ANNUAL REPORT | 2019

Valuable workplace pensions made simple

CAAT PENSION PLAN

A Plan for Canada

Canadians should have access to a workplace pension they can depend on for predictable retirement income for life. Employers want the employee attraction, retention, and engagement benefits that valuable pensions bring, when they can offer those pensions without the risks and responsibilities of running their own plan.

CAAT created DBplus to meet the needs of workers and employers across Canada. It efficiently delivers the secure lifetime pensions that employees want and need, for a fixed contribution rate, while eliminating risks to employers.

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

Joint governance by members and employers enables shared decisions, costs, and risks.

PARTICIPANTS

The Plan's more than 61,000 beneficiaries include members who work at or have retired from 76 participating employers across Canada, and the surviving spouses of those members.

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CAAT Remains Resilient and Ready

Making Modern Defined Benefit pension plans accessible to more Canadians is something that we strongly believe in.

In 2019, we grew membership by 23% primarily through the innovative DBplus design, which provides secure lifetime pensions at a fixed cost to members and employers. Its award-winning design brings value to organizations of any size in the Canadian private, public, and not-for-profit sectors. Those joining CAAT enjoy more certainty and value, knowing that a large and established defined benefit pension plan like CAAT can provide substantially more income in retirement for the same cost as a group RRSP or defined contribution plan, without the key individual risks that worry Canadians: outliving their savings and managing investment volatility.

DBplus also better meets the needs of members who work part time and on contract. In the evolving world of work, delivering on the promise of benefit security demands adaptive thinking to ensure the Plan remains resilient, relevant, and ready for the future.

The expansion and diversification of CAAT membership are ways that we are making the Plan stronger and more resilient through improved risk pooling, improved demographics, and increased efficiency.

The CAAT Plan has welcomed 32 new organizations into the Plan, including 20 that have joined so far this year. They come from diverse sectors, including media, social services, not-for-profit, professional services, education, and the trades.

In 2019, Plan governors authorized an affinity arrangement with The Canadian Bar Insurance Association (that operates as Lawyers Financial), paving the way for employers from the legal community to join CAAT in a streamlined fashion. This is one more way we're adapting to provide Modern DB pensions to more Canadians.

> **"The expansion and diversification of CAAT membership are ways we are making the Plan stronger and more resilient through improved risk pooling, improved demographics, and increased efficiency."**

The Board of Trustees approved the assumptions to be used for the January 1, 2020, actuarial valuation. The key change was to decrease the Plan's discount rate to 5.15% from 5.50% to better reflect industry expectations about lower future investment returns. Lowering the discount rate is consistent with the Plan's core focus on benefit security.

The CAAT Pension Plan was recognized as one of the Greater Toronto Area's Top Employers (2020) and one of Canada's Most Admired Corporate Cultures. CEO and Plan Manager Derek Dobson received an Industry Leadership Award from the Association of Canadian Pension Management recognizing the fundamental and positive changes CAAT is making to the Canadian retirement income industry.

Current and former Trustees and Sponsors' Committee members have guided the Plan's continued relevance by assessing challenges and making timely adjustments. The Sponsors' Committee welcomed Cheri Hearty as an Employee representative (OPSEU-appointed) with 20 years of experience in the pension and benefits industry.

We are extremely proud of how quickly Derek Dobson and the CAAT organization have made the necessary adjustments and continued to operate the Plan while improving the safety of staff in response to the global pandemic. Their years of careful planning have ensured that our members continue to receive their pensions in full and on time, as promised.

On behalf of the Plan governors, we are confident that the CAAT Plan and its staff will rise to the challenges that are ahead of us and continue to make the Plan stronger.

Mr. Don Smith,
Chair
(shown left)

Dr. Scott Blakey,
Vice-Chair

REPORT FROM THE CEO AND PLAN MANAGER

CAAT's core focus on benefit security ensures the Plan remains strong, even during extraordinary times.

Although 2019 was an exceptional year for the Fund's performance, with net investment returns at 16%, pushing our 10-year average annualized net rate of return to 10.0%, the events during the first quarter of 2020 have dramatically changed the near-term outlook. But we've prepared for the unexpected.

During the past decade, the CAAT Plan has steadily and methodically built a funding reserve as a cushion against unexpected market fluctuations and other risks. It is an important way that we ensure the Plan remains strong and pensions are secure.

Building large funding reserves is consistent with the Plan's focus on benefit security and is guided by the Funding Policy. The results of CAAT's January 1, 2020, actuarial valuation place the Plan in a healthy funded status. Based on reasonable assumptions about the future, the Plan is 118% funded on a going-concern basis, with a $2.9 billion funding reserve. In addition, the Plan's ability to smooth, or average, investment returns over five years means CAAT has $865 million in additional reserves. Our stability and approach provide peace of mind in an uncertain world.

The Plan has filed the January 1, 2020, valuation with the regulators, creating a three-year window until it is required to file again. This window provides flexibility to choose the timing of the next filing and is one more way we guide the Plan through periods of short-term volatility. Filing the valuation also means that conditional benefits, such as increases to pensions for inflation and DBplus wage inflation enhancements, are granted at least until 2023, fulfilling the commitment to enhance member benefits in accordance with the Plan's Funding Policy.

CAAT regularly conducts asset-liability modelling studies to validate its longer-term financial projections against a variety of diverse economic and demographic scenarios. The 2019 study confirmed the Plan can withstand significant market downturns and remain fully funded.

Our collective focus on benefit security is unwavering and has led to CAAT being one of the most sustainable pension plans in Canada.

A Plan for Canada

CAAT benefits the whole country by adapting to meet the needs of more workplaces and, over the longer term, by reducing seniors' reliance on government social programs. Through DBplus, CAAT is making secure lifetime pensions a reality for more members in more workplaces, including those who work part time or on contract.

During their working years, CAAT members have less worry about saving for retirement, especially in a volatile investment market. This benefits them and their employers by reducing financial stress that negatively affects employee health and productivity. Knowing they have predictable lifetime retirement income gives members the confidence to retire as planned and to spend their monthly pensions in their local communities. These factors, coupled with CAAT's long and solid track record, expertise, and joint governance model, have created excitement and support from employers, including their boards, and unions and their members.

Pensions remain secure

> **"Our collective focus on benefit security is unwavering and has led to CAAT being one of the most sustainable pension plans in Canada."**

Although DBplus was only opened to all Canadian workplaces in 2019, more than 15,000 members from 28 employers have already joined. CAAT now has members from every province, except Prince Edward Island, and they come from nine industries representing the private, not-for-profit, and public sectors. The Plan also has support and participation from 14 different unions. Welcoming more groups will continue to strengthen the Plan.

DBplus is an innovation that arrived at the right time to address the needs of so many, and our team of dedicated professionals is excited to be part of a retirement solution for Canada.

Derek W. Dobson,
CEO and Plan Manager

Members trust the CAAT Pension 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.

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, 2019.

2019 REPORT CARD

The Plan's efforts are aligned to four strategic principles – Benefit Security, Value, Stable Contributions, and Equity. In 2019, we met all our measures for success and progress against our strategic plan.

	Measure of Success	2019 Result	
Benefit Security	The Plan is in a healthy funding position and we are confident we will meet our pension obligations and commitments today, tomorrow, and beyond	118% funded – remaining in Level 4 of the Funding Policy	✔
Benefit Security	The Plan's long-term net investment returns exceed the discount rate in the funding valuation	Ten-year net investment return of 10.0% – well above 5.15% discount rate	✔
Benefit Security	Through membership growth and diversification, the Plan's financial health and long-term outcomes are improving	Membership grew 23% – 16% of members are from nine industries outside the college sector	✔
Benefit Security	The Plan's funding projections, based on realistic assumptions, show a gradual strengthening of benefit security over time	Funding position projected to grow despite lower-than-expected future investment returns	✔
Benefit Security	We have a comprehensive understanding of the risks that could influence sustainability and have plans to manage and mitigate these risks	A strategic risk management program is being enhanced to include more factors	✔
Benefit Security	Our members and employers have confidence in the sustainability of the Plan	98% of members with an opinion and 100% of employers agree the Plan is sustainable	✔
Value	Maintain a high endorsement from members and employers on value for contributions	95% of members rate value for contributions as excellent, good, or reasonably good – 84% of CFOs see value for their contributions to the Plan	✔
Value	Provide at least a 10-month advance notice of any conditional benefit changes	Conditional benefits have been extended to at least 2023	✔
Value	Invest in desired operational improvements while managing long-term costs	DBplus.ca site and pension estimator tools launched	✔

	Measure of Success	2019 Result	
Value	Maintain a high endorsement from members and employers on: • 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	• Ratings averaging 97% among respondents with opinion on these questions in member and employer surveys – detailed on pages 36-37 • 98% of members are very satisfied, satisfied, or somewhat satisfied with quality of services	✔
Value	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	12 organizations joined, providing DBplus benefits to 8,000 new members – $1 billion additional assets from completed pension plan mergers	✔
Stable Contributions	Contribution levels are sufficient to minimize the likelihood of the Plan entering Funding Level 1 (deficit) For the DBprime plan design, the likelihood of a contribution increase within five years of reducing stability contributions is minimized	97% probability the Plan will remain fully funded 20 years from now	✔
Stable Contributions	Provide at least a 10-month advance notice of any DBprime contribution changes	DBprime contribution rates remain stable until at least 2023	Not applicable
Equity	Members across generations and different cohorts can expect to receive a comparable amount of benefits in retirement per contribution dollar	Analysis confirms comparable benefits per dollar contributed	✔
Equity	Provide regular conditional inflation protection enhancements for retired members	Increases to pensions for inflation have been extended to at least 2023	✔
Equity	Provide regular conditional wage inflation enhancements for DBplus participants	Wage inflation enhancements have been extended to at least 2023	✔

2019 Highlights

61,400 Members

- 39,900 Active
- 19,300 Retired
- 2,200 with a deferred pension

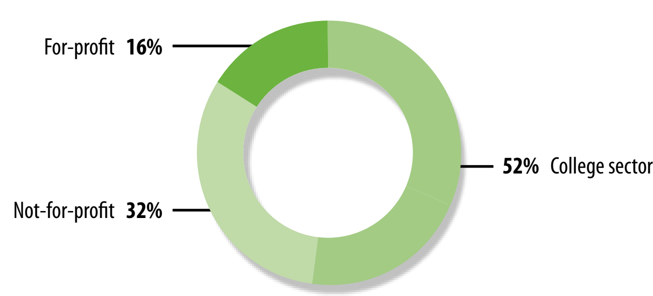
23% INCREASE SINCE LAST YEAR

11,400 net increase in members

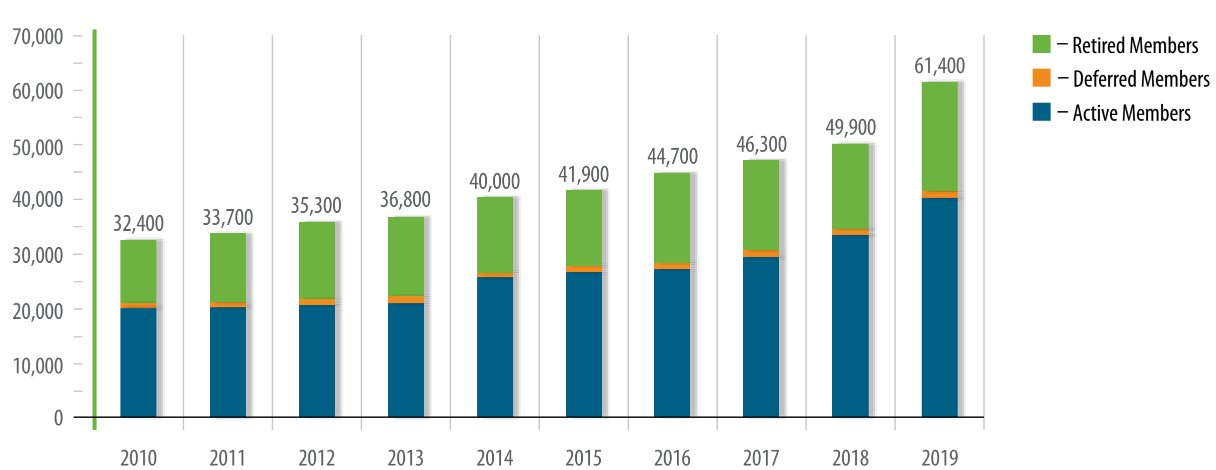
- 9,400 from new employers
- 2,000 from enrolments at existing employers, including part-time and contract employees opting to join

76 Employers

As of January 1, 2020, including corporate subsidiaries



TOTAL MEMBERSHIP AT YEAR-END



118% funded

on a going-concern basis

Discount rate lowered to **5.15%**

to reflect lower interest rates and mitigate risk of lower long-term investment returns

$2.9 billion in reserves

to protect against investment market declines and demographic shocks

$13.5 billion in net assets

Net investment returns

10.0% 10-year annualized **16.0%** 2019 return

Plan Funding

The CAAT Pension 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 CAAT's record of providing benefit improvements that are conditional on its funded status, such as inflation protection.

CAAT 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 DBprime 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.

Latest valuation shows Plan 118% funded

Based on its actuarial valuation as at January 1, 2020, CAAT is 118% funded on a going-concern basis, meaning it has $1.18 allocated for every dollar in promised benefits.

The funded status is only one measure of CAAT's financial health. Others include the underlying assumptions to the valuation, such as the discount rate, funding reserves, and Plan demographics.

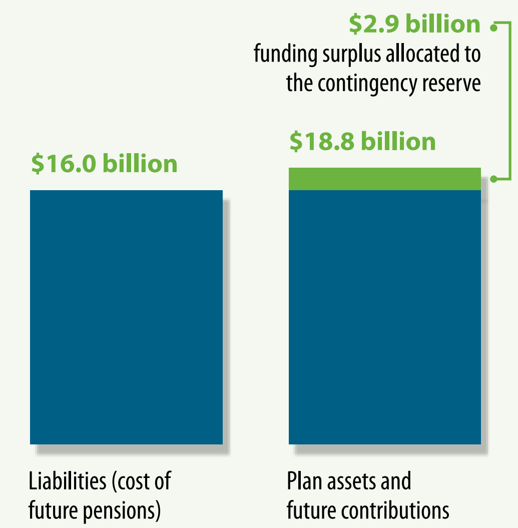
Consistent with the Funding Policy, conditional benefits have been extended to at least 2023 based on the strong funded position of the Plan:

- Inflation protection increases to be applied annually to pensions in pay
- Average Industrial Wage enhancements to be applied to DBplus benefits while working
- The early start adjustment rate applied to DBplus pensions for members who retire before age 65 remains at the subsidized rate of 3% per year.

Plan is strong and members' pensions are secure

FUNDING VALUATION

As at January 1, 2020



Amounts do not add due to rounding.

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 investment returns 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

Plan's growth strengthens reserves, helping to keep pensions secure

Plan reserves have grown to $2.9 billion with an additional $0.8 billion still to be recognized in future actuarial valuations through investment gains deferred via asset smoothing. The addition of new employers and members in 2019 increased reserves by $0.4 billion.

Reserves are available as a cushion against investment market declines, or larger-than-expected liability growth due to demographic shifts, making them an important tool to keep benefits secure and DBprime contribution rates stable over the long term.

Asset-liability modelling tests projections

CAAT conducts an asset-liability modelling (ALM) study at least once every three years to validate its financial projections against a variety of diverse economic and demographic scenarios. Conducting such studies regularly enables prudent planning and the evaluation of emerging risks and opportunities. A full ALM study was conducted in 2019 and confirmed the Plan's asset mix is consistent with the Plan's focus on benefit security.

Lowered discount rate makes the Plan more secure

The economic and demographic assumptions used in the Plan's funding projections are reviewed by the Plan governors annually to ensure they remain realistic and properly reflect the Plan's risk tolerance and central objective of benefit security.

The discount rate is a key assumption based in part on the Plan's expected investment returns over the next 20 years adjusted to reflect the Plan's risk tolerance and focus on benefit security.

REALISTIC FUNDING ASSUMPTIONS

essential to securing pensions

- 89 years average lifespan
- 5.15% discount rate

For the January 1, 2020, valuation, the discount rate was lowered to 5.15% from 5.5% to reflect expected lower global investment market returns in the future. The lower discount rate marginally lowers the Plan's 2020 funded status, but increases the likelihood that its funded status will improve in the future because it is more likely that future investment returns will exceed the lower discount rate. All other things being equal, every year that the Plan's investment returns exceed the discount rate, the Plan's funded health will improve.

VALUATION SUMMARY

Going-concern funding results (modified aggregate basis)	January 1, 2020 Filed valuation
ASSET VALUES:	($ millions)
Market value of net assets	13,482
Smoothing adjustment	(865)
Present value of future contributions	
DBprime – basic contributions	3,597
DBprime – supplemental contributions	1,293
DBplus	1,309
Total actuarial value of assets	**18,816**
Liabilities for accrued benefits	11,262
Present value of future benefits for active members	
DBprime	3,664
DBplus	950
Provision for indexation adjustments to 2023 relating to service with conditional indexing	83
Total actuarial liabilities	**15,959**
Funding reserve – with smoothing	2,858

Amounts do not add due to rounding.

97%

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

Members retiring today expected to live to 89 years

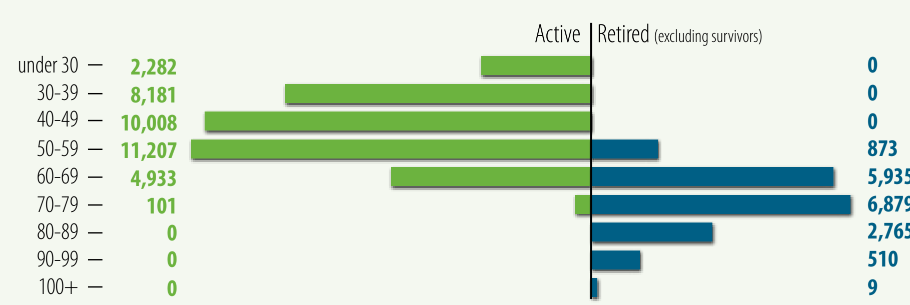
Each valuation includes a life expectancy assumption appropriate to the demographics of CAAT's membership, based on recent experience. The valuation as of January 1, 2020, assumes that members retiring in 2020 will live to 89 years, on average, while collecting their pensions. The life expectancy of 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.

Smoothing adjustment aligns assets to liabilities over long term

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, 2020, creates a future valuation reserve cushion of $0.8 billion in addition to the funding reserves of $2.9 billion.

DEMOGRAPHIC PROFILE

Plan is growing with healthy mix of active and retired members



Excludes those with a deferred pension and those who have terminated employment but not finalized their benefit to determine status.

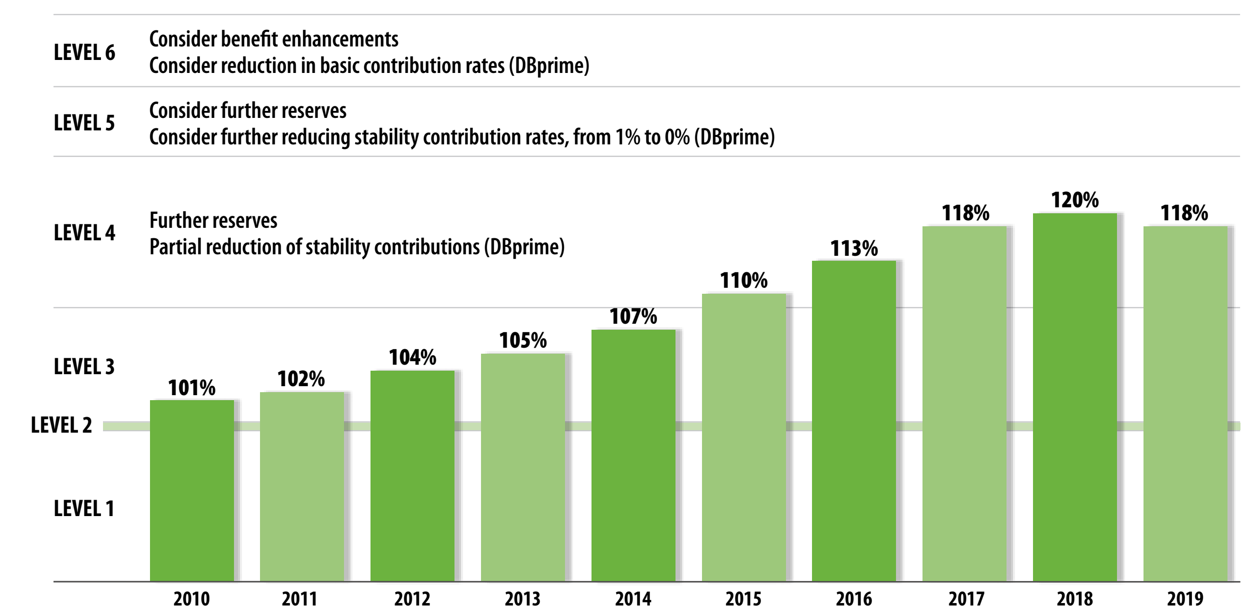
FUNDING POLICY DESIGNED TO KEEP PLAN SUSTAINABLE, DECISIONS EQUITABLE

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.

The Funding Policy defines six levels of Plan financial health and guides the Plan governors to use reserves, stability contributions (for DBprime), 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.

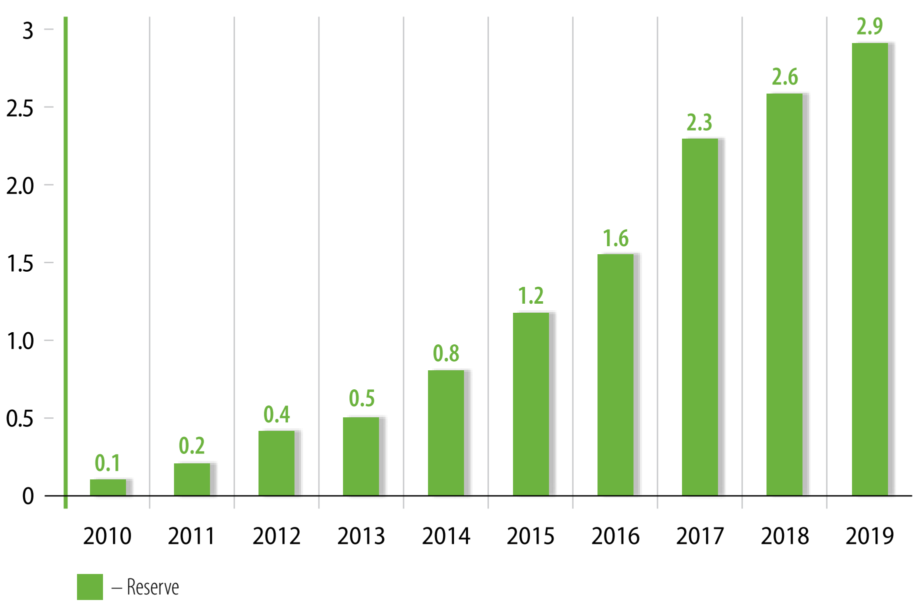
Each filed actuarial valuation determines the Plan's funded status and accordingly where the Plan sits within the levels of the Funding Policy. Based on the January 1, 2020, valuation, the Plan remains at Funding Level 4. Level 4 spans a broad band that allows Plan governors to determine how best to use reserves. The options available can be any combination of reducing stability contributions (for DBprime), building further reserves, and prefunding conditional benefits. The Plan governors determined that building further reserves as a larger cushion against continuing investment market volatility was the most prudent option to keep the Plan strong and benefits secure.

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)
2010-2019 ($ billions) on a going-concern basis



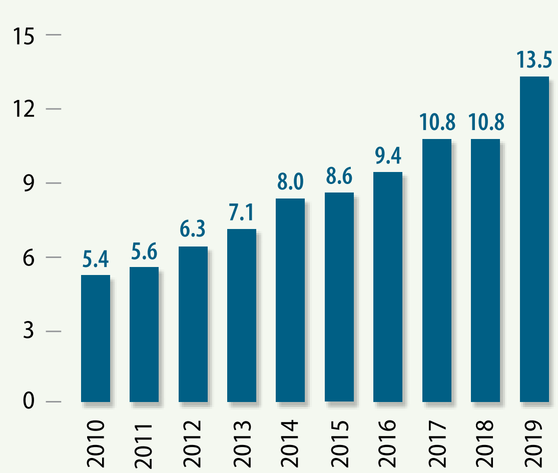
Funding adjustments:

– DBprime contribution rates increased by 1% in each of 2008, 2009, and 2010

– DBprime contribution rates increased by 0.8% in 2012 and 0.4% in each of 2013 and 2014 to help offset increased longevity costs.

GROWTH IN NET ASSETS

($ billions, at end of each year)



CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS IN 2019

		($ millions)
Net assets December 31, 2018		10,818
Investment income		1,731
Contributions		539
Transfer of pension plan assets		1,006
Benefits		(515)
Pension administration expenses		(28)
Investment administration expenses		(8)
Net increase in assets available for benefits	2,725	
Net assets December 31, 2019		**13,543**

Amounts do not add due to rounding.

Plan Changes

In 2019, CAAT continued to expand access to the Plan across Canada as awareness of its DBplus plan design and the many advantages it offers grew.

The award-winning DBplus design provides the secure lifetime retirement income of a defined benefit (DB) pension plan, plus other valuable features such as survivor benefits and inflation protection – all for a fixed contribution rate. Participating employers are able to offer a valuable DB plan with the lower risk that comes with cost certainty and no balance sheet liabilities or fiduciary risks, as well as simplicity of administration. DBplus members rely on predictable, secure retirement income independent of their employer's long-term financial health. Members are spared the responsibility of making investment decisions and the worry of prevailing market conditions as they near their desired retirement age. They also do not have to worry about outliving their pension, as CAAT pensions are paid for their lifetime.

CAAT welcomed 12 new employers in 2019. An additional 18 joined as of January 1, 2020. These are not-for-profit and for-profit organizations from various industries, including media, social services, and education.

Membership growth and diversification benefits all stakeholders

Growing and diversifying the membership makes CAAT stronger and more secure through improved risk pooling, improved demographics, and greater economies of scale to drive efficiencies. To be considered, an organization's application must be in the best interest of the Plan, based on established criteria set by the Plan governors.

Organizations can apply to join CAAT on a go-forward basis in respect of all or one or more groups of employees, and have options regarding any existing retirement savings plan.

Organizations with an existing DB plan can pursue a merger with CAAT to transfer past pension benefits (liabilities) from that plan to CAAT together with the assets CAAT determines are required to fund those liabilities over the long term. CAAT requires mergers to be cost- and risk-neutral, so as not to adversely impact the Plan's funded position or the benefit security for existing members.

Organizations with a defined contribution plan may choose to close that plan, which gives the plan members the individual option to transfer their funds to CAAT to increase their lifetime pension and benefit security.

CAAT works collaboratively with prospective employers and member groups while adhering to its principles of transparency in providing the information decision makers need and acting as a neutral third party where pensions are collectively bargained.

Completed pension plan mergers include first with a private sector plan

Torstar Corporation

In December 2019, approximately $900 million in pension assets were transferred from Torstar Corporation's eight defined benefit pension plans to CAAT, following consent from the Ontario pension regulator. This was the last stage of the merger process that began in 2018 after 97% of Torstar defined benefit plan members voted in favour of the merger. This was the first time a private sector single employer pension plan merged with a jointly sponsored pension plan in Canada.

The Canadian Press

On July 1, 2019, The Canadian Press joined DBplus after members of its defined benefit plans voted 100% in favour of the pension merger proposal.

"The need for a plan like DBplus is significant because many in Canada's legal community – from administrative staff at small-town firms to partners at big-city outfits – don't have any pension at all. Lawyers Financial's affinity agreement with CAAT checks all the boxes for what secure retirement income should look like."

– Dawn Marchand
President & CEO
The Canadian Bar Insurance Association / Lawyers Financial

DBplus recognized for innovative design, CAAT for industry leadership

In 2019, CAAT was a finalist in the 2019 Excellence & Innovation Awards presented by Pensions & Investments and DCIIA (the Defined Contribution Institutional Investment Association). The award recognizes executives at defined contribution plans undertaking creative and unusual projects to drive successful outcomes for participants. CAAT was recognized for the innovative design of DBplus, which is a defined benefit pension plan with a fixed contribution rate.

The Plan's CEO and Plan Manager was also recognized with an Industry Leadership Award from the Association of Canadian Pension Management for his fundamental change to the retirement industry in Canada.

Following the Ontario pension regulator's consent, approximately $100 million in pension assets were transferred from The Canadian Press's two defined benefit plans into CAAT in December 2019.

Welcoming employers from the legal community

CAAT's Plan governors authorized an affinity arrangement with The Canadian Bar Insurance Association (CBIA), paving the way for employers from the legal community to join CAAT in a streamlined fashion. The CBIA, through its Lawyers Financial brand, will promote DBplus as a pension solution for the legal community across Canada. The target effective date for legal firms to be eligible to join is July 1, 2020. One legal firm has already joined in advance of the affinity arrangement being in effect.

Plan Text amendments

In 2019, the Sponsors' Committee approved a series of amendments to the Plan Text to extend the conditional wage adjustment and early retirement factors for DBplus participants (consistent with the Plan's Funding Policy), update the name of the Ontario pension regulator, provide for minimum standard requirements under other jurisdictions across Canada, add new participating employers to the document, and make minor corrections. None of the amendments affected benefit entitlements.

As part of CAAT's commitment to transparency, the most recent version of the Plan Text is available on the Plan's website alongside a blacklined version of the prior Plan Text, showing any recent changes made.

"When CAAT opened DBplus, it finally gave us the opportunity to offer a secure pension promise for SHARE staff that builds on our commitment to a sustainable, unionized, living-wage workplace. DBplus is sustainable and portable, and CAAT's advocacy for defined benefit pensions in Canada is aligned with our values as an organization."

– Kevin Thomas
Chief Executive Officer
SHARE

Members of the Pension Management team that works with employers, regulators, and external stakeholders to enable CAAT's growth in compliance with all Canadian regulations.

Investment Management

The 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.

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 market transactions alongside lead investors).

Diversified portfolio fundamental to managing risk

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.

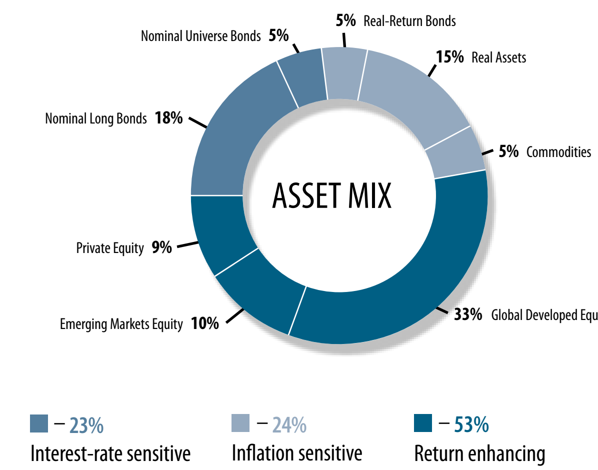
Return-enhancing assets, comprising public and private equities, help the Plan meet its expected rate of return and keep contribution rates appropriate and stable for members and employers.

Asset mix

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

CAAT conducts an asset-liability modelling (ALM) study at least once every three years to validate its financial projections against a variety of diverse economic and demographic scenarios and to determine if any adjustments to the asset mix are needed. A full ALM study was conducted in 2019. Based on the results of the study, the Statement of Investment Policies and Procedures (SIPP) was reviewed and updated. There was no change to the long-term asset mix policy. The benchmark for the Real Assets portfolio was adjusted to reflect lower expected future returns for real assets investments globally, and the requirement to hedge a portion of the currency exposure in the Plan's return-enhancing assets was removed.

WELL-DIVERSIFIED ASSET MIX



Numbers do not add to 100% due to rounding.

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, real estate, 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:

Julie Cays
Chief Investment Officer

- Are aligned with the interests of the Plan
- Have cohesive, high-performing teams
- Have successful track records based on compelling and sustainable investment strategies
- In the case of fund investments, are willing to afford investors reasonable rights and protections.

The processes, which vary for public and private market asset classes and for co-investments, consider a myriad of factors concerning a firm's organization, including staff, investment strategy and process, portfolio characteristics, and how environmental, social, and governance (ESG) factors are considered in the investment process.

2019 market overview

In 2019, equity markets emerged strongly from the political disruptions that hampered markets in 2018 – most notably the Brexit uncertainties and the U.S.-China trade war.

In Canada, the S&P/TSX Composite Index gained 22.9% over the one-year period. Returns across 10 out of 11 sectors were exceptional, with only the health care sector seeing losses.

The Plan's 10-year performance has added over $1.5 billion in value to Plan assets above the policy benchmark returns

In the U.S., the S&P 500 Index was up 24.8% in Canadian dollar terms. Healthy growth was bolstered by three separate 25-basis-point interest rate cuts by the U.S. Federal Reserve, done to shore up against the potential effects of a U.S.-China trade war.

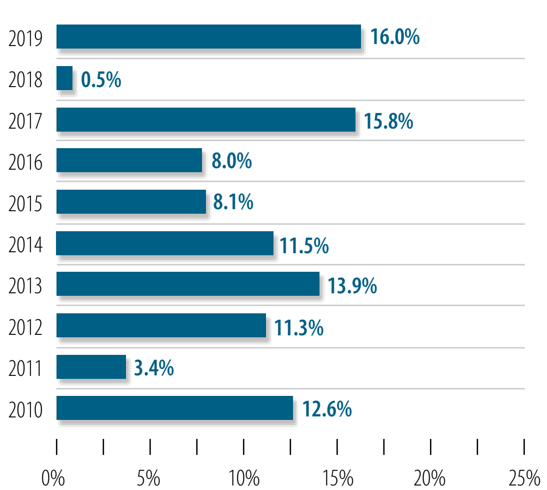
Developed markets in Europe and Asia also registered healthy total returns, up 15.8% in Canadian dollar terms. Emerging markets were up 12.4% in Canadian dollar terms.

In 2019, the Bank of Canada's interest rate remained steady at 1.75%. However, longer-term bond yields fell significantly; as a result, the Canadian long bond benchmark gained 12.7% in 2019.

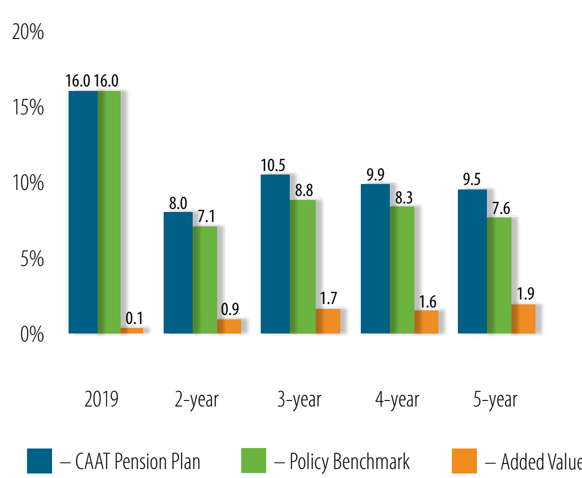
During the year, the Canadian dollar gained 5.0% against the U.S. dollar and 7.4% versus the Euro.

ANNUAL RATES OF RETURN

(net of investment management fees)



NET RETURN VS. POLICY BENCHMARK



Strong performance focused on long-term growth

The Plan's assets totalled $13.5 billion at the end of 2019, up from $10.8 billion at the end of 2018. The Fund returned 16.0%, net of management fees, over the one-year period, significantly outperforming the Plan's 2019 discount rate of 5.5%, which was lowered to 5.15% with the January 1, 2020 valuation, as explained on page 15.

Over the past five years, the Plan has delivered an annualized return of 9.5%, net of fees. Over the past 10 years, the Plan has delivered an annualized 10.0% net return.

The performance of each asset class is measured in comparison to a relevant benchmark return, as listed in the table on page 27. 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. In 2019, the portfolio underperformed the benchmark with most of the underperformance occurring in Q1.

The Canadian Equity sub-portfolio underperformed the S&P TSX Composite for the year. This portfolio is structured around more stable, defensive stocks. This positioning means that underperformance in strong, positive markets is to be expected.

REAL-RETURN VS. FUNDING TARGET

(Annualized)

	1 YEAR	2 YEARS	3 YEARS	5 YEARS	10 YEARS
CAAT Real Return	**13.9%**	**6.1%**	**8.6%**	**7.9%**	**8.3%**
Real-Return Target	4.5%	4.5%	4.5%	4.5%	4.5%
CAAT vs. Real-Return Target	+9.4%	+1.6%	+4.1%	+3.4%	+3.8%
CAAT Nominal Return	**16.0%**	**8.0%**	**10.5%**	**9.5%**	**10.0%**
Policy Benchmark	16.0%	7.1%	8.8%	7.6%	8.5%
CAAT vs. Policy Benchmark	+0.1%	+0.9%	+1.7%	+1.9%	+1.5%

*Real return is the nominal return less inflation.

Numbers do not add due to rounding.

On an absolute basis, all asset classes contributed positively to returns in 2019, with Global Developed Equity, Long Bonds and Real Assets being the largest contributors. Interest-rate and inflation-hedging asset classes returned 11.0% in aggregate, while return-enhancing asset classes returned 20.5%. The Plan's currency hedging policy added 1.8% to returns.

Relative to its policy benchmark, the Plan outperformed by 7.0 basis points, net of fees in 2019. Over the past 10 years, the active management of the Plan's fund has added 1.5% per annum, net of fees, exceeding the target of 0.7% per annum, and adding over $1.5 billion in value above the benchmark.

The Plan's U.S. Equity sub-portfolio performed in line with the benchmark for 2019. The majority of the active risk in the portfolio is taken via portable alpha mandates. The other main source of active risk in the portfolio is an allocation to midcap stocks. This exposure is achieved through a passive midcap equity exchange traded fund. For the quarter and year, this exposure lost value, as the S&P Midcap Index underperformed the S&P 500.

The Plan's International Equity sub-portfolio has been structured with a bias to value versus growth stocks, as well as a bias to small cap versus large cap stocks. After underperforming for the first three quarters of the year, the portfolio outperformed the MSCI EAFE Index in Q4, finishing the year in line with the benchmark.

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 demand within emerging markets. This implies an overweight to consumer, health care, and financials, and an underweight to commodity sectors. This positioning added value and outperformed the benchmark in 2019.

Commodities
The Plan's Commodities portfolio has been designed to passively track the S&P GSCI Enhanced Index. The portfolio underperformed the benchmark (the S&P GSCI Index) in 2019.

Bonds
The Plan's Long Bond portfolio outperformed the FTSE TMX Long Bond Index slightly in 2019, while the Universe and Real-Return Bond portfolios performed in line with benchmarks.

Members of the Investment Management team that develops and implements strategies for the asset classes in the Fund, generating value above the policy benchmark.

NET INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK
as at December 31, 2019 (net of expenses)

ASSET CLASS	CAAT PLAN INVESTMENTS** ($ millions)	CAAT 2019 RETURN	BENCHMARK	BENCHMARK RETURN	VALUE ADDED
Interest-rate sensitive					
Long-Term Bonds	$2,393	13.3%	FTSE Canada Long-term Bond Index	12.7%	0.6%
Universe Bonds	$662	7.0%	FTSE Canada Universe Bond Index	6.9%	0.1%
Inflation sensitive					
Real-Return Bonds	$684	8.1%	Actual RRB Portfolio Return	8.1%	0.0%
Real Assets	$1,966	11.4%	CPI + 5%	7.2%	4.3%
Commodities	$631	10.2%	S&P GSCI Commodity Index	11.7%	(1.4)%
Return enhancing					
Global Developed Equity*	$4,459	20.1%	MSCI World Index	21.2%	(1.1)%
Emerging Markets Equity	$1,412	13.5%	MSCI Emerging Markets Index	12.4%	1.1%
Private Equity	$1,256	15.5%	MSCI ACWI + 3%	23.2%	(7.7)%

*Global Developed Equity includes Canadian Equity, U.S. Equity, International Equity, and Global Equity portfolios. The total fund return of 16.0% includes 1.8% from the impact of currency hedging. **Assets invested reflect the effective exposures (actual exposures plus overlay positions). Numbers do not add due to rounding.

Private Equity
The Private Equity portfolio consists primarily of buyout fund investments, although commitments to debt and preferred equity-focused funds have been pursued in recent years to further diversify its holdings. The portfolio has benefitted from strong manager selection relative to the universe of available funds.

The portfolio underperformed relative to the Private Equity benchmark in 2019, however performance over longer periods remains strong.

Real Assets
The Plan's Real Assets portfolio consists of infrastructure and real estate investments, with approximately 58% of the portfolio invested in infrastructure at the end of 2019. The portfolio outperformed its inflation-based benchmark in 2019, and has also done so over longer time frames, largely on the strength of outperformance by the Plan's infrastructure assets.

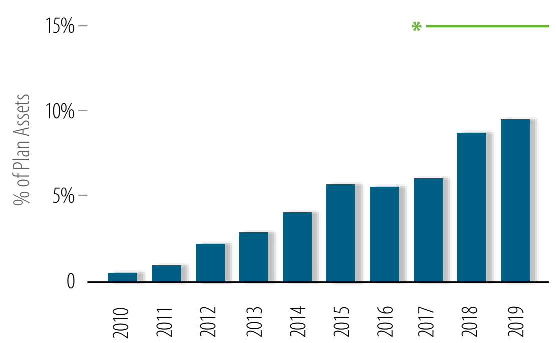
Responsible Investing

The CAAT Pension Plan takes very seriously its fiduciary responsibility to members who depend on the Plan for secure lifetime pension benefits. The principal investment goal of the Plan is to maximize long-term, risk-adjusted returns to secure pensions.

In carrying out the Plan's investment decisions, staff are guided by the three core principles of the Responsible Investing Policy:

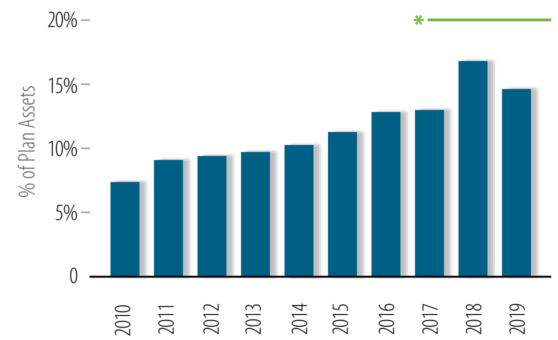
1. Supporting sound governance through **proxy voting**
2. **Corporate engagement**, which entails the Plan working with other institutional investors to encourage regulators and Canadian corporations to strive for more comprehensive disclosure of ESG risks
3. Encouraging the **integration of ESG** factors in investment processes.

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.

Ultimately, CAAT believes that 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 the awareness and management of the environmental and social impacts of a corporation's business activities.

1. 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 considering the effects of the proposals on shareholder value.

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.

2. Corporate Engagement

The 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. The Plan actively encourages

Exercising proxy votes in 2019

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 2019, CAAT voted on over 12,000 proxy issues of companies in the CAAT Plan portfolio.

Shareholder proposals are examined on a case-by-case basis taking into account the possible effects that any proposed actions would have on the long-term shareholder value of the corporation. There were 229 shareholder proposals raised and the Plan voted for 109 of these. Twenty-three of the shareholder proposals related to compensation, including limits to executive officers' compensation, claw back of incentive payments, and linking executive pay to social criteria; the CAAT Plan voted in favour of 17. The Plan also voted in favour of proposals related to other governance matters, including adding proxy access rights for shareholders.

CCGG Canadian Coalition for Good Governance

The Plan has been a member of the Canadian Coalition for Good Governance (CCGG) since 2005. The CCGG was formed to represent the interests of institutional investors in promoting good governance practices in Canadian public companies, and to improve 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, CAAT's Chief Investment Officer, is a past Chair and current Vice-Chair of the CCGG Board of Directors, and Chair of its Governance Committee. She regularly participates in engagement meetings with directors of Canadian public corporations.

Shaping change through collaboration

Principles for Responsible Investment

The CAAT Plan is a signatory to the United Nations-supported Principles for Responsible Investment (PRI), together with more than 2,200 institutional investors from more than 50 countries. The signatories to the PRI believe that an economically efficient, sustainable global financial system will reward long-term, responsible investment and benefit the environment and society.

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.

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. In 2019, SHARE became one of the Plan's participating employers.

Pension Investment Association of Canada (PIAC)

Members of the CAAT Plan's investment team are active in the Pension Investment Association of Canada (PIAC), an organization focused on promoting sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. CAAT Chief Investment Officer Julie Cays and Managing Director, Investments Kevin Fahey are both past Chairs of the PIAC Board of Directors.

Institutional Limited Partners Association (ILPA)

The Institutional Limited Partners Association (ILPA) is a global industry association composed of limited partner investors in private equity funds. CAAT is an active member of ILPA and has endorsed the association's Private Equity Principles, which promote the alignment of interest, good governance, and transparency that form the basis of effective relationships between limited and general partners.

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.

3. Integrating ESG factors into investment processes

As a long-term investor, the Plan encourages its investment and fund managers to integrate the consideration of ESG factors into 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 for more than a decade and has found that investment and fund managers are increasingly considering the impact of ESG factors when making investment decisions.

> **"We are delighted to have joined CAAT for DBplus after an enthusiastic endorsement from our members. This move has allowed us to improve the pension plan we offer to our employees, helping ensure long-term, sustainable and secure retirement savings."**
>
> **– Rahima Mamdani**
> **Vice-President, People & Culture**
> **United Way of Greater Toronto**

Examples of CAAT's sustainable investments

Pattern Energy

Pattern Energy is a publicly listed, leading U.S.-based renewable energy company, which owns operating renewable projects in the U.S., Canada and Japan. In 2019, CAAT invested US$50 million (alongside a consortium of institutional investors) in the US$260 million private placement of preferred shares of Pattern Energy. A portion of the net proceeds of the offering were used to finance the acquisition of two operating wind assets in Ontario and New Mexico. After CAAT's investment, Pattern Energy agreed to be acquired by the Canada Pension Plan Investment Board. CAAT continues to hold its preferred shares.

Macquarie Agriculture Fund – Crop Australia

In partnership with its anchor investor, the Australian Clean Energy Finance Corporation, the Macquarie Agriculture Fund is committed to leading responsible agriculture research efforts and aims to achieve its investment objectives by implementing sustainable farming practices that increase resource efficiency, protect land, and reduce emissions from agriculture across Australia. In 2019, the CAAT Plan committed to an investment of A$50 million in the Fund.

Strategic Priorities

In 2019, CAAT embarked on a three-year strategy with a continuing central focus on keeping member benefits secure. Other principles to be upheld are that members and employers receive value for their contributions, that funding decisions consider equity across generations and groups of members, and that, for participants in the DBprime plan design, contributions are kept stable and predictable.

Three initiatives continue from the prior strategic plan:

- **Promoting Modern DB Pension Plans –** is a leading part of CAAT's advocacy efforts to efficiently improve retirement income security in Canada. This initiative promotes the efficiencies and other advantages of Modern DB plans for members, employers, and society as sustainable solutions for delivering retirement income security.
- **Growing and Diversifying Plan Membership –** encompasses increasing and varying the composition of the membership through new participating employers, union-represented member groups, and mutually beneficial mergers with other plans, thereby strengthening the Plan through improved risk pooling and efficiencies, while making secure workplace pensions more available.
- **Building Plan Champions –** focuses on raising stakeholder awareness and understanding of the value members and their employers receive from the Plan, so that members value its many features and all stakeholders can be well-informed promoters of CAAT and other Modern DB pension plans.

CAAT's People Strategy, Strategic Risk Management, and Operational Excellence are vital, ongoing supports to the success of the Plan and its strategy.

PROMOTING MODERN DB PENSION PLANS

Annual surveys of members show strong support for CAAT's advocacy efforts. In the 2019 active member survey, 85% of respondents said it is important that the Plan be actively involved in the public pension debate in Canada to protect the Plan against potential negative changes.

92% of members* support CAAT's advocacy efforts

*Among those with an opinion

During 2019, Plan staff delivered 30 pension industry presentations, authored six published articles, and were interviewed for numerous others about the success of CAAT as a Modern DB pension plan offering sustainable pensions to workplaces in Canada.

30 INDUSTRY PRESENTATIONS PROMOTING MODERN DB PLANS

CAAT is active in pension industry
CAAT actively participates on committees of the Financial Services Regulatory Authority of Ontario (FSRA), the new, independent regulatory agency responsible for oversight of pension plans in Ontario, including FSRA's Asset Transfer Advisory Committee, Public Sector Plans Advisory Committee, and the Industry Advisory Group for Pensions.

CAAT also continues to play an active role in various pension industry groups to ensure the interests of jointly sponsored pension plans, and more specifically Modern DB plans, are known and understood.

CAAT's CEO co-chairs the Canadian Public Pension Leadership Council (CPPLC), a non-partisan group of 12 public pension plans from across the country that works to promote a well-informed, evidence-based national pension policy discussion.

CAAT belongs to the National Pension Hub for Pension Knowledge & Research (NPH). 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 in pension design, governance, and investments.

CAAT supports the Association of Canadian Pension Management (ACPM), with senior staff serving on the ACPM Board of Directors, its National Policy Committee, the Strategic Initiatives Committee, and the Ontario Regional Council.

Awards reflect success of CAAT's People Strategy

The CAAT Pension Plan was recognized as a GTA Top Employer along with participating employers Durham, George Brown, and Seneca colleges, as well as the United Way of Greater Toronto, one of CAAT's newest employers.

CAAT also won in the Broader Public Sector category of Waterstone Human Capital's Most Admired Corporate Cultures, an annual honour roll that acknowledges "best-in-class Canadian organizations for fostering cultures that enhance performance and help sustain a competitive advantage."

> **"In bargaining with the University of Saskatchewan, we were looking for a way to maintain a defined benefit pension plan to provide our members with predictable retirement income. The CAAT Plan provided that. CAAT staff were readily available to attend our bargaining sessions and to provide information sessions to our members."**
>
> **– Bob Jones**
> **Acting President**
> **CUPE Local 1975**

Senior CAAT staff also serve with the Canadian Coalition for Good Governance, the Pension Investment Association of Canada, the C.D. Howe Institute's Pension Policy Council, the International Foundation of Employee Benefit and Plans, and the International Centre for Pension Management.

Advocating in the best interests of the Plan, its members, and employers
As part of ongoing risk management, CAAT staff monitor the development of pension-related legislation across the country and participate in professional and industry associations to promote the value of Modern DB plans. The Plan engages with government and regulatory officials and makes submissions when it is appropriate to represent the interests of members and participating employers.

This past year, CAAT worked with provincial and federal policy makers and regulators, providing advice on ways to improve pension administration and streamline the process for merging single-employer pension plans (SEPPs) with jointly sponsored pension plans (JSPPs).

Significantly and as a direct result of engagement by CAAT and others, in 2019 the Government of Ontario passed legislation that removes the need for a regulation to be enacted when an organization or business wishes to merge their single-employer pension plan (SEPP) into a jointly sponsored pension

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

- Adequate, lifetime retirement income reduces seniors' reliance on government social programs
- Retired members, confident in their monthly income, spend their pensions, supporting local businesses
- 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 lifetime retirement income, members don't have to worry about complex investment decisions or delaying their retirement date when investment returns are poor or they have fears of outliving their savings
- As sophisticated long-term investors, pension plans can be a stabilizing force in the economy and investment markets.

Features of a Modern Defined Benefit Plan:

- Independent, with the singular purpose to deliver sustainable pension benefits
- A profit-for-members focus brings fiduciary alignment
- Decisions and costs are shared 50/50 by members and participating employers, as part of the jointly governed structure
- Expertly managed on a full-time basis
- Large number of employers makes the plan cost-effective, with benefit security that is not tied to the financial health of a single employer
- Formal funding policy uses a variety of levers to protect benefits over the long term and considers intergenerational equity.

plan (JSPP). This change streamlines the SEPP to JSPP merger process and enables parties to plan for and execute a merger with CAAT with greater confidence. Furthermore, the Government of Ontario passed legislation permitting electronic communications to be used as the default method for plan administrators to communicate with plan members. This change encourages more timely and efficient communication.

During 2019, the Plan worked collaboratively with FSRA and other regulators across Canada which resulted in regulatory approval for The Canadian Press pension plans and Torstar pension plans asset transfers.

GROWING AND DIVERSIFYING PLAN MEMBERSHIP

Growing and diversifying the membership strengthens the Plan by enabling it to better manage longer-term demographic and other risks to keep pension benefits secure. Specifically, growing and diversifying the membership:

- Further increases the likelihood CAAT 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 the DBprime plan design will be possible
- Improves long-term efficiencies through further pooling of administration costs.

And, with the addition of every new employer, pension portability expands for all members, enabling them to build bigger CAAT pensions with a more diverse set of employers.

CAAT is open for growth in membership where it is mutually beneficial, from employers in both the for-profit and not-for-profit sectors. This includes workplaces currently offering defined benefit pension plans, defined contribution plans, employer-sponsored RRSPs, as well as those with no current retirement savings arrangement.

Making sustainable lifetime pensions available to more Canadian workplaces
Through DBplus, CAAT is making secure lifetime pensions available to more Canadians, including those who work part time or on contract. As a defined benefit plan with fixed contribution rates and simplified administration, DBplus makes it easy for all workplaces to offer valuable DB pensions. Most noteworthy is that organizations can offer these benefits without the liability risk and administrative costs of operating their own plan. And DBplus reduces employee stress, by providing secure lifetime income in retirement for the member and their surviving spouse, and by freeing them from making investment decisions about their retirement savings both in the lead up to and during retirement.

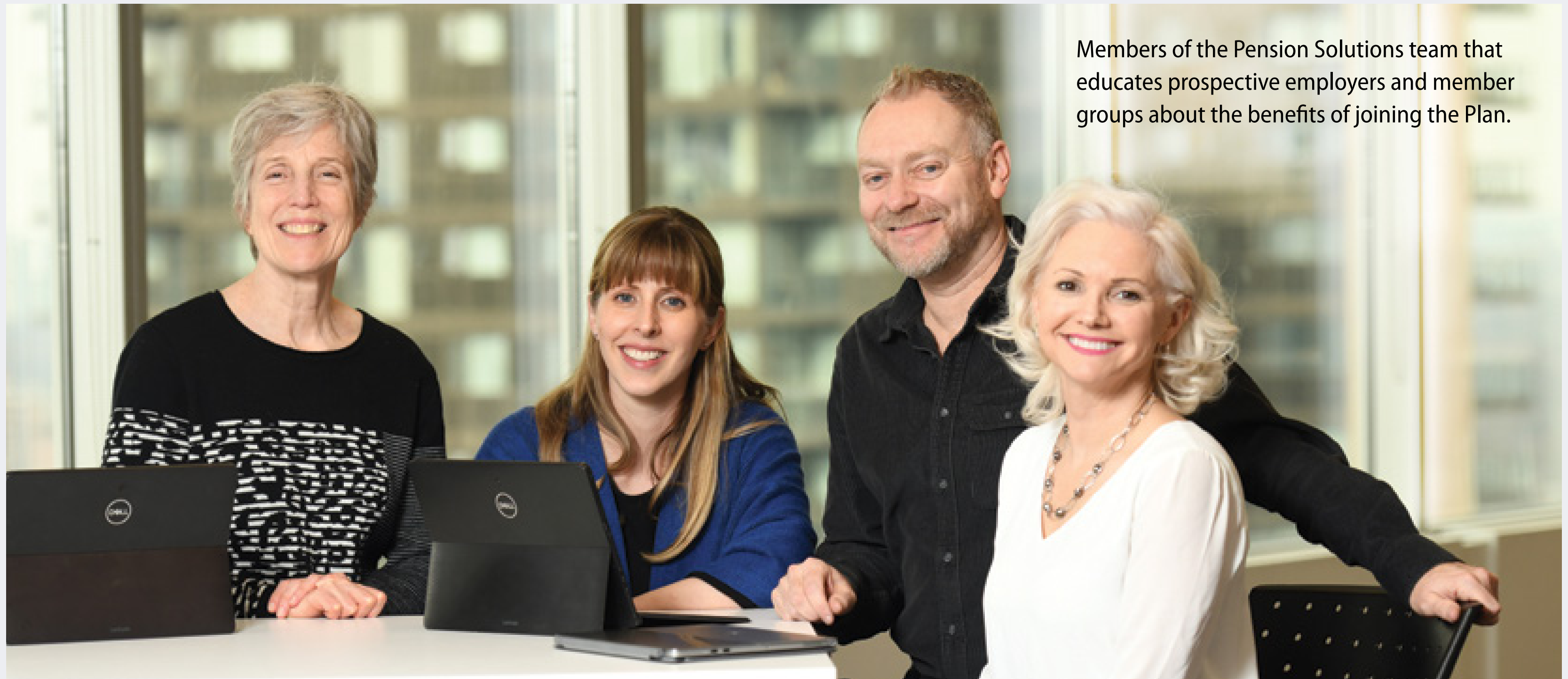
CAAT is open for growth in membership from all Canadian workplaces, where it is mutually beneficial.

DBplus has proved to be immensely popular with employers and their boards, unions, and employees. Since the recent launch of DBplus in October 2018, about 15,000 members working for 28 employers from a wide range of industries and represented by 12 unions (17 local bargaining units) have joined DBplus.

Two mergers were completed through regulator-approved asset transfers. The merger of Torstar Corporation's pension plans with CAAT resulted in the largest-ever asset transfer from a private sector pension plan to a jointly sponsored plan in the country. The merger with The Canadian Press pension plans brought the total asset transfer to approximately $1 billion in 2019.

Principles for growth protect the Plan for all members
The Plan governors set out these key principles for opening the Plan to new employers and for entering into any merger agreement:

- Growth must benefit the Plan on behalf of all members
- Mergers must be cost- and risk-neutral; that is, the Plan must receive sufficient assets to cover an incoming pension plan's liabilities and associated long-term risks
- Representation at the governance table may be extended to other member and employer groups, provided the original governing groups retain a majority.



Members of the Pension Solutions team that educates prospective employers and member groups about the benefits of joining the Plan.

BUILDING PLAN CHAMPIONS

Enhanced knowledge of the Plan equips members to make more informed decisions about their benefits offered by the Plan and to feel informed to champion CAAT and other Modern Defined Benefit pension plans. For these reasons, an important area of focus is on improving member knowledge of their benefits under the Plan and how CAAT is governed and managed.

8,800 reached through sessions and webinars

- 156 workplace presentations
  - Including 89 at prospective employers
  - 85% of participants report valuing their pension more from attending
  - 87% would recommend the presentation to colleagues
- 43 webinars
- Series of videos on retirement planning

Listening to members and employers in setting strategic priorities
CAAT surveys active and retired members and employer administrators about their views of the Plan and its areas of focus, providing important input for setting strategic priorities. The surveys were revamped in 2019 to deepen understanding of perceptions of CAAT. Responses reflected a strong endorsement on key measures and the Plan's focus.

KEY FINDINGS FROM MEMBER SURVEYS

94% & 96%
RATE VALUE HIGHLY

94% of active member respondents and 96% 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.

97% & 99%
FEEL REPRESENTED THROUGH JOINT GOVERNANCE

Among respondents with an opinion, 97% of active and 99% of retired members believe their interests are represented by the Plan's two governing bodies, the Board of Trustees and the Sponsors' Committee.

92%
SUPPORT PLAN'S ADVOCACY

Among those with an opinion, 92% of active member respondents strongly agreed or agreed that the CAAT Pension Plan be actively involved in the public pension debate in Canada to protect the Plan against potential negative changes.

99%

AGREE WITH FOCUS ON BENEFIT SECURITY, VALUE FOR CONTRIBUTIONS

99% of active member respondents with an opinion said they strongly agreed or agreed with the Plan's focus on providing secure pensions for life and with providing value for contributions. 96% of those with an opinion strongly agreed or agreed with focusing on equity of value for contributions among different groups and generations of members.

TRUST PLAN

99% of respondents with an opinion (both active and retired members) agreed with the statement "I trust the CAAT Plan."

BELIEVE PLAN HAS A SUSTAINABLE MODEL

99% of respondents with an opinion (both active and retired members) agreed or strongly agreed "The CAAT Plan has a sustainable model for delivering secure pension benefits over the long term."

AGREE PLAN HAS EXPERTISE

Among respondents with an opinion, 99% of active and retired members agreed or strongly agreed that the Plan has the expertise to manage effectively and prudently.

KEY FINDINGS FROM EMPLOYER SURVEY

91%
SUPPORT GROWTH

Among those with an opinion, 91% of employer survey respondents strongly agreed or agreed that they support the Plan's efforts to become stronger through growth in membership.

EMPLOYER RESPONDENTS AGREE WITH PLAN'S FOCUS ON:

BENEFIT SECURITY	100%
EQUITY AMONG MEMBERS	92%
VALUE FOR EMPLOYERS	95%
VALUE FOR MEMBERS	100%
CONTRIBUTION RATE STABILITY FOR EMPLOYERS IN DBprime	100%

Among respondents with an opinion

VALUE OF PENSION TO ORGANIZATION RATES
8/10 & 9.4/10

CEO respondents rated the overall value the pension plan brings to their organization as 9.4 out of 10. Chief financial officers and chief human resources officers who responded to the survey assigned an average rating of 8 out of 10 to the overall value of the pension plan compared to their cost as an employer to participate in it.

97%
AGREE EMPLOYER INTERESTS REPRESENTED THROUGH JOINT GOVERNANCE

Among those with an opinion, 97% of employer survey respondents strongly agreed or agreed that employer interests are well represented through the Plan's joint governance structure.

100%

AGREE PLAN HAS EXPERTISE

100% of employer survey respondents with an opinion strongly agreed or agreed that the Plan has the expertise to manage the funding and administration of the Plan in compliance with all relevant legislation.

TRUST PLAN

100% of employer survey respondents said they trust the Plan to secure pension benefits for their organization.

BELIEVE PLAN HAS A SUSTAINABLE MODEL

100% of employer survey respondents with an opinion strongly agreed or agreed that the Plan has a sustainable model for delivering secure pension benefits over the long term.

Plan Operations

As CAAT grows and diversifies its membership, our commitment to delivering an exceptional member and employer experience remains resolute.

CAAT's member and employer experience teams – comprising of service delivery, communications, information technology, and finance – work tirelessly every day, to develop innovative solutions that will drive continued value and service excellence for the Plan's members and employers.

The member and employer experience teams ensure that pensions are paid monthly, process member events from enrolment to retirement, and respond to inquiries. They also train employers in local administration, such as member data collection.

Up to the point that a member's pension begins to be paid, their experience with the Plan rests solely on the information and service they receive, making these interactions critically important and a key area of focus for CAAT. In 2019, the member experience teams processed 22,513 member transactions, an increase of 33% from the previous year. Our teams assisted members with pension changes tied to life events, including retirements, marriages, and divorces.

Throughout the year, member experience teams continued to meet high standards for quality and timeliness on transactions, meeting or exceeding the Plan's service standards for quality and timeliness.

Measuring our commitment to excellence

In 2019, the CAAT Plan revamped its member and employer opinion surveys to better understand how members and employers perceive the Plan with respect to value, trust, reputation, sustainability, and service.

198,277
MONTHLY PENSION PAYMENTS MADE IN 2019 TOTALLING $474.5 MILLION

2019 service highlights

- 22,513 member transactions processed (up 33% from 2018)
- 98% of transaction met target turnaround time
- 16,742 member phone calls and emails (up 6% from 2018)

Active members were asked to rate their service experience based on their interactions with CAAT. The vast majority who interacted with CAAT's member experience teams gave one of the top three ratings of excellent, very good, or good for the service they received. Specifically, 96% of active member respondents indicated being very satisfied, satisfied, or somewhat satisfied with the Plan's services, including its website and estimator tools, as well as service they received over the phone or by email. In addition, 99% of retired member respondents indicated being satisfied with these services.

Employer experience teams are also committed to ensuring our employers are well supported. The teams assist employers with questions they may have related to their administrative responsibilities, including new employee enrolments, annual data reconciliation, and employee pension purchase and transfer options. In the 2019 employer survey, respondents indicated high levels of satisfaction with the service they receive from CAAT. Specifically, 98% reported being very satisfied, satisfied, or somewhat satisfied overall with these services.

THE PLAN'S OLDEST PENSIONER IS **103** YEARS OLD

49.75 YEARS
LONGEST PERIOD OF A PENSION PAID TO A RETIRED MEMBER AND THEIR SURVIVING SPOUSE

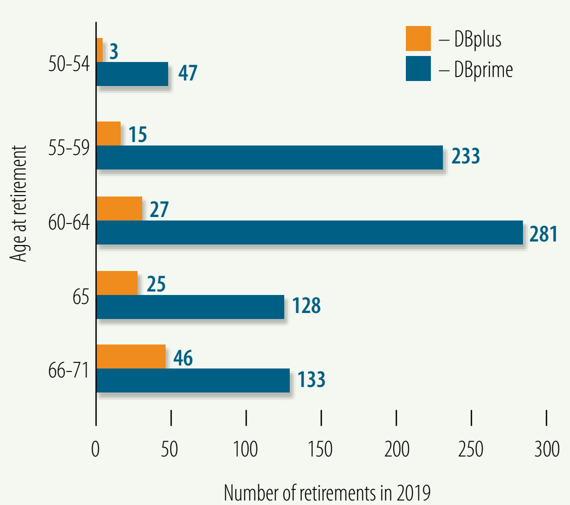
Kevin Rorwick
Chief Operating Officer &
Chief Financial Officer

Members of the Service Delivery teams that provide high quality service to members and employers.

Keeping members and employers informed

Pensions can be complex. The Plan's award-winning communications team endeavours to make them easier to understand using a range of communication channels to reach members. Active, retired, and deferred members receive regular updates through annual statements, newsletters, and email. When needed, additional targeted communications are created for those affected by a specific change.

MEMBERS CHOOSE WHEN TO RETIRE



Website and online tools

The Plan's website offers both general content about the Plan, and information and tools that help members and prospective members understand and make decisions about their pension benefits. Feedback received through annual surveys has indicated that both members and employers desire a secure portal feature accessible through CAAT's website. CAAT is currently working on developing both member and employer portals, which will be deployed as part of a complete redesign of CAAT's digital points of contact. These new online tools are being designed to create a more streamlined experience for both members and employers.

Pension education helps members make informed decisions

Our member experience teams deliver presentations to members at workplaces across the country with the aim of improving knowledge about pensions and retirement. Elevating members' knowledge of the Plan shows them the value they receive from their contributions, and ultimately helps them make more informed decisions about their retirement future.

Member and employer experience highlights

1. Pension purchases
New members drove a four-fold increase in the transactions through which members transferred in funds from other retirement savings to increase their lifetime pension.

2. New member enrolments
Enrolments increased 145% over the previous year from new employers and from more part-time and contract employees with existing employers opting to join DBplus.

3. New transition team in place
The Onboarding & Transition team is in place for employers joining the CAAT Plan to ensure a seamless transition for the new members joining with those employers.

The Plan's communications team was honoured with the International Association of Business Communicators (IABC) Ovation award in 2019 for excellence in communications supporting CAAT's pension mergers.

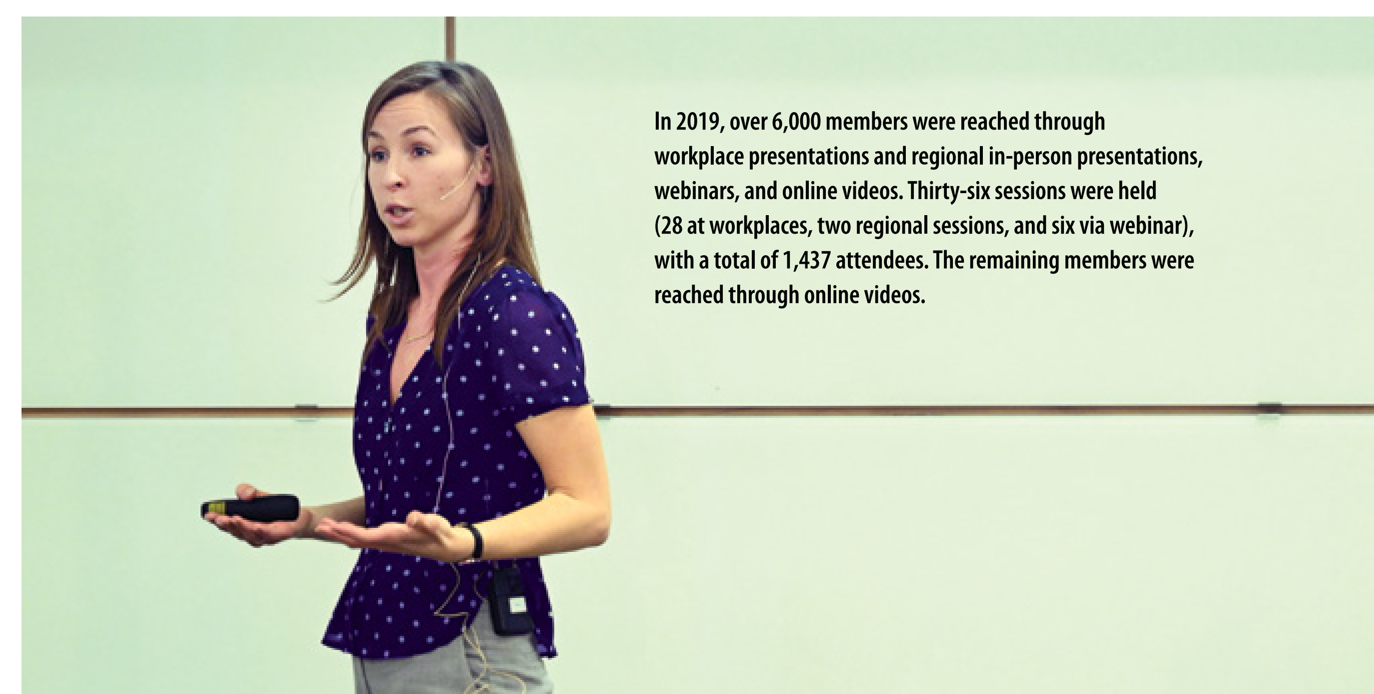
Supporting Plan Growth and Diversification

Plan growth benefits all. As the Plan accelerates toward continued growth, CAAT's service delivery model is evolving to adjust to the needs of a growing membership base – greater in numbers, and from more diverse industries, occupations, and geographies.

Since the launch of DBplus in 2018, the CAAT Plan has grown to over 76 participating employers with employees in nine provinces. Approximately 16,000 members from across nine different industries participate in DBplus.

Member and employer experience teams have adapted to this growth and diversification, expanding how they are structured to keep pace with the demands of thousands of new members, and answering new employers' questions, while still delivering on our service commitments.

In 2019, CAAT completed 10 mergers with two employers' pension plans and made significant progress on four others, including obtaining the consent of members of those plans to proceed with the mergers. This critical step requires that the prospective members fully understand how the merger would affect them. To support their decision making, information notices were sent to the prospective members, telephone hotlines established, and merger-specific web



In 2019, over 6,000 members were reached through workplace presentations and regional in-person presentations, webinars, and online videos. Thirty-six sessions were held (28 at workplaces, two regional sessions, and six via webinar), with a total of 1,437 attendees. The remaining members were reached through online videos.

> **“To me, being a CAAT Pension Plan member represents many things. Knowing that I am a member of a professionally managed, reputable, secure and solvent pension plan provides me with security and peace of mind as I near retirement. The CAAT pension website is very comprehensive and informative and I know that I can contact CAAT staff at any time to assist me with my pension questions. I consider myself very fortunate to be a part of such a strong and sustainable pension plan.”**
>
> **– Brenda Chambers-Ivey**
> **Academic Services Assistant**
> **Confederation College**
> **Lake of the Woods Campus**

More workers gain the security of DB pensions
Plan membership has increased 23% (11,400) from last year.

microsites were created to ensure these prospective Plan members had access to all pertinent details about the proposed merger, and information about the value and security of a CAAT pension. The microsites include a customized version of CAAT’s pension estimator tool that shows the prospective member how much future pension they can expect from CAAT if the plans are merged. The prospective employers were assigned dedicated resources who answered questions and ensured a smooth transition to CAAT.

Managing operational risks

Enterprise risk management
CAAT 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 risks, including ensuring business continuity.

Members of the Employer Services team that provides high quality service in supporting employers to carry out local pension administration.

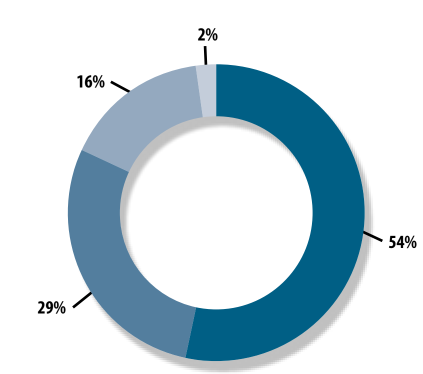
Members of the Member and Employer Onboarding team that ensures a smooth transition when an organization joins CAAT.

Cybersecurity risk
CAAT considers a data breach a key risk to be managed, and conducts a range of activities to protect its systems and the personal information of members. As the Plan grows in staff and systems, cyber risks escalate. The Plan has a mature cybersecurity framework that drives activities and policies to mitigate this increasing risk, with added measures in 2019.

Attestations – essential to regulatory compliance
Annually, employers are required to attest that they have complied with Plan terms and CAAT’s administrative processes. The process helps CAAT and employers identify ways in which to make incremental improvements to administrative processes.

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

FULL- AND PART-TIME WORKERS ENJOY DB PENSIONS



- – 54% Full time in colleges sector
- – 29% Part time in colleges sector
- – 16% Full time in other sectors
- – 2% Part time in other sectors

Numbers do not add due to rounding.

CAAT's Joint Governance Makes the Plan Stronger

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 and funding. A joint governance structure such as this is a key element of a world-renowned model for pension organizations that delivers superior performance at lower costs[1], helping to keep pensions secure over the long term.

The Plan governors are appointed by the Plan Sponsors, who represent three groups: the College Employer Council (which in turn represents the Ontario 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 interest of all Plan members. The Board of Trustees sets the investment policy, funding risk levels that are appropriate for the Plan's long-term obligations, and establishes policies for administering benefits.

SPONSORS' COMMITTEE

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

The Committee also approves organizations that apply to join the Plan.

Trustees' skills and experience help to keep the Plan strong

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.

[1] Ambachtsheer, K. (2016). The Future of Pension Management: Integrating Design, Governance, and Investing. Hoboken, NJ: John Wiley & Sons

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

- **Audit Committee –** reviews the effectiveness of the organization in controlling and managing operational risk. The committee 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

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.

Members of the Board of Trustees
Don Smith, Chair, Employee-appointed Trustee; Scott Blakey, Vice-Chair, Employer-appointed Trustee; Virginia Di Monte, Employee-appointed Trustee; Rasho Donchev, Employee-appointed Trustee; Henry (Harry) Gibbs, Employer-appointed Trustee; David Haley, Employee-appointed Trustee; Karen McRae, Employer-appointed Trustee; Alnasir Samji, Employer-appointed Trustee; Michael Seeger, Employee-appointed Trustee; Beverley Townsend, Employer-appointed Trustee; Gretchen Van Riesen, Employer-appointed Trustee; Kim Watkins, Employee-appointed Trustee.

Left to right: Rasho Donchev, Alnasir Samji, Scott Blakey, Virginia Di Monte, Karen McRae, Don Smith, Beverley Townsend, Gretchen Van Riesen, David Haley, Harry Gibbs, Michael Seeger. Not shown: Kim Watkins.

oversees the Board of Trustees' human resources management of the CEO and 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.
- **Appeals Subcommittee –** hears appeals of Plan staff's interpretation of Plan rules.

Good governance grounded in 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 up-to-date and relevant to the environment in which the Plan operates. During 2019, the governors reviewed and updated or revised 24 of these policies.

Membership in 30% Club reflects commitment to diversity

The Plan's CEO and 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.

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.

Members of the Sponsors' Committee

Patrick Kennedy, Employee Co-Chair (OPSEU-appointed); Brian Tamblyn, Employer Co-Chair (CEC-appointed); Riley Burton, Employee representative (OCASA-appointed); Ross Gascho, Employer representative (CEC-appointed); Cheri Hearty, Employee representative (OPSEU-appointed); Steve Hudson, Employer representative (CEC-appointed); Anne Sado, Employer representative (CEC-appointed); Veneise Samuels, Employee representative (OPSEU-appointed).

*Kim Macpherson served as an Employee representative (OPSEU-appointed) from 2012 until April 2019. She also served as Co-Chair of the Sponsors' Committee.

Cheri Hearty was appointed as an Employee representative and Patrick Kennedy was elected Employee Co-Chair, when Ms. Macpherson's term ended.

Left to right: Riley Burton, Cheri Hearty, Patrick Kennedy, Veneise Samuels, Steve Hudson, Brian Tamblyn, Anne Sado, Ross Gascho.

Funding Policy guides decisions to keep Plan sustainable and benefits secure

A formal funding policy is a fundamental feature of a Modern Defined Benefit pension plan such as the CAAT Plan.

The CAAT Pension Plan Funding Policy defines six levels of Plan financial health and sets guidelines for the Plan governors to use reserves, DBprime stability contributions, and conditional benefits to manage through periods of volatility. The main goal of the policy is to keep the Plan sustainable over the long term to secure benefits while maintaining equity among members.

Each filed funding actuarial valuation determines the Plan's funded status and where the Plan sits within the six levels. The chart below shows the decisions available at each funding level.

At Funding Level 4, where the Plan sits as of the January 1, 2020, actuarial funding valuation, the priority and timing of the decisions are not pre-determined but rather allow prioritization 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
Common	Future benefits	Consider temporary reductions	Consider restoration of any temporary reductions				Consider improving benefits (e.g., ad hoc increases)
Common	Post-retirement conditional inflation protection increases (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
DBplus	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%)
DBplus	Early retirement factor (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

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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 of 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 20, 2020

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, 2019, 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, 2019, 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

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants, Toronto, Canada
April 20, 2020

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, 2019, 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, 2019;
- membership data provided by the Board as at December 31, 2018;
- 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, 2019 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 2019, 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 20, 2020

Statement of Financial Position

($ thousands)	December 31 2019	2018
ASSETS		
Investments *(Note 3)*	**$ 14,249,879**	$ 11,546,596
Investment-related assets *(Note 3a)*	**413,355**	296,331
Employer contributions receivable *(Note 11)*	**16,302**	13,221
Member contributions receivable *(Note 11)*	**16,275**	13,149
Other assets *(Note 7)*	**18,745**	6,805
	$ 14,714,556	$ 11,876,102
LIABILITIES		
Investment-related liabilities *(Note 3a)*	**1,148,466**	1,026,760
Accounts payable and accrued liabilities *(Note 8)*	**23,677**	31,775
	1,172,143	1,058,535
Net assets available for benefits	**$ 13,542,413**	$ 10,817,567
Pension obligations *(Note 9)*	**11,339,421**	9,653,892
Regulatory surplus *(Note 10)*	**2,857,741**	2,618,323
Measurement differences between regulatory and accounting deficit *(Note 10)*	**(654,749)**	(1,454,648)
Surplus	**$ 2,202,992**	$ 1,163,675

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

		Year ended December 31
($ thousands)	2019	2018
Increase in net assets available for benefits		
Contributions *(Note 11)*	**$ 538,972**	$ 495,437
Investment income *(Note 12)*	**1,730,665**	40,102
Transfer of pension plan assets *(Note 18)*	**1,005,784**	–
	3,275,421	535,539
Decrease in net assets available for benefits		
Benefits *(Note 13)*	**514,565**	479,212
Investment administration expenditures *(Note 14)*	**8,449**	8,232
Pension administration expenditures *(Note 14)*	**27,561**	16,754
	550,575	504,198
Net increase in net assets available for benefits	**2,724,846**	31,341
Net assets available for benefits, beginning of year	**10,817,567**	10,786,226
Net assets available for benefits, end of year	**$ 13,542,413**	$ 10,817,567

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

Statement of Changes in Pension Obligations

		Year ended December 31
($ thousands)	2019	2018
Accrued pension obligations, beginning of year	**$ 9,653,892**	$ 9,229,348
Increase in accrued pension obligations *(Notes 9)*		
Interest on accrued benefits	**536,580**	519,297
Benefits accrued	**301,813**	283,418
Changes in actuarial assumptions	**486,103**	120,340
Assumption of pension plan liabilities *(Note 18)*	**795,677**	-
Experience losses	**79,921**	-
	2,200,094	923,055
Decrease in accrued pension obligations		
Benefits paid *(Note 13)*	**514,565**	479,212
Experience gains	-	19,299
	514,565	498,511
Net increase in accrued pension obligations	**1,685,529**	424,544
Accrued pension obligations, end of year	**$ 11,339,421**	$ 9,653,892

Statement of Changes in Surplus

		Year ended December 31
($ thousands)	2019	2018
Surplus, beginning of year	**$ 1,163,675**	$ 1,556,878
Net increase in net assets available for benefits	**2,724,846**	31,341
Net increase in accrued pension obligations	**(1,685,529)**	(424,544)
Surplus, end of year	**$ 2,202,992**	$ 1,163,675

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 with employees working across Canada. The following description of the Plan is a summary only. Some provisions are different for prior plan past service being replicated in the Plan as a result of a merger. 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 Regulatory Authority of Ontario ("FSRA") 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 impacted by benefit restrictions under the Income Tax Act (Canada) who are employed by certain participating employers of the Plan. 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 under DBprime 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 30th of the prior year, subject to a maximum pension increase of 8% in any one year with any excess carried forward.

Inflation adjustments on the portion of a pension based on active membership after 2007 is conditional on the Plan's funding position.

DBplus active member pension benefits earned are increased in January of each year for wage growth (prior to retirement) 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 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, inflation protection on post-2007 active membership would not be paid. For DBprime, a decrease in future benefit accruals and/or an increase in contribution rates may also be required. For DBplus, benefit increases based on AIW would not be made and a reduction in future benefits earned may also 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 *(Section 4600 – Pension Plans* of the Chartered Professional Accountants of Canada (CPA Canada) Handbook - Accounting Section 4600). As required under Section 4600, the Plan has valued and made certain disclosures on financial instruments in accordance with International Financial Reporting Standards (see below and Note 6). Accounting standards for private enterprises in Part II of the CPA Canada Handbook – Accounting are used for accounting policies that do not relate to the Plan's investment portfolio or pension obligations, to the extent that those standards do not conflict with the requirements of Section 4600.

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

The fair value of investments is determined as follows:

- Short-term investments are valued at-cost, adjusted for foreign exchange, which in conjunction with accrued interest receivable, approximates fair value.

- Publicly-traded equity securities are valued at the closing market price. Where a market price is not available, fair value is determined by reference to current market information.

- Fixed income securities are valued using an average of closing bids from market participants.

- Investments in underlying funds are valued using net asset values obtained from fund managers which are determined with reference to the fair value of the underlying investments of the fund.

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

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

- Derivative financial instruments are valued 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 presented 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 payments not made are accrued and reflected in the 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).

NOTE 3 – INVESTMENTS

3(a) – Summary of Investments

	2019		2018	
($ thousands)	Fair Value	Cost	Fair Value	Cost
Investments				
Short-term investments	**$ 1,268,851**	**$ 1,284,973**	$ 1,161,124	$ 1,131,945
Fixed income *(Note 3b)*	**4,287,053**	**4,140,476**	3,351,265	3,296,265
Equities *(Note 3c)*	**5,495,408**	**4,772,960**	4,278,728	3,909,231
Infrastructure	**1,118,367**	**872,697**	1,107,494	812,912
Private Equity	**1,254,945**	**892,570**	927,560	638,081
Real Estate	**825,255**	**504,957**	720,425	436,448
Investments	**$ 14,249,879**	**$ 12,468,633**	$ 11,546,596	$ 10,224,882
Investment-related assets				
Accrued income	**$ 23,880**	**$ 23,880**	$ 25,066	$ 25,064
Unsettled trades receivable	**41,292**	**41,292**	44,952	44,952
Long-dated sales receivable	**221,431**	**224,816**	201,711	200,089
Derivative-related receivables *(Note 5)*	**126,752**	**8,617**	24,602	17,868
Investment-related assets	**$ 413,355**	**$ 298,605**	$ 296,331	$ 287,973
Investment-related liabilities				
Unsettled trades payable	**$ (135,048)**	**$ (135,048)**	$ (10,296)	$ (10,293)
Long-dated purchases payable	**(1,004,697)**	**(1,013,032)**	(785,246)	(777,919)
Derivative-related liabilities *(Note 5)*	**(8,721)**	**(3,195)**	(231,218)	(649)
Investment-related liabilities	**$ (1,148,466)**	**$ (1,151,275)**	$ (1,026,760)	$ (788,861)
Net investments	**$ 13,514,768**	**$ 11,615,963**	$ 10,816,167	$ 9,723,994

3(b) – Fixed income

Investments in fixed income include the following issuers:

	2019		2018	
($ thousands)	Fair Value	Cost	Fair Value	Cost
Government of Canada[1]	**$ 1,433,440**	**$ 1,370,311**	$ 1,048,280	$ 1,004,329
Provincial governments	**1,597,474**	**1,534,738**	1,322,272	1,310,978
Municipal governments	**49,424**	**48,160**	31,650	32,136
Corporate	**675,597**	**654,858**	556,677	562,892
Foreign	**531,118**	**532,409**	392,386	385,930
Total fixed income	**$ 4,287,053**	**$ 4,140,476**	$ 3,351,265	$ 3,296,265

[1] 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:

	2019	2018
($ thousands)	Fair Value	Fair Value
1 – 5 years	**$ 439,686**	$ 416,861
6 – 10 years	**629,931**	543,486
11 – 20 years	**1,049,353**	897,009
Greater than 20 years	**2,168,083**	1,493,909
Total fixed income	**$ 4,287,053**	$ 3,351,265

3(c) – Equity Investments

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

	2019		2018	
($ thousands)	Fair Value	%	Fair Value	%
United States	**$ 2,230,036**	**40.6**	$ 1,736,853	40.6
Other Asia / Pacific	**1,084,348**	**19.7**	896,788	21.0
Europe (excluding United Kingdom)	**787,157**	**14.3**	645,717	15.1
Japan	**441,090**	**8.0**	328,595	7.7
Canada	**346,531**	**6.3**	185,262	4.3
United Kingdom	**249,659**	**4.6**	215,066	5.0
Other	**200,722**	**3.7**	128,178	3.0
Latin America	**155,865**	**2.8**	142,269	3.3
Total equity	**$ 5,495,408**	**100.0**	$ 4,278,728	100.0

3(d) – Summary of Significant Investments

At December 31, 2019 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		
Beutel Goodman Money Market Fund	$ 209,620	$ 209,620
United States Treasury Bills	630,820	641,603
Fixed income		
CIBC Pooled Long-Term Bond Index Fund	663,198	633,524
Government National Mortgage Association Mortgage Purchase Commitment (to be announced)	153,858	156,826
Government of Canada Bonds	1,057,259	994,584
Province of Ontario Bonds	474,568	454,798
Province of Quebec Bonds	338,540	315,386
TD Emerald Canadian Long Bond Broad Market Pooled Fund	277,031	289,918
Equities		
Acadian Emerging Market Small-Cap Fund	204,040	153,795
Arrowstreet Global World Alpha Extension Fund	989,779	924,810
BlackRock Global Fixed Income Alpha Offshore Fund A1	171,142	163,434
Bridgewater Pure Alpha Fund II	355,971	265,015
GMO Emerging Domestic Opportunities Fund V	523,796	523,762
IShares Core S&P 500 ETF	243,386	220,567
IShares Core S&P Midcap ETF	209,651	173,606
SPDR S&P 500 ETF Trust	178,889	128,241
Real Estate		
Carlyle Property Investors, L.P	144,280	138,961
Greystone Real Estate Fund	500,917	207,873

3(e) – Securities Lending

The Plan engages in securities lending to enhance portfolio returns. Credit risk associated with securities lending is mitigated by requiring the borrower to provide daily collateral in the form of cash and readily marketable investments of greater market value than the securities loaned. As at December 31, 2019, the Plan's investments included loaned securities with a fair value of $1,290,843 thousand (2018 – $1,129,608 thousand). The fair value of collateral received in respect of these loans was $1,366,572 thousand (2018 – $1,181,933 thousand). Net income earned from securities lending for the year was $2,209 thousand (2018 – $2,465 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 26, 2019 whereby the following notable amendments were approved (and effective in January 2020):

- Revision of the benchmark for Real Assets to Canadian CPI plus 4% from Canadian CPI plus 5%
- All foreign currency exposure within the Plan's Return Enhancing asset classes (Public and Private Equities) are no longer hedged; and
- Within interest rate and inflation sensitive asset classes, developed foreign currency exposure will be 90% hedged (in aggregate).

The Statement designates eight broad classes of assets. A set of benchmarks has been identified to measure performance against each class' annual rate of investment return. The total investments annual rate of return is measured against a composite index made up of the weighted average of each class' benchmark return using the actual allocation of assets to weight the various classes. The Plan's relative annual rate of return expectation is to equal or exceed the composite index. Over a long-term period of at least 10 years, the rate of return less inflation is expected to exceed 4.5%. The Plan's assets were allocated within the allowed allocation ranges as at December 31 for 2019 and 2018.

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

		2019		2018	
Asset Class	**Benchmark Index**	**Allocation Range**	**Actual Allocation**	Allocation Range	Actual Allocation
Liability-hedging assets		**29-71%**	**46.9%**	29-71%	47.8%
Nominal Long Bonds	FTSE TMX Long Bond Index	**10-25%**	**17.7%**	10-25%	16.1%
Nominal Universe Bonds	FTSE TMX Universe Index	**3-7%**	**4.9%**	3-7%	5.2%
Real-Return Bonds	Actual RRB portfolio return	**3-7%**	**5.1%**	3-7%	4.8%
Real Assets	CPI + 5%[2]	**10-25%**	**14.6%**	10-25%	17.0%
Commodities	S&P GSCI	**3-7%**	**4.7%**	3-7%	4.7%
Return-enhancing assets		**33-67%**	**52.7%**	33-67%	52.1%
Global Developed Equity	MSCI World Index	**20-35%**	**33.0%**	20-35%	33.4%
Emerging Markets Equity	MSCI Emerging Markets Index	**8-12%**	**10.4%**	8-12%	9.9%
Private Equity	MSCI ACWI + 3%	**5-20%**	**9.3%**	5-20%	8.8%
Cash, cash equivalents, and other	Not applicable	**Not applicable**	**0.3%**	Not applicable	0.1%
Total investments			**100.0%**		100.0%

[2] For 2020, the benchmark for Real assets has been changed to CPI + 4%.
Total does not sum to 100% due to rounding.

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)	2019			2018
	Gross Exposure	**Derivative Impact**	**Net Exposure**	Net Exposure
United States Dollar	**$ 5,222,301**	**$ (2,672,244)**	**$ 2,850,057**	$ 2,272,629
Euro	**707,344**	**(563,818)**	**143,526**	45,138
Other currencies	**489,089**	**(37,301)**	**451,788**	346,882
Japanese Yen	**335,003**	**(189,788)**	**145,215**	78,889
British Pound Sterling	**270,966**	**(179,695)**	**91,271**	70,179
Hong Kong Dollar	**152,723**	**(40,676)**	**112,047**	110,245
Swiss Franc	**84,366**	**(60,843)**	**23,523**	4,944
Total foreign	**7,561,792**	**(3,744,365)**	**3,817,427**	2,928,906
Canadian Dollar	**5,890,758**	**3,806,583**	**9,697,341**	7,887,261
Net investments	**$ 13,452,550**	**$ 62,218**	**$ 13,514,768**	$ 10,816,167

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, 2019 would result in a gain/loss of $190,871 thousand (2018 – $146,445 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 to 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, 2019, the duration of the fixed income portfolio was 14.4 years (2018 – 13.5 years). If interest rates were to rise by 1%, the fair value of the fixed income portfolio would decline by approximately $573 million (2018 – $472 million). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income portfolio would increase by approximately $571 million (2018 – $470 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)	2019		2018	
	10% Change results in a change of	**Gain / Loss**	10% Change results in a change of	Gain / Loss
Global Developed Equity	**9.7%**	**$ 434,209**	9.7%	$ 342,646
Emerging Markets Equity	**10.2%**	**$ 134,516**	9.9%	$ 106,890

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)	2019	2018
Short-term investments	**$ 1,268,851**	$ 1,161,124
Fixed income	**4,287,053**	3,351,265
Derivative-related receivables	**126,752**	24,602
Interest receivable	**15,959**	16,368
Other assets	**11,866**	-
Loaned securities	**1,290,843**	1,129,608
Credit default derivatives – written	**20,646**	29,183
Total maximum exposure	**$ 7,021,970**	$ 5,712,150

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

($ thousands)	2019	2018
AAA	**$ 1,586,934**	$ 1,189,116
AA	**941,563**	881,146
A	**1,023,431**	858,524
BBB or lower	**735,125**	422,479
	$ 4,287,053	$ 3,351,265

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, 2019, the fair value of such bonds held by the Plan was $3,030,914 thousand (2018 – $2,370,522 thousand). In addition, the Plan's portfolio of short-term investments of $1,268,851 thousand (2018 – $1,161,124 thousand) primarily represents cash or near cash assets that are available to meet payment obligations.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Derivative financial instruments are specifically used for:

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

- Foreign exchange forward contracts are used for short-term currency purchases or sales related to the execution of foreign currency denominated transactions. Foreign exchange forward contracts were also used for passive currency hedging (50% of non-Canadian equity holdings excluding emerging markets), for active currency strategies that increase or decrease the hedge ratio (within defined limits) in order to generate additional return, and for a 100% hedge on non-Canadian infrastructure and real estate investments. The Plan's currency hedging strategy for 2020 has been amended, as noted in Note 4.
- 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.

	2019			2018		
($ thousands)	Notional Value	Fair Value		Notional Value	Fair Value	
		Positive	Negative		Positive	Negative
Equity						
Futures	**$ 1,192,202**	**$ 16,997**	**$ (267)**	$ 1,193,882	$ -	($41,203)
Fixed income						
Futures	**289,461**	**1,870**	**(1,742)**	699,183	3,938	(1,227)
Currency derivatives						
Forwards	**5,032,534**	**62,218**	**-**	4,087,547	-	(134,980)
Interest rate derivatives						
Swaps	**1,951,973**	**5,440**	**(5,169)**	1,041,321	15,762	(506)
Credit default swaps						
Purchased	**154,396**	**7,797**	**(254)**	168,198	1,929	(571)
Written	**20,646**	**393**	**(24)**	29,183	153	(242)
Options	**69,826**	**-**	**(49)**	9,697	-	(20)
Commodity						
Futures	**630,312**	**32,037**	**(1,216)**	509,769	2,820	(52,469)
	$ 9,341,350	**$ 126,752**	**$ (8,721)**	$ 7,738,780	$ 24,602	$ (231,218)

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

($ thousands)	2019	2018
Under 1 year	**$ 7,253,722**	$ 6,352,009
1 to 5 years	**1,987,244**	1,218,557
Over 5 years	**100,384**	168,214
	$ 9,341,350	$ 7,738,780

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:

2019

($ thousands)	Level 1	Level 2	Level 3	Total
Short-term investments	**$ -**	**$ 1,268,851**	**$ -**	**$ 1,268,851**
Fixed income	**-**	**4,287,053**	**-**	**4,287,053**
Equities	**2,856,617**	**2,638,791**	**-**	**5,495,408**
Infrastructure	**-**	**-**	**1,118,367**	**1,118,367**
Real Estate	**-**	**-**	**825,255**	**825,255**
Private Equity	**-**	**21,549**	**1,233,396**	**1,254,945**
Investment-related receivables	**116,076**	**297,279**	**-**	**413,355**
Investment-related liabilities	**(138,273)**	**(1,010,193)**	**-**	**(1,148,466)**
	$ 2,834,420	**$ 7,503,330**	**$ 3,177,018**	**$ 13,514,768**

2018

($ thousands)	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 receivables	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

There were no significant transfers of investments between Level 1 and Level 2 during 2019 or 2018.

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:

2019				
($ thousands)	Infrastructure	Real Estate	Private Equity	Total
Opening balance	**$ 1,107,494**	**$ 720,425**	**$ 903,251**	**$ 2,731,170**
Acquisitions	**171,658**	**84,032**	**374,321**	**630,011**
Dispositions	**(222,810)**	**(21,904)**	**(214,601)**	**(459,315)**
Realized gains	**110,938**	**6,381**	**103,306**	**220,625**
Unrealized gains (losses)	**(48,913)**	**36,321**	**67,119**	**54,527**
Closing balance	**$ 1,118,367**	**$ 825,255**	**$ 1,233,396**	**$ 3,177,018**

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

NOTE 7: OTHER ASSETS

Other assets consist of fixed assets with a net book value of $2,713 thousand (2018 – $3,130 thousand) and miscellaneous receivables and prepaid expenses in the amount of $4,166 thousand (2018 – $3,674 thousand), long-term notes receivable with a fair value of $9,866 thousand (2018 – $0) and an annuity with a fair value of $2,000 thousand (2018 – $0). Fixed assets are stated at cost and are depreciated or amortized on a straight-line basis over their useful lives.

($ thousands)	2019			2018
Fixed assets	**Cost**	**Accumulated depreciation & amortization**	**Net book value**	Net book value
Systems software	**$ 4,884**	**$ 2,828**	**$ 2,056**	$ 2,443
Leasehold improvements	**42**	**9**	**33**	32
Computer equipment	**914**	**532**	**382**	356
Furniture, fixtures & equipment	**753**	**511**	**242**	299
	$ 6,593	**$ 3,880**	**$ 2,713**	$ 3,130

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is an accrual of $11,715 thousand (2018 – $10,647 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 benefits to January 1, 2023 and exclude further conditional benefits 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, 2020. The next regulatory valuation is required to be filed no later than as at January 1, 2023.

Pension obligations as at December 31, 2019 were $11,339,421 thousand (2018 – $9,653,892 thousand).

Actuarial Assumptions

The actuarial assumptions used in determining the accounting value of pension obligations reflect management's best estimate of future economic events and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation rate, and inflation rate. The 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:

	2019	2018
Discount rate	**5.15%**	5.50%
Salary escalation rate	**3.75%**	3.75%
Inflation rate	**2.00%**	2.00%
Real discount rate	**3.15%**	**3.50%**

Changes in actuarial assumptions between 2018 and 2019 resulted in an increase in the pension obligation of $486,103 thousand due to a 35 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 2017 and 2018 an increase in the pension obligation of $120,340 thousand was primarily due to a 10-basis-point decrease in the discount rate).

Experience Gains and Losses

Experience losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2019, experience losses were $79,921 thousand (2018 – gains of $19,299 thousand). Experience losses in 2019 stemmed from demographic experience losses, the extension of conditional benefits, and higher than assumed salary escalation. Experience gains in 2018 stemmed from demographic experience gains and lower than assumed salary escalation.

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.

Under DBplus, the contribution rate on contributory earnings (as defined by the Plan Text) by both employers and employees is specified on an employer by employer basis, provided that the employee contribution amount may not exceed 9% of contributory earnings.

New members joining the Plan under DBprime or DBplus may contribute at a lower contribution rate over a phase-in period as a part of their employer's agreement to join the Plan.

NOTE 10: SURPLUS

The excess of net assets available for benefits against pension obligations results in the Plan being in a surplus of $2,202,992 thousand as at December 31, 2019 (2018 – $1,163,675 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, 2019, which has been filed with FSRA subsequent to year end is $2,857,741 thousand (2018 – $2,618,323 thousand).

A 25-basis-point decrease in the discount rate assumption at December 31, 2019 would result in a decrease in the regulatory surplus of approximately $583 million (2018 – $432 million).

Measurement differences between the regulatory surplus and accounting surplus (deficit) in 2019 of $654,749 thousand (2018 – $1,454,648 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 2019 is a $865,005 thousand deferred gain (2018 – $161,350 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)	2019	2018
Members		
Current service	**$ 251,161**	$ 235,221
Purchases of past service	**10,916**	8,920
Employers		
Current service	**251,545**	236,066
Purchases of past service	**3,324**	3,185
Transfers from other pension plans	**22,026**	12,045
	$ 538,972	$ 495,437

Employers are required to remit both the employer and member portion of contributions to the Plan within five business days of each month end and are charged interest on any contributions submitted late. Multi-employer pension plans such as the CAAT Pension Plan are unable to determine if any contributions remain outstanding as they do not have regular access to underlying employee data. On an annual basis, the Plan reconciles service and earnings reported by employers to contributions received for each member, and adjustments are made for over or underpayments. As at December 31, 2019, $16,302 thousand of employer contributions receivable and $16,275 thousand of member contributions receivable (2018 – $13,221 thousand of employer contributions and $13,149 thousand of member contributions) were collected in the following year.

NOTE 12: INVESTMENT INCOME

Investment income after the allocation of the net realized and unrealized gains is as follows:

($ thousands)	2019	2018
Interest income	**$ 136,101**	$ 126,433
Dividend income	**215,413**	85,857
Other income	**3,664**	2,595
	355,178	214,885
Investment gains		
Realized gain	**630,228**	582,392
Change in unrealized appreciation (depreciation)	**830,412**	(657,988)
	1,460,640	(75,596)
Investment income prior to investment expenses	**1,815,818**	139,289
Investment management fees	**(80,498)**	(95,206)
Transaction costs	**(4,655)**	(3,981)
	$ 1,730,665	$ 40,102

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

($ thousands)	2019	2018
Short-term investments[3]	**$ 277,348**	$ (221,608)
Fixed income	**300,392**	18,481
Equities	**879,407**	(61,831)
Infrastructure	**110,404**	151,807
Real Estate	**198,284**	199,156
Private Equity	**49,983**	53,284
	$ 1,815,818	$ 139,289

[3] Includes currency forwards and options and commodity futures gains of $ 234,463 thousand (2018 – losses of $247,041 thousand)

NOTE 13: BENEFITS

($ thousands)	2019	2018
Pensions	**$ 474,514**	$ 444,852
Payments on termination of membership	**40,051**	34,360
	$ 514,565	$ 479,212

NOTE 14: ADMINISTRATION EXPENDITURES

Investment Administration Expenditures

($ thousands)	2019	2018
Salaries and benefits	**$ 4,671**	$ 4,845
Custodial fees	**1,462**	1,277
Other professional services	**958**	867
Premises and equipment	**833**	712
Communications and travel	**371**	367
Audit fees	**94**	84
Board and Sponsors' Committee	**46**	67
Actuarial fees	**14**	13
	$ 8,449	$ 8,232

Pension Administration Expenditures

($ thousands)	2019	2018
Salaries and benefits	**$ 19,144**	$ 12,002
Premises and equipment	**4,931**	2,683
Other professional services	**1,652**	654
Communications and travel	**933**	550
Custodial fees	**435**	435
Actuarial fees	**219**	277
Board and Sponsors' Committee	**161**	69
Audit fees	**86**	84
	$ 27,561	$ 16,754

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, 2019, these commitments totalled $1,496,503 thousand (2018 – $1,658,204 thousand).

The Plan leases its office premises under a lease agreement that expires on November 30, 2027. In addition, there are various equipment leases in place with expiry dates between 2020 and 2025. Future lease payments over the remaining life of the leases total $11,889 thousand, with the following amounts payable over the next five years: 2020 – $1,057 thousand, 2021 – $1,124 thousand, 2022 – $1,202 thousand, 2023 – $1,247 thousand, and 2024 – $1,239 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 2019 was $43 thousand (2018 – $35 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 – TRANSFER OF PENSION PLAN ASSETS AND LIABILITIES

During 2019 and 2018, the Plan entered into agreements with the sponsors of various single-employer pension plans to assume the assets and obligations of their pension plans ("pension plans").

Upon approval by FSRA and after the transfer of pension plan assets, the CAAT Pension Plan becomes responsible for current and future benefit payments to the members of the pension plans. In 2019, $796 million of pension obligations were assumed by the CAAT Pension Plan (and included in the Plan's pension obligations as at December 31, 2019) and $1,006 million of pension plan assets were transferred to the Plan, becoming part of the Plan's investment assets. 2019 pension plan transfers included eight pension plans sponsored by Torstar Corporation and its various subsidiaries, and two pension plans sponsored by Canadian Press Enterprises.

In addition, the Plan has entered into agreements to transfer approximately $750 million in pension assets to the Plan subject to consent by members and/or approval of FSRA from one pension plan sponsored by Catholic Charities Archdiocese of Toronto, two pension plans sponsored by Community Living Toronto, six pension plans sponsored by Postmedia, one pension plan sponsored by United Way of Greater Toronto, and one pension plan sponsored by Youth Services Bureau of Ottawa.

Ten-Year Review (Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
FINANCIAL ($ millions)										
Short-term investments	1,269	1,161	987	1,028	808	714	709	562	288	501
Fixed Income	4,287	3,351	3,145	2,543	2,459	2,260	1,940	1,793	2,058	1,940
Equities	5,495	4,279	5,047	4,452	4,267	4,052	3,838	3,290	2,750	2,635
Infrastructure	1,118	1,107	844	745	600	400	297	237	217	162
Real Estate	825	720	558	469	419	407	379	339	301	241
Private Equity	1,255	928	649	516	471	311	183	119	47	29
Derivatives (net)	118	(206)	62	33	(181)	(42)	2	-	20	19
Total investments	14,367	11,340	11,292	9,786	8,843	8,102	7,348	6,340	5,681	5,527
Other assets (liabilities) (net)	(825)	(524)	(506)	(398)	(251)	(137)	(221)	(80)	(54)	(75)
Net assets available for benefits	13,542	10,816	10,786	9,388	8,592	7,965	7,127	6,260	5,627	5,452
Contributions	539	495	444	443	432	417	368	355	312	296
Investment income	1,731	40	1,432	700	621	808	860	624	178	607
Transfer of pension plan assets	1,006	-	-	106	-	-	-	-	-	-
Benefit payments	(515)	(479)	(457)	(431)	(406)	(369)	(344)	(332)	(302)	(284)
Administrative expenses	(36)	(25)	(21)	(22)	(20)	(18)	(18)	(14)	(13)	(13)
Net change in net assets available for benefits	2,725	31	1,398	796	627	838	866	633	175	606
RETURNS										
Annual return, gross of fees	16.8%	1.4%	16.8%	8.8%	9.0%	12.3%	14.5%	11.8%	4.1%	13.3%
Annual return, net of fees	16.0%	0.5%	15.8%	8.0%	8.1%	11.5%	13.9%	11.3%	3.4%	12.6%
MEMBERSHIP										
Active members	39,900	32,200	29,400	28,400	26,500	24,700	22,000	21,400	20,500	19,600
Deferred members	2,200	1,600	1,400	1,400	1,400	1,800	1,700	1,300	1,100	1,100
Retired members	19,300	16,100	15,500	14,900	14,000	13,500	13,100	12,600	12,100	11,700
Total members	61,400	49,900	46,300	44,700	41,900	40,000	36,800	35,300	33,700	32,400
GOING-CONCERN FUNDING STATUS as at December 31										
Funded status	117.8%	119.9%	118.1%	113.3%	110.4%	107.2%	105.1%	103.6%	101.7%	101.0%
Funding reserves (deficit)	$ 2,858	$ 2,618	$ 2,269	$ 1,601	$ 1,179	$ 773	$ 525	$ 347	$ 154	$ 88
Discount rate	5.15%	5.50%	5.60%	5.60%	5.70%	5.80%	5.80%	5.80%	5.90%	6.00%

Numbers are rounded.
*Valuations not filed.

> **"Our Unifor Local 240 members had major concerns about the stability and long-term viability of our Postmedia defined benefit pension plan in light of the difficulties faced by the media industry in Canada. CAAT and its DBplus plan have eased that uncertainty and provided for us and our retirees the financial security in our retirement we have all worked so hard for."**
>
> **– Julie Kotsis**
> **Chairperson, Windsor Star Unit**
> **Unifor Local 240**

> **"Joining the CAAT Plan group of employers has allowed us to provide our union and non-union employees across Canada with a defined benefit pension while enabling the company to manage costs through fixed and predictable pension funding. Working with the CAAT team throughout the merger and onboarding processes provided for an easy transition."**
>
> **– Adam Carpenter**
> **Vice President,**
> **Financial Reporting**
> **Postmedia**

CORPORATE DIRECTORY

Executive officers

Derek W. Dobson
CEO and Plan Manager

Julie C. Cays
Chief Investment Officer

Kevin Rorwick
Chief Operating Officer & Chief Financial Officer

Senior staff

Mary Darakjian
Vice President, Member & Employer Onboarding

Kevin Fahey
Managing Director, Investments

Julie A. Giraldi
Vice President, People & Strategy Development

Angela Goodchild
Vice President, Service Delivery

Asif Haque
Managing Director, Investments

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Vice President, Technology & IT Service Management

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