cap stocks in the benchmark.

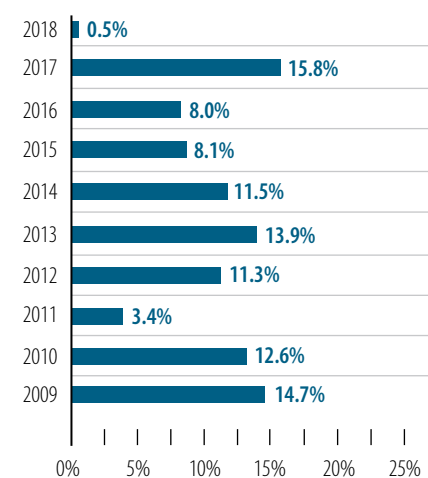
The International Equity sub-portfolio also detracted value in 2018. This portfolio has been structured with a bias towards small cap stocks which was the main contributor to underperformance.

Emerging Markets Equity

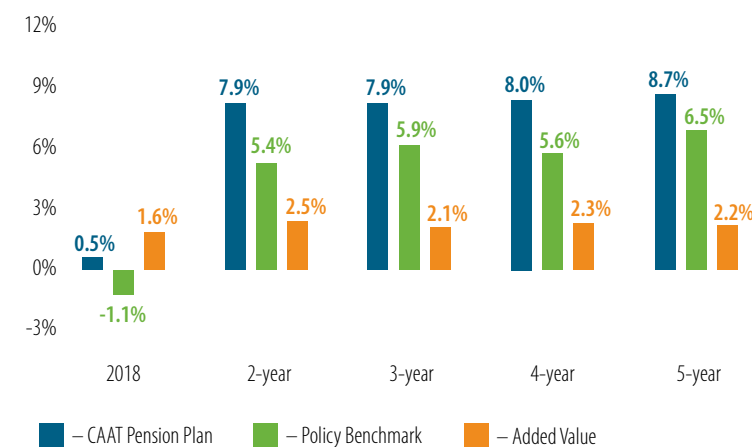
The Emerging Markets Equity portfolio has been structured to focus on stocks whose performance will be driven mainly by growing domestic consumer

ANNUAL RATES OF RETURN

(net of investment management fees)



NET RETURN VS. POLICY BENCHMARK



NET INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

as at December 31, 2018 (net of expenses)

ASSET CLASS	CAAT PLAN INVESTMENTS** (\$ millions)	CAAT 2018 RETURN	BENCHMARK	BENCHMARK RETURN	VALUE ADDED
Interest-rate sensitive					
Long-Term Bonds	\$1,831	0.1%	FTSE TMX Long Bond Index	0.3%	(0.3)%
Universe Bonds	\$547	1.6%	FTSE TMX Universe Index	1.4%	0.2%
Inflation sensitive					
Real-Return Bonds	\$495	0.0%	Actual RRB Portfolio Return	0.0%	0.0%
Real Assets	\$1,832	7.5%	CPI + 5%	6.7%	0.8%
Commodities	\$510	(4.2)%	S&P GSCI Commodity Index	(6.1)%	1.9%
Return-enhancing					
Global Developed Equity*	\$3,485	1.5%	MSCI World Index	(0.5)%	2.0%
Emerging Markets Equity	\$1,080	(12.2)%	MSCI Emerging Markets Index	(6.9)%	(5.3)%
Private Equity	\$947	24.9%	MSCI ACWI + 3%	1.7%	23.2%

*Global Developed Equity includes Canadian Equity, U.S. Equity, International Equity, and Global Equity portfolios. The total fund return of 0.5% includes (2.18)% from the impact of currency hedging.

**Assets invested reflect the effective exposures (actual exposures plus overlay positions). Numbers do not add due to rounding.

demand within emerging markets. This implies an overweight to consumer, health care, financials, and e-commerce sectors, and an underweight to commodity sectors. This positioning detracted value in 2018 as consumer-driven sectors underperformed.

Commodities

The Commodities portfolio has been structured to match the performance of the S&P GSCI Enhanced Index. This structuring decision led to outperformance versus the benchmark (the S&P GSCI Index) in 2018.

Bonds

The Universe and Real-Return Bond portfolios are managed passively and performed in line with their benchmark indices in 2018. At the beginning of 2018, the Plan put in place an active currency mandate that is applied as portable alpha where the index exposure is obtained through the passive long-bond allocation. This, combined with an actively managed long-bond mandate, underperformed slightly in 2018.

Private Equity

The Private Equity portfolio consists of funds and co-investments that are globally diversified. While funds continue to make up the majority of the portfolio, co-investments have become a larger strategic focus. Co-investments are generally pursued in order to reduce or eliminate management and incentive fee payments that would otherwise be payable to fund managers, and also to assist with customizing characteristics of the portfolio. Since inception of the program, the Plan has completed seven private equity co-investments, with one full realization at a strong rate of return.



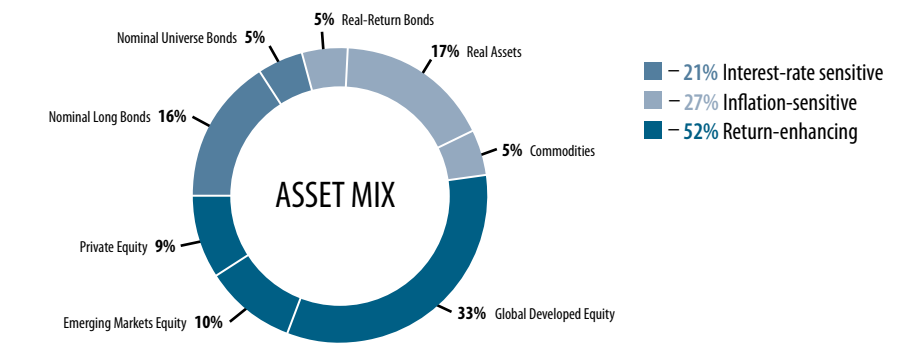
In 2018, the portfolio outperformed its benchmark, benefitting from strong manager selection relative to the universe of available funds. The private equity portfolio has generated a net internal rate of return of 24.2% and a net multiple of cost of 1.5x since its inception in 2009. Both fund investments and co-investments have contributed to the total portfolio's strong performance.

Real Assets

The Real Assets portfolio consists of private infrastructure and real estate investments, including Canadian farmland, which are held through private investment funds and co-investments. The portfolio represents over 16% of Plan assets versus a long-term target of 20%.

The infrastructure portion of the portfolio is globally diversified with an increasing focus on

**WELL-DIVERSIFIED
\$10.8 BILLION IN INVESTMENTS**



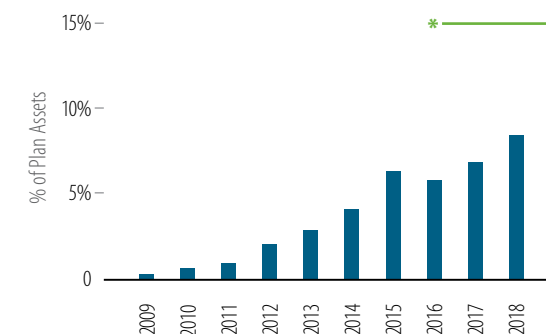
co-investments that, similar to the Plan's private equity co-investments, generally benefit from lower investment fees relative to investment funds.

Canadian assets represent the majority of the Plan's real estate holdings. However, in recent years the real estate strategy has focused

on gradually increasing exposure to investments outside Canada.

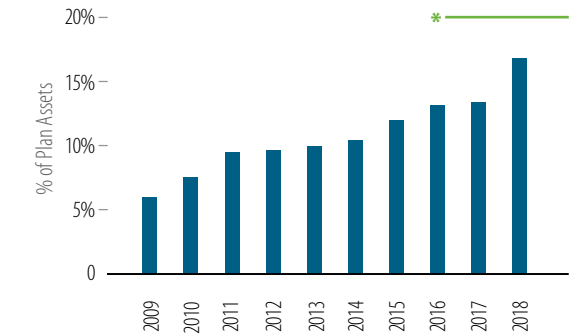
During 2018, the Real Assets portfolio continued to benefit from historically high valuations in both infrastructure and real estate, with the exception of the retail real-estate sector, where valuations are being affected by consumer buying behaviour.

PRIVATE EQUITY INVESTMENTS



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

REAL ASSET INVESTMENTS



*Policy target: The Plan's policy allocation to Real Assets (real estate and infrastructure) increased from 15% to 20% in 2016.

Members of the Investment Management team (left to right): Hager Osman, Kevin Fahey, Asif Haque, and Theresa Wilson.

INVESTING FOR SUSTAINABILITY

The principal investment goal of the CAAT Plan is to maximize long-term, risk-adjusted returns to secure pensions at appropriate contribution rates. 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 proxy voting, corporate engagement, and encouraging the integration of environmental, social, and governance (ESG) factors in investment processes.

Principles for Responsible Investment

The CAAT Plan is a signatory to the United Nations-supported Principles for Responsible Investment, together with over 2,000 institutional investors from more than 50 countries. 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 actively 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 Organisation for Economic Co-operation and Development 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 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 represents 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, mutual funds, and other third-party money managers that manage approximately \$4 trillion in assets.

Julie Cays, Chief Investment Officer at the CAAT Plan, is a past Chair and current Vice Chair of the CCGG Board of Directors and, as part of that role, participates in engagement meetings with directors of Canadian public corporations.

In 2018, the CCGG developed and released guidance to boards of directors on the assessment, oversight, and disclosure of environmental and social issues – *The Directors' E&S Guidebook*.

SHARE

The CAAT Plan is an affiliate of SHARE – the Shareholder Association for Research & Education. SHARE is a Canadian organization that works with institutional investors to promote responsible investment practices through active ownership, research, and education.

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 also promotes sound standards of corporate governance in Canada.

Chief Investment Officer Julie Cays and Kevin Fahey, Director, Investments, are both past Chairs of the PIAC Board of Directors.

Institutional Limited Partners Association

The 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 forms 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 known as 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 and enable corporations to measure and manage their environmental impacts.

Incorporating ESG Considerations into the Investment Process

As a long-term investor, the CAAT Plan encourages its investment and fund managers to integrate the consideration of ESG factors into their investment decisions. This is done through the due diligence process for existing and potential managers as well as through an annual questionnaire that is sent out to the investment managers and general partners asking a series of questions about how sustainability factors are integrated into their investment processes. The Plan has tracked these responses over more than 10 years and has found that investment and fund managers are increasingly considering the impact of ESG factors when making investment decisions.

CAAT PLAN A STRONG VOICE IN GOVERNANCE GROUPS

The Plan's Chief Investment Officer, Julie Cays, is Vice Chair of the Canadian Coalition for Good Governance.

Julie Cays and Kevin Fahey, Director, Investments, are both past Chairs of the Pension Investment Association of Canada Board of Directors.

**EXERCISING PROXY VOTES IN 2018**

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 2018, the Plan voted on over 11,600 proxy issues at meetings of over 1,000 companies in the CAAT Plan portfolio.

Strategic Priorities

MANAGEMENT'S COMMENTARY

In 2018, the Plan completed a three-year strategy with a focus on the following initiatives that will continue to be priorities in our 2019-2021 Strategic Plan: Promoting Modern Defined Benefit (DB) Pension Plans; Growing Plan Membership; and Building Plan Champions.

1. PROMOTING MODERN DB PENSION PLANS –

is a leading part of the Plan's advocacy efforts. This initiative promotes the efficiencies and other advantages of Modern DB plans for members and society as sustainable solutions for delivering retirement income security.

2. GROWING PLAN MEMBERSHIP –

encompasses increasing and diversifying the membership through new participating employers and beneficial mergers with other plans, thereby strengthening the Plan through improved risk pooling and efficiencies while making secure workplace pensions more available.

3. BUILDING PLAN CHAMPIONS –

focuses on raising member and employer awareness and understanding of the value they and their organizations receive from the Plan, so that they make the most of its many features, and can be well-informed promoters of the CAAT Plan and other Modern DB pension plans.

Lead, Member Education, Sylvia Golebiowski conducting one of the Plan's popular regional presentations on retirement planning, at Seneca College.



STRATEGIC PRIORITY 1: PROMOTING MODERN DB PENSION PLANS

Annual surveys of members show high support for the Plan's advocacy efforts. In the 2018 active member survey, 97% of respondents with an opinion said they expect the Plan to be active in the public pension debate.

During 2018, Plan staff delivered 25 industry presentations, authored six published articles, and were interviewed for numerous others about the success of the CAAT Plan as a model Modern DB pension plan.

Industry leaders supporting informed discussions, research

Plan staff play active roles in various pension industry groups to ensure the interests of jointly sponsored pension plans, and more specifically Modern DB plans, are known and understood.

The Plan's CEO, Derek Dobson, co-chairs the Canadian Public Pension Leadership Council (CPPLC), a non-partisan group of 10 public pension plans from across the country that work to promote a well-informed, evidence-based national pension policy discussion. Special Advisor John Cappelletti serves on the CPPLC Communication Committee. The CPPLC commissioned renowned retired actuary Robert L. Brown to study the social implications of pensions. The study findings were presented at the CPPLC Pension Forum in November 2018*.

As a Modern DB Pension Plan, CAAT is a model of success

The Plan belongs to the National Pension Hub for Pension Knowledge & Research. The purpose of the NPH is to provide a sustainable pipeline of independent and objective pension research that, among other things, will lead to innovative solutions to pension design, governance and investment challenges.

Staff members continue to serve on the Association of Canadian Pension Management (ACPM): Derek Dobson on the board of directors; Evan Howard, Vice President of Pension Management, on the ACPM's National Policy Committee; Special Advisor John Cappelletti, on its Strategic Initiatives Committee and Communication Committee; and, David Gordon, Manager, Public Affairs, on the Ontario Regional Council.

HOW CANADA IS MADE STRONGER BY MODERN DEFINED BENEFIT PENSION PLANS:

- Retired members, confident in their steady monthly income, spend their pensions, boosting local economies
- Adequate retirement income reduces seniors' reliance on government social programs
- During their working years, members have less worry about saving for retirement, benefitting both them and their employers, by reducing financial stress that negatively affects employee health and productivity
- Knowing they have predictable retirement income, members don't have to worry about complex investment decisions or adjusting their retirement date based on market downturns.
- As sophisticated long-term investors, pension plans can be a stabilizing force in the economy and investment markets.

*The study report, *The Social Implications of Pensions*, was released in January 2019.

FEATURES OF A MODERN DEFINED BENEFIT PLAN:

- Independent, with the singular purpose to deliver pension benefits
- Not-for-profit trust structure brings fiduciary alignment
- Jointly governed by members and employers – decisions and costs are shared 50/50
- Expertly managed on a full-time basis
- Multiple employers – cost-effective and benefit security is not tied to a single employer's financial health
- Formal funding policy – that uses reserves, contributions and conditional benefits to protect benefits over the long term, considers intergenerational equity.

As well, Chief Investment Officer Julie Cays is Vice-Chair of the Canadian Coalition for Good Governance and Kevin Fahey, Director, Investments, is a past Chair of the Pension Investment Association of Canada and a member of its Governance and Nominating Committee.

Derek Dobson is a member of the Pension Policy Council of the C.D. Howe Institute and a member of the Legal & Legislative and Public Sector Conference Committee of the International Foundation of Employee Benefits and Pensions. He also belongs to the Agenda Committee of the International Centre for Pension Management (ICPM) Discussion Forum and has contributed to pension reform research by the ICPM.

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

As part of ongoing risk management, Plan staff monitor the development of pension-related legislation as well as professional and industry group proposals that may influence pensions. The Plan engages with government

officials and makes submissions when it is appropriate to represent the collective interests of Plan members and employers. In 2018, the Plan was active in these areas:

Promoting the value of mergers with jointly sponsored pension plans – The Plan continued to work with provincial and federal government officials to demonstrate the value of mergers between single-employer pension plans (SEPPs) and jointly sponsored pension plans (JSPPs). These mergers can bring many benefits to employers managing their own pension plan, including reducing risk and administrative costs and providing greater pension security to employees. They can also bring greater efficiencies to the JSPP. In early 2019, the Ontario government passed legislation that will remove the need for the government to create a new regulation whenever a non-profit organization or business wishes to merge their pension plan into a JSPP such as the CAAT Plan. This change will bring greater clarity and efficiency to the merger process and will allow parties to negotiate a merger with the CAAT Plan with greater certainty.

Government of Canada consultation on enhancing retirement security – In 2018, the federal government held a public consultation on ways to enhance retirement security for Canadians. The Plan provided a submission to the consultation and promoted how shared governance and pension consolidation can help bring greater pension security to people across the country.

Financial Services Regulatory Authority of Ontario (FSRA) consultations – The CAAT Pension Plan supports the creation of FSRA, the new, independent regulatory agency responsible for oversight of Ontario-regulated pension plans. In an effort to support FSRA's objectives of building a forward-looking, flexible, and self-funded regulator, the Plan continues to engage with FSRA and made a submission responding to its assessment and fee rule consultation.

The Plan's submissions are available on its website, under About Us/Advocacy.

STRATEGIC PRIORITY 2: GROWING PLAN MEMBERSHIP

The CAAT Plan governors have assessed the benefits of accepting new employers from within and outside Ontario's postsecondary education sector and determined that with careful oversight and risk assessments, growth beyond the postsecondary education sector is beneficial to the Plan and its members. Growth includes welcoming employers with an existing DB plan as well as those that have not previously been able to offer a DB plan to their members.

Growing and diversifying the membership strengthens the Plan by enabling it to better manage longer-term demographic risks to keep benefits secure.

Well-aligned growth makes the Plan stronger for all

Specifically, growth:

- Further increases the likelihood the Plan will remain in a surplus funded position, improving its ability to withstand adverse economic conditions
- Continues to improve the likelihood of making conditional benefit improvements, including paying inflation protection, now and in the future
- Increases the likelihood that reductions to stability contributions (for DBprime design) will be possible
- Improves efficiencies through further pooling of administration costs.

And, with every new employer, pension portability for members among participating employers expands, further enhancing the Plan's portability features that enable members to build pensions wherever they may work.

The CAAT Pension Plan is open for growth in membership where it is mutually beneficial, from employers in the public, private, or not-for-profit sectors. This includes workplaces

currently offering defined benefit pension plans, defined contribution plans, group RRSPs, as well as those with no current retirement savings arrangement.

Where an employer with an existing DB plan wishes to merge that plan with the CAAT Plan, a transfer of pension benefits (liabilities) accrued in the incoming plan prior to the effective date of merger typically occurs. The transfer is done on a cost- and risk-neutral basis, so as not to adversely impact the funded position of the Plan and the benefit security for existing members.

During 2018, the Plan received inquiries from numerous prospective employers and employee groups from the broader public, not-for-profit, and private sectors about joining the Plan and by year-end was in advanced discussions with several of them.

PRINCIPLES FOR GROWTH PROTECT THE PLAN FOR MEMBERS

In 2012, at the outset of the initiative to grow CAAT Plan membership, the Plan governors set out key principles for opening the Plan to new employers and for entering into any merger agreement. These principles remain resolute:

- Growth must benefit the Plan on behalf of all members
- Colleges and members who work at colleges will retain 50% of the seats on the Plan's Board of Trustees
- In the case of mergers, they must be cost and risk neutral; that is, the Plan must receive sufficient assets to cover responsibility for an incoming pension plan's existing liabilities, and associated risks.

Canadians want the secure lifetime pensions that DBplus delivers – minimal risk and cost certainty appeals to employers

DBplus, the CAAT Plan's second plan design that was approved in 2018, was initially explored to better meet the needs of existing members who work part time and on contract in the college sector. Its secure lifetime pensions, fixed cost, and simple administration quickly appealed to many prospective employers and member groups.

DBplus features include a guaranteed lifetime pension with conditional inflation protection, survivor pension benefits, and early retirement options – all at a fixed contribution rate for members and their employers.

As a Modern DB pension plan, the CAAT Plan manages longevity and investment market risk for participants, so members don't need to worry about complex investment decisions or outliving their retirement savings. All administration and pension costs are covered by the contributions paid to the Plan and, to a larger extent, the Plan's investment returns on those contributions. There are no additional costs for members or employers. Participating employers are spared the risks, fees, and other costs associated with operating a single-employer pension plan. The annual expense for an employer participating in the CAAT Plan is equal to their cash contributions, allowing cash flow certainty and reducing the volatility of earnings.

More information on the DBplus design appears in the Plan Changes section on page 19.

Torstar pension plan members first to join CAAT Plan for DBplus

On October 1, 2018, the Plan welcomed its first employer and members to the new DBplus plan design.

The announcement that day followed a comprehensive due diligence process by all parties that culminated in a vote by Torstar's members and unions that was 97% in support of a merger of Torstar's DB plans with the CAAT Plan.

In the months leading to the vote, the Plan had worked closely with Torstar and its unions to ensure the 2,900 prospective members received the information they needed to make an informed decision about the proposed merger.

More information about the merger with the Torstar pension plans appears in the Plan Changes section on page 19.

DECISION-MAKING SUPPORT

To support the launch of DBplus, the Plan created a website (www.dbplus.ca) aimed at employers considering joining the Plan, and their employees. The site features the DBplus Value Tool to provide prospective members with an estimate of the lifetime retirement income they can earn in DBplus.

For employers entering into a merger agreement with the Plan, the tool can be tailored to provide their employees with estimates of how their pensions will be affected by the merger – vital information, given they are asked to vote to approve the merger. For Torstar employees covered by the proposed merger, the tool enabled them to project their combined pension from the Torstar plan and DBplus.

Specially trained staff were available to answer questions about DBplus and the merger.

GROWTH STRATEGY RECOGNIZED WITH PERFORMANCE AWARD

The Plan was honoured to be the recipient of the pension performance award as part of Benefits Canada's 2018 Workplace Benefits Awards. The Plan was recognized for its growth strategy, including the launch of DBplus. Its strong investment performance and funded status were noted as important backdrops to its growth plans.

STRATEGIC PRIORITY 3: BUILDING PLAN CHAMPIONS

Annual surveys of members show that the more members know about the Plan, the more they value it. Knowledge of the Plan also equips members to make their best personal decisions about using the Plan's features and to feel informed to champion the advantages of Modern Defined Benefit (DB) Pension Plans. For these reasons, an important area of focus is on improving member knowledge of their benefits under the Plan and how the Plan is governed and managed.

More than 6,000 reached through sessions and webinars

Through its popular and engaging retirement education sessions and other presentations, webinars, and videos, the Plan reached more than 6,000 members and soon-to-be-members at existing and new employers during 2018. Forty-seven workplace presentations included four interactive regional sessions hosted by George Brown, Humber, Seneca, and Sheridan colleges that were attended by members from the host and nearby employers, as well as spouses.

Retired members also had the opportunity to attend in-person presentations about the Plan's performance and participate in a webinar tailored to their interests. Additionally, there were more than a dozen webinars offered throughout the year, as well as a series of videos on retirement planning.

These efforts continued to prove effective. The annual survey of members showed that those who had attended a session or watched a webinar or video during the past year were twice as likely to rate the value of the Plan as excellent.

Additionally, post-session surveys of presentation attendees indicate that on average across all sessions 67% better understand their pension and 85% value it more as a result of attending, while 87% said they were very likely to recommend the presentation to colleagues.

Knowledge builds Plan Champions

Listening to stakeholders

The Plan surveys members and employer administrators annually about their views of the Plan. The findings provide important input when setting strategic priorities. Core questions seek respondents' opinions of the value they receive for their contributions, how well represented they are by the joint governance structure, and their view of the Plan's expertise and reputation.

In 2018, more than 5,800 members responded to the survey, including 3,032 active members and 2,849 retired members. The questionnaires are completed online, with the option for retired members to participate by telephone. The surveys continue to show that members value their pensions and trust the Plan's governors and pension experts to keep their pensions secure.

Members and employers rate value highly

Ninety-one percent of active member respondents and 98% of retired member respondents rated the value of the Plan, for the contributions they make, or made while working, as excellent, good, or reasonably good.

In their 2018 survey, employers continue to rate the value of the Plan highly, with college chief financial and chief human resources officers assigning a rating of eight out of 10 to the value compared to the cost to offer the Plan.



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

Trust in joint governance, Plan expertise is strong

Among respondents with an opinion, 95% of active members and 99% of retired members believe their interests are satisfactorily or very well represented through the Plan's joint governance structure.

Ninety-seven percent of active member respondents and 98% of retired members agreed or strongly agreed that the Plan has the expertise to manage effectively and prudently. In their survey, 94% of employer administrators said they are very confident or confident in the 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

*Weighted average of the two groups

Plan Operations

MANAGEMENT'S COMMENTARY

The Plan administers pensions efficiently and in compliance with all regulations while delivering quality information and service to members and employers. This includes managing the enabling information technology and a growing program to protect the Plan from operational risk.

DBPLUS ADMINISTRATION READINESS

Through its pension administration and project management expertise, the Plan successfully implemented the second plan design, DBplus, within months of its approval by the Plan governors in late May 2018, beginning with the enrolment of active members from Torstar on October 1, 2018.

Introducing existing members to DBplus

An essential part of the implementation was introducing DBplus to all members, particularly those who, as part-time or contract workers, would be covered by the new plan design at the start of 2019.

Webinars targeted to part-time and full-time audiences began to be offered in June and were then made available on-demand in French and English together with DBplus information on the website.

Kevin Rorwick,
Chief Operating Officer &
Chief Financial Officer



In late September, the 8,463 members working part-time or on contract were sent information packages explaining the changes and encouraging them to both attend upcoming in-person workplace presentations and use a new online estimator. The estimator showed how their own pension would grow under DBplus and be combined with the pension they had already built in the original plan design to provide lifetime retirement income.

Another 306 members on an extension of membership (after terminating employment) were sent materials tailored to their information needs.

Workplace presentations about DBplus began in mid-October and ran through year-end.

Informing non-member part-time employees about the new plan design

Because the Plan has optional enrolment for part-time and contract employees, letters were sent in September to 18,291 of these employees who had yet to join the Plan, to make them aware of the new plan design that was created to better meet their needs.

Supporting employers to prepare for DBplus

Employers received support to make the transition to DBplus for their part-time and contract employees. Several webinars were held for administrators. These covered the plan design, member communication, and administration processes – from the payroll deduction calculation to enrolment and transfers between plan designs when employment status changes. Plan staff provided additional over-the-phone support to answer questions about the changes.

Pension administration system readied

The pension administration system was configured to calculate pension benefits accruals under DBplus and to combine benefits from it and DBprime into a single pension benefit at retirement or termination.

The system was fully tested and staff trained on it and the new processes to be ready for the go-live date for existing employers on January 1, 2019.

2018 HIGHLIGHTS

DBplus administration readiness

- Changes made to pension administration system
- Information packages provided to part-time employees in college system:
 - 8,769 who were already Plan members
 - 18,291 non-members eligible to join
- New and updated estimator tools for members implemented
- Administrative support provided to employers

Ongoing support for members and employers

- 7,401 pension purchase quotes issued related to 2017 faculty strike
- Service standards met through increased transactions
- Member annual statements delivered a month before deadline

MEMBERS WORK IN A DIVERSE RANGE OF OCCUPATIONS

	Full time	Part time	Total
College Academic	25%	21%	46%
College Administrative	11%	1%	12%
College Support	28%	8%	36%
Non-College Union	2%	1%	3%
Non-College Other	3%	0%	3%
Total	69%	31%	100%

Numbers are rounded.

Enrolment is automatic for full-time employees. Part-time employees can choose to join at any time during their career.

Estimator tools on website personalize Plan's value for members

Considerable effort was directed at introducing new estimator

tools and updating the existing ones to integrate the DBplus plan design. The estimators are vital decision-making tools for members because they bring the Plan's

Service Delivery team members: Anna Rea (left) and Tracy Rafanan.



value into focus by applying benefit calculations to their personal situation.

The DBplus estimator was ready by September to show existing members who work part time or on contract how the change to the new plan design would affect them. It was used more than 7,300 times.

The estimator that helps non-members who work part time or on contract determine if they should opt to join the Plan was updated to reflect the DBplus design. It was used more than 1,200 times.

ONGOING SERVICE TO MEMBERS AND EMPLOYERS

Throughout the preparations to implement DBplus, the Plan kept its commitment to provide excellent service to all members and employers.

This service included:

- 16,965 member transactions
- 98% or more of key transactions involving calculations met target turnaround time
- 11,024 phone calls personally answered, with 9 seconds average response time
- 120 presentations and webinars delivered to 6,026 members
- 6,202 email and voice mail messages from members responded to
- 2,720 email and voice mail messages from employers responded to
- 499,925 website page views during 167,442 sessions by 99,156 unique users.

All member communication and services are available in French and English

Transaction	Members rating service as Excellent, Very good, or Good
Pension purchases	84%
General inquiries	84%
Annual statement inquiries	85%
Pension estimates	89%

Service to members Service standards met

Throughout the year, the Plan continued to meet its service standards for quality and timeliness on all transactions, the overall numbers of which were 16% higher than in 2018. The volume of enrolments rose over 20%, pension estimates were up 25%, and pension purchases increased fourfold, including the strike service purchases noted below.

Annual member statements were once again issued well ahead of the June 30 regulatory deadline, with 99% mailed by May 31.

Service purchases

The Plan completed its commitment to supply members affected by the 2017 faculty strike with service purchase quotes for the strike period, issuing 7,401 of these directly to members by June 30, 2018. The direct-to-member approach saved employers' time and the annual survey of employers showed they were pleased to have the Plan deal directly with members

to administer these service purchases. By year-end, 1,041 purchases had been completed.

Member satisfaction with service

In the Plan's annual surveys members are asked about their view of its services. Active members are asked to rate their service experience on their interactions with the Plan. The vast majority who had transacted gave one of the top three ratings of excellent, very good, or good for the service they received.

Retired members are asked about their overall experience with the Plan's services. In 2018, 97% said they were very satisfied (27%), satisfied (60%), or somewhat satisfied (10%) with the service they received.

Service to employers

Employer satisfaction with service
In the annual survey of employers, 97% of respondents with an opinion rated the service the Plan provides to employers as excellent, very good, or good.

Monitoring compliance, supporting efficiencies

Annually, employers are required to attest that they have complied with the Plan's administrative processes. The 2018 attestation process was completed on time. The process often helps the Plan and employers identify ways in which to make incremental improvements to administrative processes.

OPERATIONAL RISK MANAGEMENT

Internal risk controls

The Plan continued to develop its comprehensive operational risk management program. A formal process for reporting errors and near misses was fully implemented in 2018 as a means to take corrective steps to avoid their recurrence, and strengthen processes and controls.

During 2018, the Plan's business continuity program was tested. The focus of the test was to ensure that core systems are quickly restored in the event of a business interruption. Core systems allow the Plan to continue to provide critical services such as paying pensions and providing access to decision-making information.

Cybersecurity risk

The Plan considers a data breach as a key risk to be managed and conducts a range of activities to protect its systems and member data. The Plan has a mature cybersecurity framework that drives activities and policies to mitigate this risk. As part of that framework, staff received training throughout 2018 in the important role they play in preventing cybersecurity breaches.

Pension confirmation process

As part of its fiduciary duty to all members, each year the Plan asks all retired members and survivors to complete and return a pension confirmation form. The confirmation process reminds retired members of their obligations to inform the Plan of changes, mitigating the risk of paying a pension to anyone other than those entitled to one.

21.6

AVERAGE YEARS OF SERVICE

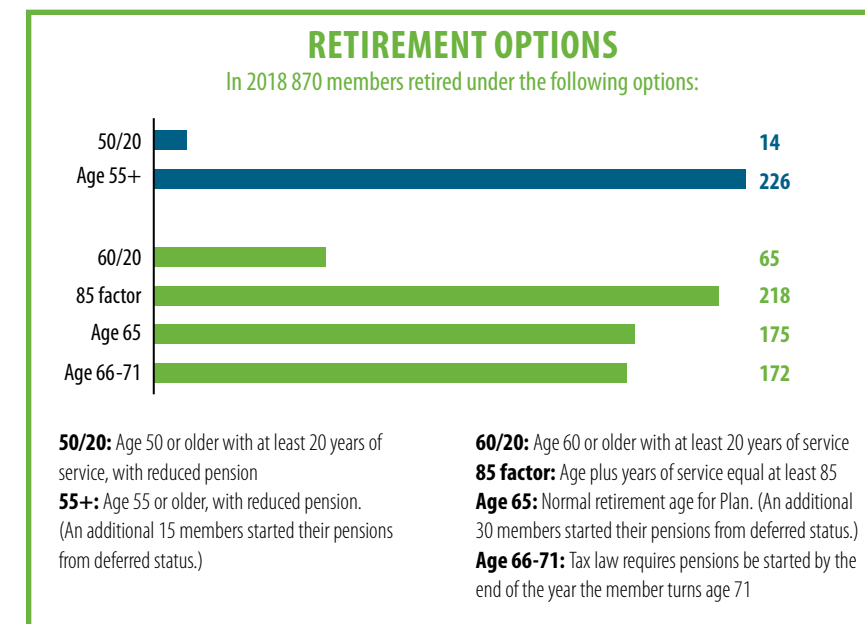
for members retiring from active status in 2018

62.6

YEARS

AVERAGE AGE AT RETIREMENT IN 2018

(retirements from active status only, excluding deferred retirements)



Joint Governance Focused on Plan Sustainability

PLAN GOVERNANCE

Members and employers have equal say in Plan decisions

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 Plan decisions about benefits, contributions, and funding. This joint governance structure is a successful model for keeping defined benefit pension plans relevant and sustainable.

The governors are appointed by the Sponsors' Committee, which represents the College Employer Council (in turn representing the college boards of governors), the Ontario College Administrative Staff Association (OCASA), and the Ontario Public Service Employees Union (OPSEU).

BOARD OF TRUSTEES

As fiduciaries, Trustees are legally bound to act in the interests of all Plan members. The Board of Trustees sets the investment policy and funding risk levels that are appropriate for the Plan's long-term obligations and establishes policies for administering benefits.

SPONSORS' COMMITTEE

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

The Committee also reviews and approves applications from new employers that want to join the Plan.

Trustees have diverse, relevant qualifications

By design, the composition of the Board of Trustees brings diversity as well as the skills needed to properly oversee the Plan, including:

- governance and oversight
- pension plan design, operations, and regulatory frameworks
- actuarial principles and concepts
- understanding of investment principles, capital markets, and financial securities
- labour/management relations, negotiations, and contracts
- financial and operational risk management, and
- accounting, budgeting, and planning.

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

- **Appeals Subcommittee** – hears member appeals of Plan staff's 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 focused on Plan design, funding, 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.
- **Governance Committee** – assists the Board of Trustees in ensuring effective Board functioning and decision making as well as promoting and enhancing effective governance standards. The committee also oversees the Board of Trustees' human resources management of the CEO & Plan Manager.
- **Investment Committee** – develops and recommends the Statement of Investment Policies and Procedures and related policies such as those concerning responsible investing. It reviews compliance with investment policies and the performance of the Plan's investments. It also recommends the appointment of the custodian and approves the addition of new investment and fund managers.

TASK FORCE

A joint task force established in late 2017 to investigate the implementation of an additional plan design that would better meet the needs of members who work part time, and be adaptable to the needs of a variety of prospective employers beyond the Ontario college sector, completed its work in 2018. In May, the Sponsors' Committee accepted the recommendations from the task force on the plan design, funding policy, and communication of a second plan design that would be called DBplus. Information about the design and introduction of DBplus appears in the Plan Changes section on page 19 and in the description of services to members and employers on pages 37 and 38.

The Sponsors' Committee has eight members:

four representing employees, three of whom are appointed by OPSEU and one by OCASA, and four representing employers, who are appointed by the College Employer Council on behalf of the college boards of governors.



Ms. Kim Macpherson

*Co-Chair**
*Employee representative**
(OPSEU-appointed)
Benefits Officer, OPSEU; member of OPSEU's Pension Liaison Committee; has served on boards of several other jointly sponsored pension plans



Mr. Brian Tamblyn

Co-Chair
Employer representative
(CEC-appointed)
Private practice management consultant; retired President and CEO of Georgian College



Mr. Riley Burton

Employee representative
(OCASA-appointed)
Chair, School of Business, Hospitality and Media Arts at Confederation College; former member of the OCASA Board of Directors; member of the Thunder Bay Chamber of Commerce Board of Directors



Mr. Ross Gascho

Employer representative
(CEC-appointed)
Partner at Fasken Martineau; member of the Canadian Bar Association and the Ontario Bar Association Pension & Benefits Section



Dr. Steve Hudson

Employer representative
(CEC-appointed)
Vice-president, Academic and Learner Services at Niagara College



Mr. Patrick Kennedy

Employee representative
(OPSEU-appointed)
Professor in the Career and Academic Access Centre at Algonquin College; President of OPSEU Local 415



Ms. Anne Sado

Employer representative
(CEC-appointed)
President of George Brown College; member of several boards, including ORION, Polytechnics Canada, and the Toronto Region Board of Trade; Member of the Order of Canada



Ms. Veneise Samuels

Employee representative
(OPSEU-appointed)
Student Success & Industry Liaison Officer at George Brown College; Second Vice President of OPSEU Local 557

*Kim Macpherson served as an OPSEU-appointed employee representative from January 2012 to February 2019.

Veneise Samuels was appointed July 1, 2018.

Not shown: **Tom Wilcox** served as an OPSEU-appointed employee representative from April 1, 2017 to June 30, 2018.

The Board of Trustees has 12 members:

six appointed by employee groups, four of whom are appointed by OPSEU, one by OCASA, and one on a rotating basis by the employee organizations; and six appointed by employers, who are appointed by the College Employer Council on behalf of the college boards of governors.



Dr. Scott Blakey

Chair
Employer-appointed Trustee
Chief Administrative Officer at Durham College; former President of the TTC Pension Fund Society



Mr. Rasho Donchev

Vice-Chair
Employee-appointed Trustee
Scheduling Officer at Centennial College; President of OPSEU Local 559



Ms. Virginia Di Monte

Employee-appointed Trustee
Payroll Administrator at Seneca College; Treasurer for OPSEU Local 561



Mr. Henry (Harry) Gibbs

Employer-appointed Trustee
An advisor to several Canadian pension investment committees; previously served as a Vice President and as a Director of the Pension Investment Association of Canada



Mr. David Haley

Employee-appointed Trustee
Professor, School of Advanced Technology at Algonquin College (teaching mathematics and engineering); OPSEU Local 415 executive



Ms. Karen McRae

Employer-appointed Trustee
Previously Senior Vice President, Investments at the Mackenzie Financial Corporation; member of the Board of Trustees of the Anglican Church of Canada Pension Fund



Mr. Alnasir Samji

Employer-appointed Trustee
Managing Principal at Alderidge Consulting Inc.; member of the Torstar Board of Directors and chair of its Pension Committee



Mr. Michael Seeger

Employee-appointed Trustee
Former Director of Financial Services at Loyalist College, now retired



Mr. Don Smith

Employee-appointed Trustee
Faculty member of the School of Business at Georgian College; served on professional committees concerned with member education and accounting standards development



Ms. Beverley Townsend

Employer-appointed Trustee
Health care consultant; past chair of ACAATO (forerunner to Colleges Ontario), the Loyalist College Board of Governors, and the Loyalist College Foundation (where she remains an honorary director)



Ms. Gretchen Van Riesen

Employer-appointed Trustee
Consultant in the pensions and benefits industry; member of the boards of the Municipal Employer Pension Centre of Ontario and the Teachers' Pension Plan Corporation of Newfoundland and Labrador



Ms. Kim Watkins

Employee-appointed Trustee
Chief Financial Officer at Mohawk College; Treasurer of the Mohawk College Foundation

Virginia Di Monte was appointed July 1, 2018; David Haley was appointed January 1, 2019; Michael Seeger was appointed January 1, 2019.

Not shown: **Darryl Bedford** served as an Employee-appointed Trustee from January 1, 2010 to December 31, 2018; **Bill Kuehnbaum** served as an Employee-appointed Trustee from January 1, 2016 to December 31, 2018; **Donald Wright** served as an Employee-appointed Trustee from January 1, 2000 to June 30, 2018.

GOOD GOVERNANCE GROUNDED IN KNOWLEDGE, POLICY

Comprehensive 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 in the environment in which the Plan operates. During 2018, the governors reviewed and updated or revised 13 of these policies, which are listed below.

Ongoing education

New governors receive an orientation and materials for self-education. During regular meetings and at an annual strategic planning session, governors receive education sessions delivered by senior Plan staff and other industry experts. During 2018, the Plan governors received the following presentations from external speakers: “What does 2050 look like?” by a former strategist with La Caisse de dépôt et placement du Québec; and a scenario planning session by the Global Risk Institute (National Pension Hub). Members of the Investment Committee also received a presentation on emerging markets by an industry expert, and members of the Audit Committee received a presentation on insurance.

Individual Plan governors attend pension industry conferences throughout the year and report on these to all Plan governors and senior staff. In 2018, these educational events included the:

International Foundation of Employee Benefit Plans (IFEFP) Canadian Legal & Legislative Update; IFEFP Foundations of Trust Management Standards; Canadian Public Sector Pension and Benefits Conference; and the Canadian Public Pension Leadership Council Pension Forum.

Membership in the 30% Club Canada reflects commitment to diversity

The Plan’s CEO & Plan Manager and the Chair and Vice-Chair of the Board of Trustees are members of the 30% Club Canada initiative, a group that advocates for improved outcomes through gender diversity on boards and in senior management.

GOVERNING POLICIES INTRODUCED, UPDATED, OR AMENDED DURING 2018

- Board of Trustees Code of Conduct
- Board of Trustees Member Expense Policy Guidelines
- Board of Trustees Member Settlement Policy
- Board of Trustees Operations Policy
- Board of Trustees Orientation and Education Policy
- Budget Expense Policy
- Guidelines for the Selection of Members of the Board of Trustees

- Policy on Investment in Derivative Instruments
- Policy on Non-Audit Services Performed by External Auditor
- Statement of Investment Policies and Procedures
- Portfolio Implementation Policies and Procedures
- Sponsors’ Committee Member Expense Policy Guidelines
- Sponsors’ Committee Orientation and Education Policy

Funding Policy guides decisions to keep Plan sustainable, benefits under both plan designs secure

The CAAT Pension Plan Funding Policy defines six levels of Plan financial health and sets guidelines for the Plan governors to use reserves, stability contributions, and conditional benefits to manage through periods of volatility—to keep the Plan sustainable over the long term to secure benefits while balancing fairness across the membership.

Each filed actuarial funding valuation determines the Plan’s funded status and accordingly where the Plan sits within

the levels of the Funding Policy. The chart below shows the options available at each funding level.

At Funding Level 4, where the Plan sits as of the January 1, 2019 actuarial funding valuation, the priority and timing of the options is not pre-determined but rather allow the decisions to reflect the evolving needs of stakeholders, the current pension environment, or emerging risks to the Plan.

Funding Policy at a glance

	LEVERS OF CONTROL	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5	LEVEL 6
DBprime	Stability contributions	3% or more	3%	3%	Consider 1% to 3%	Consider 0% to 1%	0% (Consider reducing basic contributions)
Common	Discount rate reserves	Fully used	Marginal	Consider up to 0.5%	Consider up to 1%	1% plus up to 7.5% increase in liabilities	Further build, up to tax limit
	Future benefits	Consider temporary reductions	Consider restoration of any temporary reductions				Consider improving benefits (e.g., ad hoc increases)
	Post-retirement conditional inflation protection (75% of CPI)	None	Applied	Applied plus consider catch-up	Applied plus reserves	Applied plus reserves	Consider increases above 75% of CPI
DBplus	Pre-retirement benefit increase (100% of Average Industrial Wage)	None	None	Applied	Applied plus consider catch-up	Applied	Applied
	Lifetime annual pension factor (PF)	Consider reduction below 8.5%	8.5% plus consider catch-up	8.5%	8.5%	Consider 8.5% to 9.5%	9.5% (Consider an increase beyond 9.5%)
	Early retirement factor (ERF) (from age 65)	5% or higher	5%	5%	Consider 3%, 4%, or 5% (currently 3%)	3%	3%

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.

Financial Statements

CONTENTS

- 49 Management's Responsibility for Financial Reporting
- 50 Independent Auditor's Report
- 52 Actuaries' Opinion
- 53 Statement of Financial Position
- 54 Statement of Changes in Net Assets Available for Benefits
- 55 Statement of Changes in Pension Obligations
- 55 Statement of Changes in Surplus
- 56 Notes to Financial Statements

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.

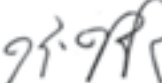
CAAT Pension Plan maintains books of account, systems of information, and systems of financial and management control which provide reasonable assurance that accurate financial statement information is available, that assets are protected, and that resources are managed efficiently. These systems include 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 Operating Officer &
Chief Financial Officer

April 22, 2019

Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Plan, which comprise the statement of financial position as at December 31, 2018, 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 notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2018, 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 ("ASPP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPP, 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.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting

unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants, Toronto, Canada
April 22, 2019

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, 2018, for inclusion in the Plan's financial statements.

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

- Plan provisions in effect as at December 31, 2018;
- membership data provided by the Board as at December 31, 2017;
- 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, 2018 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 2018, 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.



Bill Watson, F.C.I.A.

Mercer (Canada) Limited
Marsh & McLennan Companies

April 22, 2019

Statement of Financial Position

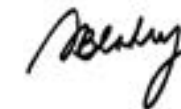
	December 31	
(\$ thousands)	2018	2017
ASSETS		
Investments (Note 3)	\$ 11,546,596	\$ 11,230,702
Investment-related assets (Note 3a)	296,331	345,904
Employer contributions receivable (Note 11)	13,221	16,086
Member contributions receivable (Note 11)	13,149	16,156
Other assets (Note 7)	6,805	6,391
	11,876,102	11,615,239
LIABILITIES		
Investment-related liabilities (Note 3a)	1,026,760	793,127
Accounts payable and accrued liabilities (Note 8)	31,775	35,886
	1,058,535	829,013
Net assets available for benefits	\$ 10,817,567	\$ 10,786,226
Pension obligations (Note 9)	9,653,892	9,229,348
Regulatory surplus (Note 10)	2,618,323	2,268,595
Measurement differences between regulatory and accounting deficit (Note 10)	(1,454,648)	(711,717)
Surplus	\$ 1,163,675	\$ 1,556,878

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



Mr. Don Smith,
Chair



Dr. Scott Blakey,
Vice-Chair

Statement of Changes in Net Assets Available for Benefits

(\$ thousands)	Year ended December 31	
	2018	2017
Increase in net assets available for benefits		
Contributions (Note 11)	\$ 495,437	\$ 444,223
Investment income (Note 12)	40,102	1,431,403
	535,539	1,875,626
Decrease in net assets available for benefits		
Benefits (Note 13)	479,212	456,592
Investment administration expenditures (Note 14)	8,232	6,896
Pension administration expenditures (Note 14)	16,754	14,139
	504,198	477,627
Net increase in net assets available for benefits	31,341	1,397,999
Net assets available for benefits, beginning of year	10,786,226	9,388,227
Net assets available for benefits, end of year	\$ 10,817,567	\$ 10,786,226

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

Statement of Changes in Pension Obligations

(\$ thousands)	Year ended December 31	
	2018	2017
Accrued pension obligations, beginning of year	\$ 9,229,348	\$ 8,880,936
Increase in accrued pension obligations (Notes 9 & 10)		
Interest on accrued benefits	519,297	499,857
Benefits accrued	283,418	273,383
Changes in actuarial assumptions	120,340	4,351
Experience losses	-	27,413
	923,055	805,004
Decrease in accrued pension obligations		
Benefits paid (Note 13)	479,212	456,592
Experience gains	19,299	-
	498,511	456,592
Net increase in accrued pension obligations	424,544	348,412
Accrued pension obligations, end of year	\$ 9,653,892	\$ 9,229,348

Statement of Changes in Surplus

(\$ thousands)	Year ended December 31	
	2018	2017
Surplus, beginning of year	\$ 1,556,878	\$ 507,291
Net increase in net assets available for benefits	31,341	1,397,999
Net increase in accrued pension obligations	(424,544)	(348,412)
Surplus, end of year	\$ 1,163,675	\$ 1,556,878

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 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 two integrated plan designs (“DBprime” and “DBplus”). DBprime offers benefits based on earnings and service, while DBplus offers benefits based on total contributions. Both designs are 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”) (together, “the Sponsors”). 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 employed by certain participating employers of 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

DBprime

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.

DBplus

A retirement pension is available based on total contributions made to the Plan (employee plus employer contributions) multiplied by an annual pension factor during each year of participation. A member is eligible for an unreduced pension at the age of 65. 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 or 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 active membership after 1991 are increased in January each year for inflation at 75% of the increase in the average Consumer Price Index as at September 30 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 active membership after 2007 is conditional on the Plan’s funding position.

DBplus pension benefits earned are increased in January of each year prior to a member retiring for wage growth by the increase in the Average Industrial Wage (AIW) index, 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 funding 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 (for DBprime), and/or specified increases to benefits (for DBplus), and/or inflation adjustments for pre-1992 and post-2007 active membership. In the event a funding deficit is determined, a decrease in future DBprime benefit accruals and/or an increase in contribution rates may be required. For DBplus, a reduction in future benefits earned may be required.

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 (*Chartered Professional Accountants of Canada (CPA Canada) Handbook – Section 4600*). As required under Section 4600, the Plan has valued and made certain disclosures on financial instruments in accordance with International Financial Reporting Standards (see below and Note 6). Accounting standards for private enterprises in Part II of the CPA Canada Handbook – 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 or amortized cost, as noted below. 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 value of investments is determined as follows:

- Short-term investments are valued at amortized cost, adjusted for foreign exchange, which in conjunction with accrued interest receivable approximates fair value.
- Publicly traded equity securities are recorded at fair value using 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 recorded at fair value 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 and are recorded at fair value. 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.

- Real estate investments are recorded at fair value and 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).

New Accounting Standard – IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments and was effective January 1, 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. There were no impacts to the financial results of the Plan from the adoption of IFRS 9.

NOTE 3: INVESTMENTS

3(a) – Summary of Investments

(\$ thousands)	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Investments				
Short-term investments	\$ 1,161,124	\$ 1,131,945	\$ 987,478	\$ 1,004,254
Fixed income (Note 3b)	3,351,265	3,296,265	3,145,304	3,044,497
Equities (Note 3c)	4,278,728	3,909,231	5,047,348	4,095,111
Infrastructure	1,107,494	812,912	843,973	602,230
Private Equity	927,560	638,081	648,778	443,866
Real Estate	720,425	436,448	557,821	325,629
Investments	\$ 11,546,596	\$ 10,224,882	\$ 11,230,702	\$ 9,515,587
Investment-related assets				
Accrued income	\$ 25,066	\$ 25,064	\$ 19,315	\$ 19,315
Unsettled trades receivable	44,952	44,952	35,349	35,351
Long-dated sales receivable	201,711	200,089	218,480	220,283
Derivative-related receivables (Note 5)	24,602	17,868	72,760	5,571
Investment-related assets	\$ 296,331	\$ 287,973	\$ 345,904	\$ 280,520
Investment-related liabilities				
Unsettled trades payable	\$ (10,296)	\$ (10,293)	\$ (9,332)	\$ (9,332)
Long-dated purchases payable	(785,246)	(777,919)	(772,623)	(777,558)
Derivative-related liabilities (Note 5)	(231,218)	(649)	(11,172)	(2,576)
Investment-related liabilities	\$ (1,026,760)	\$ (788,861)	\$ (793,127)	\$ (789,466)
Net investments	\$ 10,816,167	\$ 9,723,994	\$ 10,783,479	\$ 9,006,641

3(b) – Fixed income

Investments in fixed income include the following issuers:

(\$ thousands)	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Government of Canada	\$ 1,048,280	\$ 1,004,329	\$ 1,116,424	\$ 1,067,531
Provincial governments	1,322,272	1,310,978	1,233,914	1,190,051
Municipal governments	31,650	32,136	26,278	26,053
Corporate	556,677	562,892	477,803	470,515
Foreign	392,386	385,930	290,885	290,347
Total fixed income	\$ 3,351,265	\$ 3,296,265	\$ 3,145,304	\$ 3,044,497

Government bonds include those issued or guaranteed by the government.

3(b) cont'd

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

(\$ thousands)	2018	2017
	Fair Value	Fair Value
1 – 5 years	\$ 416,861	\$ 380,386
6 – 10 years	543,486	608,043
11 – 20 years	897,009	870,291
Greater than 20 years	1,493,909	1,286,584
Total fixed income	\$ 3,351,265	\$ 3,145,304

3(c) – Equity Investments

Equities include securities issued and traded in the following geographical regions:

(\$ thousands)	2018		2017	
	Fair Value	%	Fair Value	%
United States	\$ 1,736,853	40.6	\$ 1,895,524	37.6
Other Asia / Pacific	896,788	21.0	964,132	19.1
Europe (excluding United Kingdom)	645,717	15.1	724,961	14.3
Japan	328,595	7.7	429,102	8.5
United Kingdom	215,066	5.0	203,086	4.0
Canada	185,262	4.3	573,250	11.4
Latin America	142,269	3.3	95,292	1.9
Other	128,178	3.0	162,001	3.2
Total equity	\$ 4,278,728	100.0	\$ 5,047,348	100.0

3(d) – Summary of Significant Investments

At December 31, 2018 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	\$ 494,684	\$ 472,237
Fixed income		
Canada Housing Trust No. 1	121,296	121,203
CIBC Pooled Long-Term Bond Index Fund	693,449	699,181
Fannie Mae Mortgage Backed Securities	122,205	118,643
Freddie Mac Mortgage Backed Securities	105,501	102,240
Government of Canada Bonds	776,299	730,882
Province of Ontario Bonds	415,305	411,827
Province of Quebec Bonds	259,469	251,787
Equities		
Acadian Emerging Market Small-Cap Fund	167,347	140,716
Arrowstreet Global World Alpha Extension Fund	872,593	851,216
BlackRock Global Fixed Income Alpha Offshore Fund	432,602	421,763
Bridgewater Pure Alpha Fund II	329,117	209,556
GMO Emerging Domestic Opportunities Fund IV	449,657	491,170
Real Estate		
Greystone Real Estate Fund	461,009	207,873
Carlyle Property Investors, L.P.	139,338	133,006

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, 2018, the Plan's investments included loaned securities with a fair value of \$1,129,608 thousand (2017 - \$1,239,263 thousand). The fair value of collateral received in respect of these loans was \$1,181,933 thousand (2017 - \$1,288,137 thousand). Net income earned from securities lending for the year was \$2,465 thousand (2017 - \$2,929 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 27, 2018 whereby the benchmark for Global Developed Equity was changed to include Canada, a separate 5% allocation to Canadian Equity was removed and the allocation ranges for Global Developed Equity as a percentage of total investments was changed as follows:

	Prior asset allocation range	Revised asset allocation range
Canadian Equity	3-10%	nil
Global Developed Equity	20-40%	20-35%

The Statement designates eight broad classes of assets. A set of benchmarks has been identified to measure performance against each class's annual rate of investment return. The total investments' annual rate of return is measured against a composite index made up of the weighted average of each class's benchmark return using the actual allocation of assets to weight the various classes. The Plan's relative annual rate of return expectation is to equal or exceed the composite index. Over a long-term period of at least 10 years, the rate of return less inflation is expected to exceed 4.5%. The Plan's assets were allocated within the allowed allocation ranges as at December 31, 2018 and 2017.

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

Asset Class	Benchmark Index	2018		2017	
		Allocation Range	Actual Allocation	Allocation Range	Actual Allocation
Liability-hedging assets		29-71%	47.8%	29-71%	44.0%
Nominal Long Bonds	FTSE TMX Long Bond Index	10-25%	16.1%	10-25%	16.0%
Nominal Universe Bonds	FTSE TMX Universe Index	3-7%	5.2%	3-7%	4.8%
Real-Return Bonds	Actual RRB portfolio return	3-7%	4.8%	3-7%	5.0%
Real Assets	CPI + 5%	10-25%	17.0%	10-25%	13.2%
Commodities	S&P GSCI	3-7%	4.7%	3-7%	5.0%
Return-enhancing assets		33-67%	52.1%	36-82%	55.6%
Canadian Equity ¹	S&P/TSX Composite	Not applicable	Not applicable	3-10%	4.9%
Global Developed Equity ¹	MSCI World ex Canada	20-35%	33.4%	20-40%	34.5%
Emerging Markets Equity	MSCI Emerging Markets Index	8-12%	9.9%	8-12%	10.0%
Private Equity	MSCI ACWI + 3%	5-20%	8.8%	5-20%	6.2%
Cash, cash equivalents, and other	Not applicable	Not applicable	0.1%	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)	2018			2017
	Gross Exposure	Derivative Impact	Net Exposure	Net Exposure
United States Dollar	\$ 4,564,117	\$ (2,291,488)	\$ 2,272,629	\$ 2,280,229
Other currencies	400,381	(53,499)	346,882	361,258
Hong Kong Dollar	147,546	(37,301)	110,245	102,937
Japanese Yen	315,419	(236,530)	78,889	118,752
British Pound Sterling	250,718	(180,539)	70,179	118,630
Euro	605,406	(560,268)	45,138	100,263
Swiss Franc	63,802	(58,858)	4,944	9,410
Total foreign	6,347,389	(3,418,483)	2,928,906	3,091,479
Canadian Dollar	4,603,764	3,283,497	7,887,261	7,692,000
Net investments	\$ 10,951,153	\$ (134,986)	\$ 10,816,167	\$ 10,783,479

¹ As of November 28, 2018, Canadian Equity was removed as a separate asset class and allocated to the Global Developed Equity class. In 2017, the benchmarks for Canadian Equity and Global Developed Equity were S&P/TSX Composite and MSCI World Ex Canada, respectively. Refer to Note 4 for more details.

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, 2018 would result in a gain/loss of \$146,445 thousand (2017 - \$156,311 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, 2018, the duration of the fixed income portfolio was 13.5 years (2017 - 13.6 years). If interest rates were to rise by 1%, the fair value of the fixed income portfolio would decline by approximately \$472 million (2017 - \$392 million). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income

portfolio would increase by approximately \$470 million (2017 - \$392 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)	2018		2017	
	10% Change results in a change of	Gain / Loss	10% Change results in a change of	Gain / Loss
Global Developed Equity	9.7%	\$ 342,646	9.8%	\$ 419,963
Emerging Markets Equity	9.9%	\$ 106,890	10.2%	\$ 109,491

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

(\$ thousands)	2018	2017
Short-term investments	\$ 1,161,124	\$ 987,478
Fixed income	3,351,265	3,145,304
Derivative-related receivables	24,602	72,760
Interest receivable	16,368	12,337
Loaned securities	1,129,608	1,239,263
Credit default derivatives – written	29,183	21,280
Total maximum exposure	\$ 5,712,150	\$ 5,478,422

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, 2018, the fair value of such bonds held by the Plan was \$2,370,552 thousand (2017 - \$2,350,338 thousand). In addition, the Plan's portfolio of short-term investments of \$1,161,124 thousand (2017 - \$987,478 thousand) primarily represents cash or near cash assets that are available to meet payment obligations.

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

(\$ thousands)	2018	2017
AAA	\$ 1,189,116	\$ 1,253,191
AA	881,146	627,773
A	858,524	825,761
BBB or lower	422,479	438,579
Total	\$ 3,351,265	\$ 3,145,304

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 most 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 table below lists the types of derivative financial instruments employed by the Plan, together with the corresponding notional and fair values as at December 31.

(\$ thousands)	2018			2017		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Positive	Negative		Positive	Negative
Equity						
Futures	\$ 1,193,882	-	\$ (41,203)	\$ 1,011,473	\$8,358	\$ -
Fixed income						
Futures	699,183	3,938	(1,227)	619,076	449	(878)
Currency derivatives						
Forwards	4,087,547	-	(134,980)	3,239,347	25,955	-
Swaps	-	-	-	1,283	647	(639)
Interest rate derivatives						
Swaps	1,041,321	15,762	(506)	924,595	4,140	(4,162)
Credit default swaps						
Purchased	168,198	1,929	(571)	160,252	5,731	(94)
Written	29,183	153	(242)	21,280	56	(182)
Options	9,697	-	(20)	-	-	-
Commodity						
Futures	509,769	2,820	(52,469)	532,372	27,424	(5,217)
	\$ 7,738,780	\$ 24,602	\$ (231,218)	\$ 6,509,678	\$ 72,760	\$ (11,172)

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

(\$ thousands)	2018	2017
Under 1 year	\$ 6,352,009	\$ 5,403,550
1 to 5 years	1,218,557	1,028,278
Over 5 years	168,214	77,850
	\$ 7,738,780	\$ 6,509,678

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:

(\$ thousands)	2018			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 1,161,124	\$ -	\$ 1,161,124
Fixed income	-	3,351,265	-	3,351,265
Equities	2,002,655	2,276,073	-	4,278,728
Infrastructure	-	-	1,107,494	1,107,494
Real Estate	-	-	720,425	720,425
Private Equity	-	24,309	903,251	927,560
Investment-related assets	76,774	219,557	-	296,331
Investment-related liabilities	(105,194)	(921,566)	-	(1,026,760)
	\$ 1,974,235	\$ 6,110,762	\$ 2,731,170	\$ 10,816,167

(\$ thousands)	2017			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 987,478	\$ -	\$ 987,478
Fixed income	-	3,145,304	-	3,145,304
Equities	2,728,533	2,318,815	-	5,047,348
Infrastructure	-	-	843,973	843,973
Real Estate	-	-	557,821	557,821
Private Equity	-	-	648,778	648,778
Investment-related assets	90,895	255,010	-	345,905
Investment-related liabilities	(15,426)	(777,701)	-	(793,127)
	\$ 2,804,002	\$ 5,928,906	\$ 2,050,572	\$ 10,783,480

There were no significant transfers of investments between Level 1 and Level 2 during 2018 or 2017.

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:

2018				
(\$ thousands)	Infrastructure	Real estate	Private equity	Total
Opening balance	\$ 843,973	\$ 557,821	\$ 648,778	\$ 2,050,572
Acquisitions	294,440	146,892	312,300	753,632
Dispositions	(150,207)	(35,555)	(225,464)	(411,226)
Realized gains	66,450	(518)	107,379	173,311
Unrealized gains	52,838	51,785	84,567	189,190
Transfers to Level 2	-	-	(24,309)	
Closing balance	\$ 1,107,494	\$ 720,425	\$ 903,251	\$ 2,755,479

2017				
(\$ thousands)	Infrastructure	Real estate	Private equity	Total
Opening balance	\$ 744,966	\$ 469,055	\$ 515,738	\$ 1,729,759
Acquisitions	201,374	68,175	182,011	451,560
Dispositions	(204,590)	(30,473)	(177,225)	(412,288)
Realized gains	58,708	123	96,197	155,028
Unrealized gains	43,515	50,941	32,057	126,513
Closing balance	\$ 843,973	\$ 557,821	\$ 648,778	\$ 2,050,572

NOTE 7: OTHER ASSETS

(\$ thousands)	2018			2017
	Cost	Accumulated depreciation & amortization	Net book value	Net book value
Fixed assets				
Systems software	\$ 4,729	\$ 2,285	\$ 2,443	\$ 2,671
Leasehold improvements	37	6	32	35
Computer equipment	760	404	356	330
Furniture, fixtures & equipment	718	419	299	274
	\$ 6,244	\$ 3,114	\$ 3,130	\$ 3,310

Other assets consist of fixed assets with a net book value of \$3,130 thousand (2017 - \$3,310 thousand) and miscellaneous receivables and prepaid expenses in the amount of \$3,675 thousand (2017 - \$3,081 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 \$10,647 thousand (2017 - \$9,824 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, 2022 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, 2019. The next regulatory valuation is required to be filed no later than as at January 1, 2022.

Pension obligations as at December 31, 2018 were \$9,653,892 thousand (2017 - \$9,229,348 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 rates, and inflation rate. The discount rate 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:

	2018	2017
Discount rate	5.50%	5.60%
Salary escalation rate	3.75%	3.75%
Inflation rate	2.00%	2.00%
Real discount rate	3.50%	3.60%

Changes in actuarial assumptions between 2017 and 2018 resulted in an increase in the pension obligation of \$120,340 thousand due to a 10-basis-point decrease in the discount rate and a change in the basis used to determine commuted values for members assumed to elect lump sums upon termination (between 2016 and 2017 an increase in the pension obligation of \$4,351 thousand was due to a change in the basis used to determine commuted values for members assumed to elect lump sums upon termination).

Experience Gains and Losses

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2018, experience gains were \$19,299 thousand (2017 - losses of \$27,413 thousand). Experience gains in 2018 stemmed from demographic

experience gains and lower than assumed salary escalation. Experience losses in 2017 stemmed from demographic experience losses and the extension of conditional inflation adjustments for post-2007 service, offset in part by lower than assumed salary escalation and inflation.

Plan Provisions

Under DBprime, 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) (\$57,400 in 2019 and \$55,900 in 2018) 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 were contributing at lower contribution rates over a phase-in period to January 1, 2019 as a part of their agreement to join the Plan. Members employed by the Youth Services Bureau of Ottawa are contributing at lower contribution rates over a phase-in period to January 1, 2022 as a part of their agreement to join the Plan.

Under DBplus, the contribution rate on contributory earnings (as defined by the Plan Text) by both employers and employees is 9% of contributory earnings unless otherwise specified in the Plan Text, provided that the member contribution amount may not exceed 9% of contributory earnings. Members employed by Torstar Corporation and its applicable subsidiaries are contributing at lower contribution rates over a phase-in period to January 1, 2021 as a part of their agreement to join the Plan (refer to Note 18).

NOTE 10: SURPLUS

The excess of net assets available for benefits against pension obligations results in the Plan being in a surplus of \$1,163,675 thousand as at December 31, 2018 (2017 - \$1,556,878 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, 2018, which has been filed with FSCO subsequent to year end is \$2,618,323 thousand (2017 - \$2,268,595

thousand). A 25-basis-point decrease in the discount rate assumption at December 31, 2018 would result in a decrease in the regulatory surplus of approximately \$432 million (2017 - \$438 million).

Measurement differences between the regulatory surplus and accounting surplus (deficit) in 2018 of \$1,454,648 thousand (2017 - \$676,971 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 2018 is a \$161,350 thousand deferred gain (2017 - \$977,341 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)	2018	2017
Members		
Current service	\$ 235,221	\$ 207,272
Past service	8,920	5,689
Employers		
Current service	236,066	207,913
Past service	3,185	3,543
Transfers from other pension plans	12,045	19,806
	\$ 495,437	\$ 444,223

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 overpayments or underpayments. As at December 31, 2018, \$13,221 thousand of employer contributions receivable and \$13,149 thousand of member contributions receivable (2017 - \$16,086 thousand of employer contributions and \$16,156 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)	2018	2017
Interest income	\$ 126,433	\$ 102,474
Dividend income	85,857	100,491
Other income	2,595	3,585
	214,885	206,550
Investment gains		
Realized gain	582,392	825,623
Change in unrealized (depreciation)/ appreciation of investments	(657,988)	490,950
	(75,596)	1,316,573
Investment income prior to investment expenses	139,289	1,523,123
Investment management fees	(95,206)	(87,483)
Transaction costs	(3,981)	(4,237)
	\$ 40,102	\$ 1,431,403

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

(\$ thousands)	2018	2017
Short-term investments*	\$ (221,608)	\$ 95,159
Fixed income	18,481	80,129
Equities	(61,831)	969,920
Infrastructure	151,807	178,962
Real Estate	53,284	53,183
Private Equity	199,156	145,770
	\$ 139,289	\$ 1,523,123

* Includes loss on currency forwards and options and commodity futures of \$247,041 thousand (2017 - gain of \$84,794 thousand)

NOTE 13: BENEFITS

(\$ thousands)	2018	2017
Pensions	\$ 444,852	\$ 422,956
Payments on termination of membership	34,360	33,636
	\$ 479,212	\$ 456,592

NOTE 14: ADMINISTRATION EXPENDITURES

Investment Administration Expenditures			Pension Administration Expenditures		
(\$ thousands)	2018	2017	(\$ thousands)	2018	2017
Salaries and benefits	\$ 4,845	\$ 3,802	Salaries and benefits	\$ 12,002	\$ 10,210
Custodial fees	1,277	1,242	Premises and equipment	2,683	2,473
Other professional services	867	819	Other professional services	654	246
Premises and equipment	712	524	Communications and travel	550	421
Communications and travel	367	298	Custodial fees	435	412
Audit fees	84	82	Actuarial fees	277	202
Board and Sponsors' Committee	67	99	Audit fees	84	82
Actuarial fees	13	30	Board and Sponsors' Committee	69	93
	\$ 8,232	\$ 6,896		\$ 16,754	\$ 14,139

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, 2018, these commitments totalled \$1,658,204 thousand (2017 - \$1,118,997 thousand).

The Plan leases its office premises under two operating lease agreements that have expiration dates of April 29, 2021 and November 30, 2027, respectively. In addition, there are various equipment leases in place with expiry dates between 2017 and 2024. Future lease payments over the remaining life of the leases total

\$8,376 thousand, with the following amounts payable over the next five years: 2019 - \$1,069 thousand, 2020 - \$1,069 thousand, 2021 - \$712 thousand, 2022 - \$536 thousand, and 2023 - \$572 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 2018 was \$36 thousand (2017 - \$32 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 – TORSTAR CORPORATION PENSION PLANS

In September 2018, Torstar Corporation (and its applicable subsidiaries) defined benefit pension plans ("Torstar DB Plans") members voted to join the CAAT Pension Plan.

Effective October 1, 2018, all active members of the Torstar DB Plans became members of the CAAT Pension Plan and started earning benefits and making contributions in accordance with CAAT Pension Plan provisions. Torstar Group Registered

Retirement Savings Plan and defined contribution members joined January 1, 2019, and all other Torstar employees have the option to join as of January 1, 2019.

Subject to the approval of the Financial Services Commission of Ontario (or its successor) the assets and liabilities of the Torstar DB Plans will be transferred to and assumed by the CAAT Pension Plan. All retired members of the Torstar DB Plans will commence receiving their pension

from the CAAT Pension Plan when the assets are transferred. As of December 31, 2018, the combined assets and liabilities of the Torstar DB Plans according to the Actuarial Cost Certificate prepared by the Torstar DB Plans' actuary were as follows:

Actuarial value of assets: \$872,963 thousand
Going-concern funding liabilities: \$729,495 thousand
Funding excess: \$143,469 thousand

NOTE 19: RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior-year amounts have been reclassified for consistency with the current-year presentation.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the CAAT Pension Plan finalized agreements with Postmedia Network Canada Corp. (Postmedia) and Canadian Press

Enterprises (CPE) to merge their respective defined benefit pension plans, with combined assets of approximately \$656 million, with the CAAT Pension Plan.

These agreements remain subject to the approval of Postmedia and CPE plan members and the Financial Services Commission of Ontario (or its successor).

Ten-Year Review (Unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
FINANCIAL (\$ millions)										
Short-term investments	1,161	987	1,028	808	714	709	562	288	501	249
Fixed income	3,351	3,145	2,543	2,459	2,260	1,940	1,793	2,058	1,940	2,007
Equities	4,279	5,047	4,452	4,267	4,052	3,838	3,290	2,750	2,635	2,309
Infrastructure	1,107	844	745	600	400	297	237	217	162	146
Real Estate	720	558	469	419	407	379	339	301	241	138
Private Equity	928	649	516	471	311	183	119	47	29	13
Derivatives (net)	(206)	62	33	(181)	(42)	2	-	20	19	22
Total investments	11,340	11,292	9,786	8,843	8,102	7,348	6,340	5,681	5,527	4,884
Other assets (liabilities) (net)	(524)	(506)	(398)	(251)	(137)	(221)	(80)	(54)	(75)	(39)
Net assets available for benefits	10,816	10,786	9,388	8,592	7,965	7,127	6,260	5,627	5,452	4,845
Contributions	495	444	443	432	417	368	355	312	296	262
Investment income	40	1,432	700	621	808	860	624	178	607	629
Asset transfer from ROM	-	-	106	-	-	-	-	-	-	-
Benefit payments	(479)	(457)	(431)	(406)	(369)	(344)	(332)	(302)	(284)	(267)
Administrative expenses	(25)	(21)	(22)	(20)	(18)	(18)	(14)	(13)	(13)	(12)
Net change in net assets available for benefits	31	1,398	796	627	838	866	633	175	606	612
RETURNS										
Annual return, gross of fees	1.4%	16.8%	8.8%	9.0%	12.3%	14.5%	11.8%	4.1%	13.3%	15.2%
Annual return, net of fees	0.5%	15.8%	8.0%	8.1%	11.5%	13.9%	11.3%	3.4%	12.6%	14.7%
MEMBERSHIP										
Active members	32,200	29,400	28,400	26,500	24,700	22,000	21,400	20,500	19,600	19,500
Deferred members	1,600	1,400	1,400	1,400	1,800	1,700	1,300	1,100	1,100	1,100
Retired members	16,100	15,500	14,900	14,000	13,500	13,100	12,600	12,100	11,700	11,200
Total members	49,900	46,300	44,700	41,900	40,000	36,800	35,300	33,700	32,400	31,800
GOING-CONCERN FUNDING STATUS as at December 31										
Funded status	119.9%	118.1%	113.3%	110.4%	107.2%	105.1%	103.6%	101.7%	101.0%	95.7%*
Funding reserves (deficit)	\$ 2,618	\$ 2,269	\$ 1,601	\$ 1,179	\$ 773	\$ 525	\$ 347	\$ 154	\$ 88	(\$358)
Discount rate	5.50%	5.60%	5.60%	5.70%	5.80%	5.80%	5.80%	5.90%	6.00%	5.85%

Numbers are rounded.
*Valuations not filed.



Leadership team (left to right): Alan Elliott, Andrew Mathenge, Michelle Oosterman, Kevin Fahey, Mary-Lou McGivney, Michael Dawson, Derek Dobson, Julie Cays, Jeff Kissack, Kevin Rorwick, Julie Giraldi, Evan Howard, Marnie Niemi Hood, Angela Goodchild, Asif Haque. Not shown: Mary Darakjian.

CORPORATE DIRECTORY

Officers

Derek W. Dobson
CEO and Plan Manager

Julie C. Cays
Chief Investment Officer

Kevin Rorwick
Chief Operating Officer & Chief Financial Officer

Directors

Mary Darakjian
Director, Pension Implementation

Michael Dawson
Director, Finance

Alan Elliott
Program Director

Kevin Fahey
Director, Investments

Julie A. Giraldi
Vice President, People & Strategy Development

Angela Goodchild
Vice President, Service Delivery

Asif Haque
Director, Investments

Evan Howard
General Counsel & Vice President, Pension Management

Jeff Kissack
Vice President, Pension Solutions

Andrew Mathenge
Director, Information Technology

Mary-Lou McGivney
Director, Project Management

Marnie Niemi Hood
Director, Pension Solutions

Michelle Oosterman
Director, Marketing, Communications & Stakeholder Relations

We welcome your comments and suggestions on this annual report. Please reach us at: contact@caatpension.on.ca



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