

Annual Report 2020

Strong. Secure. Sustainable.

Remaining resilient
through a tumultuous year.



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We entered
the pandemic
well-positioned.

We continue to grow stronger.



Dr. Scott Blakey, Chair

Forward thinking is keeping the Plan relevant and ready



Don Smith, Vice-Chair

Canadian workplaces are changing. The pandemic has accelerated this reality. The Plan is committed to adapting to the changing environment and evolving to meet the needs of our members and employers. Delivering on the promise of benefit security demands forward thinking to ensure the Plan remains relevant to Canadian workplaces and is ready for the future.

Workplaces are changing but the need for valuable pensions is not. One of the ways we have adapted was with the introduction of DBplus more than two years ago. After thoughtful consideration and detailed risk analysis, the Plan governors boldly decided to make DBplus available to employers outside of the Ontario college system. DBplus is flexible to meet the needs of employers who want the cost certainty that comes with fixed contribution rates and the desire of employees for good, secure lifetime pensions.

Making Modern Defined Benefit (DB) pension plans available to more workplaces in Canada is something we, as Plan governors, strongly believe in.

Since the introduction of DBplus, CAAT has welcomed more than 60 new employers and over

14,000 additional members, with many more exploring the valuable CAAT solution where members and employers benefit.

Being ready for the future requires careful advanced planning. This advanced planning allowed Plan staff to pivot quickly to working remotely in March 2020, and continue its focus on Plan health and delivering outstanding service to members and employers.

We remain impressed by their professionalism and dedication. As well, we are extremely proud of Julie Cays' award as Chief Investment Officer of the Year, by *Canadian Investment Review*. It is well-deserved recognition and reflects well on the entire Plan.

The future will undoubtedly see the need for continued evolution, and we look forward to addressing the challenges ahead for the benefit of our members and employers. We remain confident in the continued dedication of our team and in the resiliency of the Plan.



Dr. Scott Blakey, Chair



Don Smith, Vice-Chair

A message from CAAT's CEO and Plan Manager



Derek W. Dobson,
CEO and Plan Manager

Resiliency through a tumultuous year

2020 was a difficult year for many Canadians, including for many Plan employers and members. The pandemic affected many aspects of our lives, but our members can be confident knowing that CAAT remains resilient.

We entered the pandemic fortified with healthy funding reserves to steel the Plan against unprecedented economic upheaval and I'm proud to say we ended the year even stronger. The Plan's funding reserves grew to \$3.3 billion and our funding status increased to 119%—in other words, the Plan now has \$1.19 set aside for every dollar promised in pensions.

These numbers are even more reassuring when you consider that the Plan's governors reduced the discount rate by 20 basis points to 4.95%. The discount rate is a key assumption in the valuation, based in part on expected investment returns over the next 20 years. The discount rate is then adjusted to reflect the Plan's risk tolerance and focus on benefit security. The lower the discount rate, the greater the likelihood we'll reach or surpass the investment targets needed to keep the Plan strong. In other words, a lower discount rate will lead to the Plan being more secure in the long run.

While the discount rate was lowered to reflect future expectations, our investment returns for 2020 were 11.1%, net of fees, contributing to an impressive 10-year annualized rate of return of 9.9%.

We expect to encounter headwinds as the world continues to adapt and adjust to the coronavirus. During the continuing uncertainty, Plan governors wisely decided to continue building funding reserves and the Plan's resiliency.

Last year saw significant growth in membership and in the number of employers. The Plan grew by 7,500 members to reach nearly 70,000, and the number of participating employers at year end were 111, up from 76 at the start of the year.

As we look ahead, members and employers can continue to have confidence in CAAT's resiliency in an uncertain world.



Derek W. Dobson,
CEO and Plan Manager

Predictable retirement income. For life.

2020 highlights.

2020 highlights

CAAT now has
members in
every province



68,900
members

7,500
net increase in members

43,700
active

21,800
retired

3,400
deferred

111

participating
employers

14 unions and
member
associations

9
industries

2020 highlights

119%

Funded

Discount rate
lowered to

4.95%

Increased funding reserves to

\$3.3 billion

\$15.8 billion in
net assets

11.1% investment
net return
in 2020

10-year
annualized net
rate of return of

9.9%

“How
safe is my
pension?”

Management's commentary.

Plan funding

The regulatory funded status is a key measure of CAAT's financial health, highlighting the Plan's security of benefits. Other measures that highlight the Plan's longer-term stability and strength include reasonable underlying assumptions to the valuation (such as the discount rate), funding reserves, and healthy Plan demographics.

Plan reserves have grown to \$3.3 billion, which includes \$0.2 billion from the addition of new employers and members in 2020. In addition, there are \$1.1 billion in asset smoothing reserves that reflect deferred investment gains, to be recognized in future actuarial valuations.

Reserves are available as a cushion against changes in investment markets, or larger-than-expected liability growth due to demographic shifts, making them an important tool to keep benefits secure and DBprime contribution rates stable.

VALUATION SUMMARY

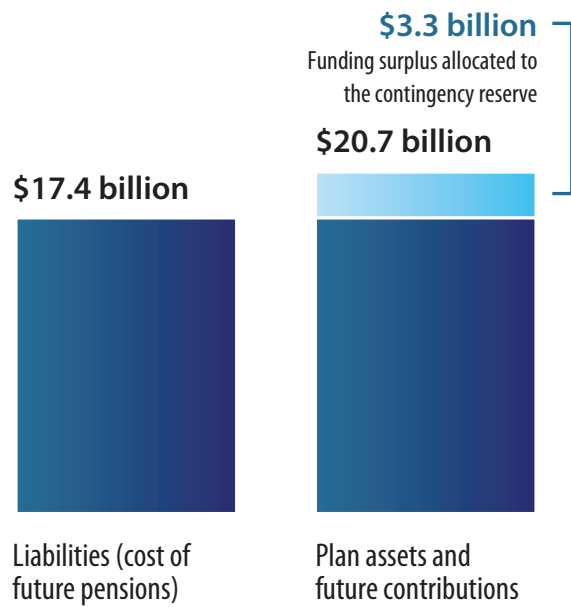
Going-concern funding results <small>(Modified aggregate basis)</small>	January 1, 2021 <small>Filed valuation</small>
Asset Values:	(\$ millions)
Market value of net assets	15,628
Smoothing adjustment	(1,084)
Present value of future contributions	
DBprime – basic contributions	3,485
DBprime – stability contributions	1,452
DBplus	1,202
Total actuarial value of assets	20,683
Liabilities for accrued benefits	12,609
Present value of future benefits for active members	
DBprime	3,725
DBplus	955
Provision for conditional inflation adjustments granted to 2024	124
Total actuarial liabilities	17,413
Funding reserve – with smoothing	3,270

(The market value of net assets differs from the financial statements due to the timing of the preparation of the regulatory funding valuation.)

Numbers may not add due to rounding.

FUNDING VALUATION

As at January 1, 2021



The CAAT Plan's regulatory funding valuation is:

- A point-in-time determination of the Plan's financial health
- Comparing the Plans' liabilities (cost of future pensions) to its assets, including future contributions and smoothed investment returns over 5 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 Ontario provincial and federal regulators at least every three years

To find out more about CAAT's regulatory funding valuation, go to: www.caatpension.ca/about-us/valuation

Plan Text amendments

In 2020, amendments were made to the Plan text to add new employers or to expand the participation of employees of certain employers and to accept the assets and liabilities associated with plans merging into the Plan.

Consistent with the Plan's funding position as shown in its January 1, 2021 valuation, the Plan Text was revised to guarantee annual Average Industrial Wage increases for active DBplus members until 2024, and to extend the current DBplus early retirement adjustment factor for retiring DBplus members until 2024.

None of the amendments negatively altered benefit entitlements.

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

Responsible investments

The CAAT Pension Plan takes its fiduciary responsibility to the nearly 70,000 Plan members very seriously. Members depend on CAAT to provide secure lifetime pension benefits. The principal investment goal of the Plan is to maximize long-term, risk-adjusted returns to secure pensions now and in the future.

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

1. Supporting sound governance through 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 environmental, social and governance (ESG) factors will be examined considering the effects of the proposals on the long-term sustainability of the entity.

To find out more about CAAT's corporate engagement, go to: www.caatpension.ca/investments/responsible-investing

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 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.

To find out more about CAAT's corporate engagement, go to: www.caatpension.ca/investments/responsible-investing

3. Integrating ESG factors in 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.

SHAPING CHANGE THROUGH COLLABORATION

	<p>Principles for Responsible Investment</p> <p>The CAAT Plan is a signatory to the United Nations-supported Principles for Responsible Investment (PRI), together with more than 3,500 institutional investors from more than 80 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.</p>
	<p>CDP</p> <p>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.</p>
	<p>SHARE</p> <p>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.</p>
	<p>Pension Investment Association of Canada (PIAC)</p> <p>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.</p>
	<p>Institutional Limited Partners Association (ILPA)</p> <p>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.</p>

Managing investment risks

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 the asset mix to the Board of Trustees 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.

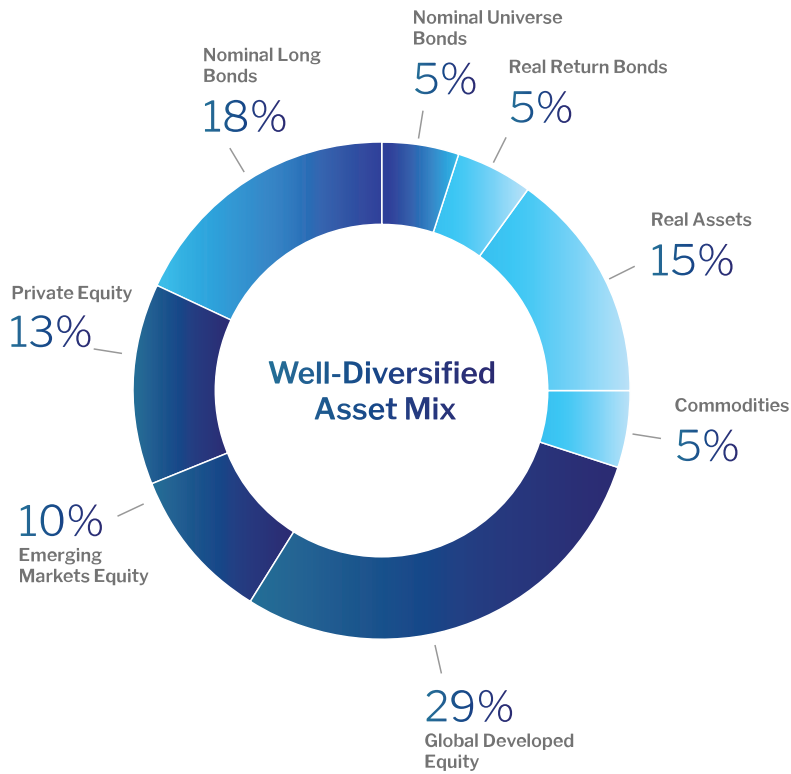
Interest-rate sensitive and Inflation sensitive assets help to offset the effects of changing interest rates and inflation on the valuation of the Plan's pension payments. Interest-rate sensitive asset classes comprise long and universe bonds while inflation sensitive asset classes comprise real assets (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 DBprime members and employers, and allow for the continued granting of conditional benefits for all members.

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. The most recent 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.



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 60 investment and fund managers in public and private asset classes. In addition, the use of co-investments in private markets continues to play an important role in these portfolios.

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

- Are aligned with the interests of the Plan
- Have cohesive high-performing teams
- Have successful track records based on compelling and sustainable investment strategies
- 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.

2020 Market Overview

After severe declines on pandemic-related concerns in the first quarter of 2020, global equity markets staged a strong comeback over the balance of the year. The rebound was propelled globally by various forms of central bank easing and fiscal measures implemented by governments to help households and businesses deal with cash flow disruptions. As the year concluded, the rally was further supported by optimism over vaccine approvals, more policy stimulus, and clarity on the U.S. election outcome.

Developed market equity returns saw particular strength in the technology sector and in the U.S., with the S&P 500 Index delivering a return of 16.3% in Canadian dollar terms for the year. At 16.2% in Canadian dollar terms, the return on MSCI Emerging Market Index was also strong in 2020. By contrast, the return on S&P TSX Composite was lower at 5.6%, largely due to headwinds in the Energy and Financials sectors where the Canadian market is more concentrated.

Monetary and fiscal responses to the pandemic spurred significant declines in interest rates, with the Bank of Canada's policy rate falling to 0.25% by year end, down from 1.75% at the beginning of 2020. Bond yields also declined, resulting in healthy returns on Canadian fixed income portfolios.

During the year, the Canadian dollar gained 2.0% against the U.S. dollar and fell 7.0% versus the Euro.

Investment focused on the long-term

The Plan's assets totaled \$15.8 billion at the end of 2020, up from \$13.5 billion at the end of 2019. The Fund returned 11.1% in 2020 net of management fees, significantly outperforming the Plan's discount rate of 5.15%. The discount rate was lowered to 4.95% with the January 1, 2021 valuation.

Over the past 10 years, the Plan has delivered an annualized return of 9.9%, net of fees.

On an absolute basis, all asset classes contributed positively to returns in 2020, with the exception of Commodities. Global Developed Equity, Emerging Market Equity, and Long Bonds were the largest contributors.

FUND RETURNS VS POLICY BENCHMARK

(Annualized)

	1 YEAR	5 YEARS	10 YEARS
CAAT Nominal Return	11.1%	10.2%	9.9%
Policy Benchmark	10.7%	8.8%	8.5%
CAAT vs. Policy Benchmark	+0.4%	+1.4%	+1.4%

Numbers may not add due to rounding.

At 11.1%, the Fund's returns outperformed the policy benchmark return by 0.4% for the year, as shown in the table above. Over the past ten years, the Fund has outperformed its policy benchmark by 1.4%, annualized, net of fees.

The performance of each asset class is measured in comparison to a relevant benchmark return, as listed in the table below. All asset classes outperformed their benchmarks in 2020, with the exception of Global Developed Equity.

2020 NET INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

as at December 31, 2020 (net of expenses)

Asset Class	CAAT Plan Investments** (\$ millions)	CAAT 2020 Return	Benchmark	Benchmark Return	Value Added
Interest-rate sensitive					
Long Bonds	\$2,837	13.5%	FTSE Canada Long Term Bond Index	11.9%	1.6%
Universe Bonds	\$723	9.9%	FTSE Canada Universe Bond Index	8.7%	1.2%
Inflation sensitive					
Real-Return Bonds	\$763	13.1%	Actual RRB Portfolio Return	13.1%	0.0%
Real Assets	\$2,353	7.0%	CPI + 4%	5.0%	2.1%
Commodities	\$787	(21.9%)	S&P GSCI Commodity Index	(25.1%)	3.2%
Return enhancing					
Global Developed Equity*	\$4,619	11.8%	MSCI World Index	13.9%	(2.0%)
Emerging Markets Equity	\$1,616	19.7%	MSCI Emerging Markets Index	16.2%	3.5%
Private Equity	\$2,080	17.6%	MSCI ACWI + 3%	17.2%	0.4%

*Global Developed Equity includes Canadian Equity, US Equity, International Equity, and Global Equity portfolios.

**Assets invested reflect effective exposures (actual exposures plus overlay positions).

Numbers do not add due to rounding.

Managing operational risks

Enterprise risk management

CAAT administers pensions 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 resiliency. CAAT's focus on business resiliency enabled a smooth transition to remote work in 2020.

Cybersecurity risk

CAAT takes the need to manage cybersecurity risk very seriously, and in 2020, implemented practices to respond to additional needs that arose from staff working remotely, and increasingly sophisticated social engineering and phishing threats. To ensure the security and stability of all our environments, significant improvements were made in 2020 to improve email security, firewall protection, server infrastructure, and user experience.

The Plan currently assesses potential threats in real time, monitors for vulnerabilities, and proactively educates staff. Today, the Plan is well-positioned, with a strong cybersecurity and risk-mitigation practice.

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. In 2020, due to the pandemic, we provided additional options within the confirmation process. Retired members and survivors can now confirm pension payments by mail, phone, or email; and can submit forms through a secure document upload system.

Strategic priorities

CAAT remained committed to its strategic focus on keeping member benefits secure and growing Plan membership. 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 stable and predictable.

Three initiatives continue from the strategic plan:

- **Promoting Modern DB Pension Plans** – is a leading part of CAAT's advocacy efforts. This initiative promotes the efficiencies and other advantages of Modern DB plans for members and society as sustainable solutions for efficiently delivering retirement income security.
- **Growing and Diversifying Plan Membership** – encompasses increasing and diversifying the membership through new participating employers, member groups, and mutually beneficial mergers with other pension 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 make the most of its many features and all stakeholders can be well-informed promoters of CAAT.

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

AWARDS AND RECOGNITION – A REFLECTION OF CAAT'S STRATEGY

CAAT was named the **#1 fastest growing pension plan in Canada** by Benefits Canada in an article published in 2020, based on 2019 results.

CAAT's Julie Cays was named by Canadian Investment Review as the **Chief Investment Officer of the year for 2020**.

CAAT was named as a **GTA Top Employer** by Greater Toronto's Top 2021 Employers and as one of Canada's **Most Admired (Corporate) Cultures** by Waterstone Human Capital.

Our unique model.

Helping members retire with confidence.

A Joint Governance Model – members and employers are equally represented

Through their representatives on the Plan's governing bodies – the Sponsors' Committee and the Board of Trustees – members and employers have shared responsibility for Plan decisions about benefits and funding. The joint governance structure is a key element of a world-renowned Canadian model for pension organizations.

The Plan governors are appointed by the Plan sponsors that represent the College Employer Council (CEC) – in turn representing Ontario colleges' boards of governors, the Ontario Public Service Employees Union (OPSEU), and the Ontario College Administrative Staff Association (OCASA).

Board of Trustees

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

The Board has 12 Trustees: 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 CEC.

MEMBERS OF THE BOARD OF TRUSTEES

Dr. Scott Blakey Chair, Employer-appointed Trustee	David Haley Employee-appointed Trustee	Kareen Stangherlin Employer-appointed Trustee
Don Smith Vice-Chair, Employee-appointed Trustee	Karen McRae Employer-appointed Trustee	Beverley Townsend Employer-appointed Trustee
Virginia Di Monte Employee-appointed Trustee	Alnasir Samji Employer-appointed Trustee	Gretchen Van Riesen Employer-appointed Trustee
Rasho Donchev Employee-appointed Trustee	Michael Seeger Employee-appointed Trustee	Kim Watkins Employee-appointed Trustee

Sponsors' Committee

The Sponsors' Committee's focus is on determining how to best balance contribution rates and benefit design. The Committee also approves new employer applications to join the Plan.

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 CEC.

MEMBERS OF THE SPONSORS' COMMITTEE

Veneise Samuels

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)

Dr. Steve Hudson

Employer representative
(CEC-appointed)

Shawn Pentecost

Employee representative
(OPSEU-appointed)

Anne Sado

Employer representative
(CEC-appointed)

Plan governors are grateful to Harry Gibbs, Trustee and most recently Co-Chair of the Investment Committee for his long and distinguished service to the Plan. The governors are also grateful to Patrick Kennedy, Member of the Sponsors' Committee, and most recently Co-chair, and wish him well in retirement. The Plan governors welcome Karen Stangherlin to the Board and Shawn Pentecost to the Sponsors' Committee.

Subcommittees

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 risks, including cyber risk. The committee ensures the reliability of financial reporting and reviews the annual financial statements.

Finance and Administration Committee – is focused on funding, administration, legislation, litigation, and the appointment and evaluation of actuarial and legal advisors. This committee also oversees information systems and reviews spending and budgets for the Plan.

Governance Committee – assists the Board of Trustees in ensuring effective Board functioning and decision making as well as human resource functions related to the CEO & Plan Manager.

Investment Committee – develops and recommends the Statement of Investment Policies and Procedures and related policies such as those concerning responsible investing and investments in derivatives.

Appeals Subcommittee – hears member appeals of Plan staff's interpretation of Plan rules.

Funding Policy

The Funding Policy guides the Plan’s long-term focus on benefit security and contribution stability, while balancing the desire for equity. The Policy helps the Plan deliver on these goals, while managing short term volatility.

The Funding Policy is a fundamental decision-making tool that Plan governors use to achieve the goals of the Plan. The Policy defines six levels of Plan funding and sets guidelines within each level. Plan governors have three funding controls: reserves, stability contributions (for the DBprime Plan design), and conditional benefits.

Each filed actuarial valuation determines the Plan’s funded status and funding level. The chart below shows the decisions available at each funding level.

The priority and timing of the decisions within each funding level is not pre-determined but rather allows for prioritization to reflect the evolving needs of stakeholders, the current pension environment, or emerging risks to the Plan. As at January 1, 2021, the Plan sits at Funding Level 4.

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

A strategy for resilience.

Financial statements.

Management's Responsibility for Financial Reporting

The financial statements of the Colleges of Applied Arts and Technology Pension Plan (the "Plan" or "CAAT Pension Plan") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements are in accordance with Canadian accounting standards for pension plans. Many amounts are based on the best estimates and judgements of management with appropriate consideration as to materiality. The Board of Trustees retained Mercer (Canada) Limited as external actuaries to provide an actuarial valuation of the assets and the going-concern liabilities of the Plan for inclusion in the financial statements. The financial statements have been approved by the Board of Trustees.

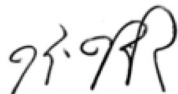
CAAT Pension Plan maintains books of account, systems of information and systems of financial and management control which provides reasonable assurance that accurate financial statement information is available, that assets are protected and that resources are managed efficiently. These systems include careful hiring and training of staff, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities, and the communication of policies and guidelines through the organization.

The Board of Trustees is ultimately responsible for the financial statements of the CAAT Pension Plan. The Board of Trustees oversees financial reporting through its Audit Committee. The Committee reviews matters 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 19, 2021

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, 2020, 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, 2020, 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

April 19, 2021

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, 2020, for inclusion in the Plan's financial statements.

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

- Plan provisions at: in effect as December 31, 2020;
- membership data provided by the Board as at December 31, 2019;
- 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, 2020 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 2020, 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.



Bill Watson, F.C.I.A.
Mercer (Canada) Limited
Marsh & McLennan Companies
April 19, 2021



Joseph Fung, F.C.I.A.

Statement of financial position

December 31

(\$ thousands)	2020	2019
Assets		
Investments (Note 3)	\$ 16,678,728	\$ 14,249,879
Investment-related assets (Note 3a)	734,828	413,355
Employer contributions receivable (Note 11)	18,931	16,302
Member contributions receivable (Note 11)	18,861	16,275
Other assets (Note 7)	29,175	18,745
	\$ 17,480,523	\$ 14,714,556
Liabilities		
Investment-related liabilities (Note 3a)	1,605,772	1,148,466
Accounts payable and accrued liabilities (Note 8)	28,473	23,677
	1,634,245	1,172,143
Net assets available for benefits	\$ 15,846,278	\$ 13,542,413
Pension obligations (Note 9)	12,723,844	11,339,421
Regulatory surplus (Note 10)	3,270,120	2,857,741
Measurement differences between regulatory and accounting surplus (Note 10)	(147,686)	(654,749)
Surplus	\$ 3,122,434	\$ 2,202,992

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



Dr. Scott Blakey, Chair



Don Smith, Vice-Chair

Statement of changes in net assets available for benefits

Year ended December 31

(\$ thousands)	2020	2019
Increase in net assets available for benefits		
Contributions (Note 11)	\$ 588,062	\$ 538,972
Investment income (Note 12)	1,575,523	1,730,665
Non-investment related income (Note 13)	3,137	–
Transfer of pension plan assets (Note 19)	788,117	1,005,784
	2,954,839	3,275,421
Decrease in net assets available for benefits		
Benefits (Note 14)	601,369	514,565
Investment administration expenditures (Note 15)	10,831	8,449
Pension administration expenditures (Note 15)	38,774	27,561
	650,974	550,575
Net increase in net assets available for benefits	2,303,865	2,724,846
Net assets available for benefits, beginning of year	13,542,413	10,817,567
Net assets available for benefits, end of year	\$ 15,846,278	\$ 13,542,413

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)	2020	2019
Accrued pension obligations, beginning of year	\$ 11,339,421	\$ 9,653,892
Increase in accrued pension obligations (Notes 9)		
Interest on accrued benefits	591,704	536,580
Benefits accrued	343,673	301,813
Changes in actuarial assumptions	376,323	486,103
Assumption of pension plan liabilities (Note 19)	641,951	795,677
Experience losses	32,141	79,921
	1,985,792	2,200,094
Decrease in accrued pension obligations		
Benefits paid (Note 14)	601,369	514,565
	601,369	514,565
Net increase in accrued pension obligations	1,384,423	1,685,529
Accrued pension obligations, end of year	\$ 12,723,844	\$ 11,339,421

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

Statement of changes in surplus

Year ended December 31

(\$ thousands)	2020	2019
Surplus, beginning of year	\$ 2,202,992	\$ 1,163,675
Net increase in net assets available for benefits	2,303,865	2,724,846
Net increase in accrued pension obligations	(1,384,423)	(1,685,529)
Surplus, end of year	\$ 3,122,434	\$ 2,202,992

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

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 participating 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 pensionable earnings and service, while DBplus offers benefits based on total contributions received by the Plan. 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. 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 benefit and DBprime contribution levels approved by the Sponsors’ Committee. The Plan allocates surplus to reserves, determines DBprime stability contribution rates, and grants conditional benefit enhancements in accordance with its Funding Policy.

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

Certain eligible pension benefits in pay are increased in January each year for inflation at 75% of the increase in the average Consumer Price Index as at September 30th of the prior year, subject to a maximum pension increase of 8% in any one year with any excess carried forward. Other eligible pension benefits in pay may receive inflation adjustments 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 changes to DBprime contribution rates, and/or specified conditional increases to benefits. In the event a funding deficit is determined, additional conditional inflation protection enhancements would not be granted. For DBprime, a decrease in future benefit accruals and/or an increase in contribution rates may also be required. For DBplus, additional benefit increases based on AIW would not be made and a reduction in future benefit accruals 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.
- Securities sold under agreements to repurchase and securities purchased under agreements to resell are valued at amortized cost, which approximates market value
- 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

(\$ thousands)	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Investments				
Short-term investments	\$ 1,381,852	\$ 1,407,873	\$ 1,268,851	\$ 1,284,973
Fixed income (Note 3b)	4,874,005	4,539,237	4,287,053	4,140,476
Equities (Note 3c)	6,017,774	5,007,587	5,495,408	4,772,960
Infrastructure	1,389,413	1,091,479	1,118,367	872,697
Private Equity	2,080,559	1,503,190	1,254,945	892,570
Real Estate	935,125	637,296	825,255	504,957
Investments	\$ 16,678,728	\$ 14,186,662	\$ 14,249,879	\$ 12,468,633
Investment-related assets				
Accrued income	\$ 35,756	\$ 35,756	\$ 23,880	\$ 23,880
Unsettled trades receivable	2,135	2,135	41,292	41,292
Long-dated sales receivable	563,931	572,391	221,431	224,816
Derivative-related assets (Note 5)	133,006	9,359	126,752	8,617
Investment-related assets	\$ 734,828	\$ 619,641	\$ 413,355	\$ 298,605
Investment-related liabilities				
Securities sold under agreement to repurchase	\$ (158,796)	\$ (158,796)	\$ -	\$ -
Unsettled trades payable	(3,749)	(3,749)	(135,048)	(135,048)
Long-dated purchases payable	(1,430,747)	(1,451,840)	(1,004,697)	(1,013,032)
Derivative-related liabilities (Note 5)	(12,480)	(7,047)	(8,721)	(3,195)
Investment-related liabilities	\$ (1,605,772)	\$ (1,621,432)	\$ (1,148,466)	\$ (1,151,275)
Net investments	\$ 15,807,784	\$ 13,184,871	\$ 13,514,768	\$ 11,615,963

3(b) – Fixed income

Investments in fixed income include the following issuers:

	2020		2019	
Government of Canada ¹	\$ 1,559,460	\$ 1,413,020	\$ 1,433,440	\$ 1,370,311
Provincial governments	1,933,862	1,813,352	1,597,474	1,534,738
Municipal governments	57,410	53,571	49,424	48,160
Corporate	771,903	715,463	675,597	654,858
Foreign	551,370	543,831	531,118	532,409

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:

	2020		2019	
(\$ thousands)	Fair Value	Fair Value		
1 - 5 years	\$ 409,248	\$ 439,686		
6 - 10 years	644,921	629,931		
11 - 20 years	1,194,210	1,049,353		
Greater than 20 years	2,625,626	2,168,083		
Total fixed income	\$ 4,874,005	\$ 4,287,053		

3(c) – Equity Investments

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

	2020			2019		
(\$ thousands)	Fair Value	%	Fair Value	%		
United States	\$ 2,362,911	39.3	\$ 2,230,036	40.6		
Asia Pacific	1,545,176	25.7	1,084,348	19.7		
Europe (excluding United Kingdom)	673,124	11.2	787,157	14.3		
Japan	454,542	7.6	441,090	8.0		
Other	310,893	5.1	200,722	3.7		
Canada	255,854	4.3	346,531	6.3		
United Kingdom	226,145	3.7	249,659	4.6		
Latin America	189,129	3.1	155,865	2.8		
Total equity	\$ 6,017,774	100.0	\$ 5,495,408	100.0		

3(d) – Summary of Significant Investments

As at December 31, 2020, the Plan held the following investments each having a fair value or cost exceeding 1% of the fair value or cost of total investments:

(\$ thousands)	Fair Value	Cost
Short-term investments		
United States Treasury Bills	\$779,236	\$789,823
Fixed income		
Government National Mortgage Association Mortgage Purchase Commitment	175,840	178,393
Government of Canada Bonds	1,481,996	1,337,369
Province of Alberta Bonds	238,787	221,358
Province of Ontario Bonds	796,972	748,313
Province of Quebec Bonds	510,875	482,236
Equities		
Acadian Emerging Market Small-Cap Fund	310,821	233,416
Arrowstreet Global World Alpha Extension Fund	1,038,697	1,002,774
Bridgewater Pure Alpha Fund II	445,348	402,744
GMO Emerging Domestic Opportunities Fund V	726,498	627,748
IShares Core S&P Midcap ETF	200,866	157,393
Symmetry International Fund Limited	194,466	200,388
Real Estate		
Carlyle Property Investors, L.P	266,140	263,239
Greystone Real Estate Fund	491,493	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, 2020, the Plan's investments included loaned securities with a fair value of \$1,695,412 thousand (2019 – \$1,290,843 thousand). The fair value of collateral received in respect of these loans was \$1,781,829 thousand (2019 – \$1,366,572 thousand). Net income earned from securities lending for the year was \$3,005 thousand (2019 – \$2,209 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 24, 2020 where there were no notable amendments.

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 2020 and 2019.

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

Asset Class	Benchmark index	2020		2019	
		Allocation range	Actual allocation	Allocation range	Actual allocation
Liability-hedging assets		29-71%	47.1%	29-71%	47.0%
Nominal Long Bonds	FTSE TMX Long Bond Index	10-25%	18.0%	10-25%	17.8%
Nominal Universe Bonds	FTSE TMX Universe Index	3-7%	4.6%	3-7%	4.9%
Real-Return Bonds	Actual RRB portfolio return	3-7%	4.8%	3-7%	5.1%
Real Assets	CPI + 4%	10-25%	14.7%	10-25%	14.5%
Commodities	S&P GSCI	3-7%	5.0%	3-7%	4.7%
Return-enhancing assets		33-67%	52.6%	33-67%	52.7%
Global Developed Equity	MSCI World Index	20-35%	29.2%	20-35%	33.1%
Emerging Markets Equity	MSCI Emerging Markets Index	8-12%	10.2%	8-12%	10.5%
Private Equity	MSCI ACWI + 3%	5-20%	13.2%	5-20%	9.1%
Cash, Cash equivalents, and Other	Not applicable	Not applicable	0.3%	Not applicable	0.3%
Total investments		100.0%	100.0%		100.0%

Currency Risk

Currency risk exposure arises from the Plan's holdings of foreign currency denominated investments where investment values fluctuate due to changes in foreign exchange rates. To manage this risk, the Plan has instituted currency hedging strategies as explained in Note 5. Currency exposures as at December 31 are as follows:

(\$ thousands)	2020			2019
	Gross Exposure	Derivative Impact	Net Exposure	Net Exposure
United States Dollar	\$ 7,553,899	\$ (1,621,919)	\$ 5,931,980	\$ 2,850,057
Euro	826,386	(209,731)	616,655	143,526
Other currencies	584,944	48,732	633,676	451,788
Japanese Yen	342,542	-	342,542	145,215
British Pound Sterling	347,543	(172,477)	175,066	91,271
Hong Kong Dollar	217,566	(9,749)	207,817	112,047
Swiss Franc	86,292	(15,053)	71,239	23,523
Total foreign	9,959,172	(1,980,197)	7,978,975	3,817,427
Canadian Dollar	5,814,391	2,014,418	7,828,809	9,697,341
Net Investments	\$ 15,773,563	\$ 34,221	\$ 15,807,784	\$ 13,514,768

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, 2020 would result in a gain/loss of \$398,949 thousand (2019 - \$190,871 thousand).

Interest Rate Risk

Interest rate risk refers to the potential adverse effect on the fair value of the Plan's assets or liabilities due to fluctuations in interest rates. The values of the Plan's assets, liabilities, and funded status are all affected by changes in both nominal and real interest rates.

Interest rate risk depends mainly on the timing and size of cash flows, and one measure of this risk is duration. Duration relates the impact of changing interest rates on assets and liabilities and is measured by calculating the average timing of cash flows. More distant cash flows (longer duration) are more sensitive to changes in interest rates than cash flows in the shorter term.

As at December 31, 2020, the duration of the fixed income portfolio was 15.0 years (2019 – 14.4 years). If interest rates were to rise by 1%, the fair value of the fixed income portfolio would decline by approximately \$616 million (2019 – \$573 million). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income portfolio would increase by approximately \$614 million (2019 – \$571 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)	2020		2019	
	10% Change results in a change of	Gain / Loss	10% Change results in a change of	Gain / Loss
Global Developed Equity	10.0%	\$ 480,066	9.7%	\$ 434,209
Emerging Markets Equity	10.5%	\$ 177,433	10.2%	\$ 134,516

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 as 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)	2020	2019
Short-term investments	\$ 1,381,852	\$ 1,268,851
Fixed income	4,874,005	4,287,053
Derivative-related receivables	133,007	126,752
Interest receivable	20,333	15,959
Other assets	21,239	11,866
Loaned securities	1,695,412	1,290,843
Credit default derivatives - written	21,976	20,646
Total maximum exposure	\$ 8,147,824	\$ 7,021,970

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

(\$ thousands)	2020	2019
AAA	\$ 1,758,941	\$ 1,586,934
AA	718,171	941,563
A	1,513,703	1,023,431
BBB or lower	883,190	735,125
	\$ 4,874,005	\$ 4,287,053

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, 2020, the fair value of such bonds held by the Plan was \$3,493,322 thousand (2019 - \$3,030,914 thousand). In addition, the Plan's portfolio of short-term investments of \$1,381,852 thousand (2019 - \$1,268,851 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 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 active currency strategies that increase or decrease the hedge ratio (within defined limits) in order to generate additional return, and for a 100% hedge on non-Canadian infrastructure and real estate investments.
- Derivative instruments such as interest rate swaps, credit default swaps, options, and futures are used to gain exposure in markets where no physical securities are available or as risk-neutral substitutes for physical securities. Options are utilized to gain exposure to the price volatility of an underlying security or index.

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

(\$ thousands)	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Positive	Negative		Positive	Negative
Equity						
Futures	\$ 1,528,165	\$ 34,615	\$ (1,804)	\$ 1,192,202	\$ 16,997	\$ (267)
Fixed income						
Futures	464,565	596	(636)	289,461	1,870	(1,742)
Currency derivatives						
Forwards	2,702,561	34,218	-	5,032,534	62,218	-
Interest rate derivatives						
Swaps	1,154,193	7,990	(7,733)	1,951,973	5,440	(5,169)
Futures	2,495	-	-	-	-	-
Credit default swaps						
Purchased	127,957	3,462	(12)	154,396	7,797	(254)
Written	21,976	253	(162)	20,646	393	(24)
Options	-	-	-	69,826	-	(49)
Commodity						
Futures	786,919	51,873	(2,133)	630,312	32,037	(1,216)
	\$ 6,788,831	\$ 133,007	\$ (12,480)	\$ 9,341,350	\$ 126,752	\$ (8,721)

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

(\$ thousands)	2020	2019
Under 1 year	\$ 5,484,705	\$ 7,253,722
1 to 5 years	1,228,751	1,987,244
Over 5 years	75,375	100,384
	\$ 6,788,831	\$ 9,341,350

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:

2020				
(\$ thousands)	Level 1	Level 2	Level 3	Total
Short-term investments	\$ -	\$ 1,381,852	\$ -	\$ 1,381,852
Fixed income	-	4,874,005	-	4,874,005
Equities	3,055,076	2,962,698	-	6,017,774
Infrastructure	-	-	1,389,413	1,389,413
Private equity	-	-	2,080,559	2,080,559
Real estate	-	-	935,125	935,125
Investment-related receivables	124,974	609,854	-	734,828
Investment-related liabilities	(8,321)	(1,597,451)	-	(1,605,772)
	\$ 3,171,729	\$ 8,230,958	\$ 4,405,097	\$ 15,807,784

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
Private equity	-	21,549	1,233,396	1,254,945
Real estate	-	-	825,255	825,255
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

There were no significant transfers of investments between Level 1, Level 2, or Level 3 during 2020 or 2019.

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:

2020				
(\$ thousands)	Infrastructure	Real Estate	Private Equity	Total
Opening balance	\$ 1,118,367	\$ 825,255	\$ 1,233,396	\$ 3,177,018
Acquisitions	336,398	152,275	714,976	1,203,649
Dispositions	(189,489)	(28,626)	(199,306)	(417,421)
Realized gains	71,872	8,690	105,080	185,642
Unrealized gains (losses)	52,265	(22,469)	226,413	256,209
Closing balance	\$ 1,389,413	\$ 935,125	\$ 2,080,559	\$ 4,405,097

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

NOTE 7: OTHER ASSETS

Other assets consist of fixed assets with a net book value of \$3,291 thousand (2019 – \$2,713 thousand), miscellaneous receivables and prepaid expenses in the amount of \$4,644 thousand (2019 – \$4,166 thousand), long-term receivables with a fair value of \$19,394 thousand (2019 – \$9,866 thousand) and an annuity with a fair value of \$1,845 thousand (2019 – \$2,000 thousand). Fixed assets are stated at cost and are depreciated or amortized on a straight-line basis over their useful lives.

(\$ thousands)	2020			2019
	Cost	Accumulated depreciation & amortization	Net book value	Net book value
Fixed assets				
Systems software	\$ 6,226	\$ 3,521	\$ 2,705	\$ 2,056
Leasehold improvements	68	14	54	33
Computer equipment	983	653	330	382
Furniture, fixtures & equipment	794	592	202	242
	\$ 8,071	\$ 4,780	\$ 3,291	\$ 2,713

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are \$470 thousand in prepaid contributions and assets received in advance of plan mergers (2019 – nil), and an accrual of \$13,727 thousand (2019 – \$11,715 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 granting additional conditional benefits to January 1, 2024 and exclude the granting of further additional 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, 2021. The next regulatory valuation is required to be filed no later than as at January 1, 2024.

Pension obligations as at December 31, 2020 were \$12,723,844 thousand (2019 – \$11,339,421 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:

	2020	2019
Discount rate	4.95%	5.15%
Salary escalation rate	3.75%	3.75%
Inflation rate	2.00%	2.00%
Real discount rate	2.95%	3.15%

Changes in actuarial assumptions between 2019 and 2020 resulted in an increase in the pension obligation of \$376,323 thousand primarily due to a 20 basis-point decrease in the discount rate and a change in certain demographic assumptions (between 2018 and 2019 an increase in the pension obligation of \$486,103 thousand was primarily due to a 35 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 2020, experience losses were \$32,141 thousand (2019 – losses of \$79,921 thousand). Experience losses in 2020 stemmed from demographic experience losses and the granting of additional conditional benefits consistent with the Plan's Funding Policy, offset by lower than assumed salary escalation. Experience losses in 2019 stemmed from demographic experience losses, the granting of additional conditional benefits, and higher 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) (\$58,700 in 2020 and \$57,400 in 2019) as determined by the federal government to determine Canada Pension Plan contributions and 14.8% of contributory earnings in excess of the YMPE up to a maximum pensionable earnings amount determined by the federal government (\$175,156 in 2020 and \$171,368 in 2019).

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 combined employee and employer contribution amount may not exceed 18% of contributory earnings.

NOTE 10: SURPLUS

The excess of net assets available for benefits against pension obligations results in the Plan being in a surplus of \$3,122,434 thousand as at December 31, 2020 (2019 – \$2,202,992 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, 2020, which has been filed with FSRA subsequent to year end is \$3,270,120 thousand (2019 – \$2,857,741 thousand). A 25 basis-point decrease in the discount rate assumption at December 31, 2020 would result in a decrease in the regulatory surplus of approximately \$631 million (2019 – \$583 million).

Measurement differences between the regulatory surplus and accounting surplus (deficit) in 2020 of \$147,686 thousand (2019 – \$654,749 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 2020 is a \$1,084,432 thousand deferred gain (2019 – \$865,005 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)	2020	2019
Members		
Current service	\$ 274,056	\$ 251,161
Purchases of past service	8,696	10,916
Employers		
Current service	274,777	251,545
Purchases of past service	4,332	3,324
Transfers from other pension plans	26,201	22,026
	\$ 588,062	\$ 538,972

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, 2020, \$18,931 thousand of employer contributions receivable and \$18,861 thousand of member contributions receivable (2019 – \$16,302 thousand of employer contributions and \$16,275 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)	2020	2019
Interest income	\$ 121,043	\$ 136,101
Dividend income	108,534	215,413
Other income	3,513	3,664
	233,090	355,178
Investment gains		
Realized gain	699,704	630,228
Change in unrealized appreciation (depreciation)	758,060	830,412
	1,457,764	1,460,640
Investment income prior to investment expenses	1,690,854	1,815,818
Investment management fees	(109,649)	(80,498)
Transaction costs	(5,682)	(4,655)
	\$ 1,575,523	\$ 1,730,665

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

(\$ thousands)	2020	2019
Short term investments ³	\$ (32,463)	\$ 277,348
Fixed income	414,042	300,392
Equities	796,274	879,407
Infrastructure	167,998	110,404
Private Equity	347,427	198,284
Real Estate	(2,424)	49,983
	\$ 1,690,854	\$ 1,815,818

³Includes currency forwards and options and commodity futures losses of \$123,903 thousand (2019 - gains of \$234,463 thousand)

NOTE 13: NON-INVESTMENT RELATED INCOME

Non-investment related income consists of interest recognized on long-term receivables using the effective interest method.

NOTE 14: BENEFITS

Pensions	\$ 550,201	\$ 474,514
Payments on termination of membership	51,168	40,051

NOTE 15: ADMINISTRATION EXPENDITURES

INVESTMENT ADMINISTRATION EXPENDITURES

(\$ thousands)	2020	2019
Salaries and benefits	\$ 6,698	\$ 4,671
Custodial fees	1,419	1,462
Other professional services	1,495	958
Premises and equipment	838	833
Communications and travel	155	371
Audit fees	162	94
Board and Sponsors' Committee	39	46
Actuarial fees	25	14
	\$10,831	\$ 8,449

PENSION ADMINISTRATION EXPENDITURES

(\$ thousands)	2020	2019
Salaries and benefits	\$27,522	\$ 19,144
Premises and equipment	6,021	4,931
Other professional services	3,041	1,652
Communications and travel	995	933
Custodial fees	459	435
Actuarial fees	383	219
Board and Sponsors' Committee	191	161
Audit fees	162	86
	\$38,774	\$27,561

NOTE 16: 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, 2020, these commitments totalled \$2,416,229 thousand (2019 – \$1,496,503 thousand).

The Plan leases its office premises under a lease agreement expiring on November 30, 2027. In addition, there are various equipment leases in place with expiry dates between 2021 and 2025. Future lease payments over the remaining life of the leases total \$25,161 thousand, with the following amounts payable over the next five years: 2021 – \$1,831 thousand, 2022 – \$2,437 thousand, 2023 – \$2,484 thousand, 2024 – \$2,493 thousand, and 2025 – \$2,474 thousand.

NOTE 17: RELATED-PARTY TRANSACTIONS

Related parties to the Plan include the Plan sponsors and participating colleges in Ontario.

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 2020 was \$55 thousand (2019 – \$43 thousand).

NOTE 18: 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 19: TRANSFER OF PENSION PLAN ASSETS AND LIABILITIES

During 2020, 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 2020, \$642 million of pension obligations (2019 – \$796 million) were assumed by the CAAT Pension Plan (and included in the Plan's pension obligations) and \$788 million of pension plan assets (2019 – \$1,006 million) were transferred to the Plan, becoming part of the Plan's investment assets.

Investment
focused on the
long term.

Ten-year review.

Ten-Year Review

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Financial (\$ thousands)										
Short-term investments	1,382	1,269	1,161	987	1,028	808	714	709	562	288
Fixed Income	4,874	4,287	3,351	3,145	2,543	2,459	2,260	1,940	1,793	2,058
Equities	6,018	5,495	4,279	5,047	4,452	4,267	4,052	3,838	3,290	2,750
Infrastructure	1,389	1,118	1,107	844	745	600	400	297	237	217
Real Estate	935	825	720	558	469	419	407	379	339	301
Private Equity	2,081	1,255	928	649	516	471	311	183	119	47
Derivatives (net)	120	118	(206)	62	33	(181)	(42)	2	-	20
Total investments	16,799	14,367	11,340	11,292	9,786	8,843	8,102	7,348	6,340	5,681
Other assets (liabilities) (net)	(953)	(825)	(524)	(506)	(398)	(251)	(137)	(221)	(80)	(54)
Net assets available for benefits	15,846	13,542	10,816	10,786	9,388	8,592	7,965	7,127	6,260	5,627
Contributions	588	539	495	444	443	432	417	368	355	312
Investment income (loss)	1,576	1,731	40	1,432	700	621	808	860	624	178
Non-investment related income	3	-	-	-	-	-	-	-	-	-
Transfer of pension plan assets	788	1,006	-	-	106	-	-	-	-	-
Benefit payments	(601)	(515)	(479)	(457)	(431)	(406)	(369)	(344)	(332)	(302)
Administrative expenses	(50)	(36)	(25)	(21)	(22)	(20)	(18)	(18)	(14)	(13)
Net change in net assets available for benefits	2,304	2,725	31	1,398	796	627	838	866	633	175
Returns										
Annual return, gross of fees	12.0%	16.8%	1.4%	16.8%	8.8%	9.0%	12.3%	14.5%	11.8%	4.1%
Annual return, net of fees	11.1%	16.0%	0.5%	15.8%	8.1%	8.1%	11.5%	13.9%	11.3%	3.4%
Membership										
Active members	43,700	39,900	32,200	29,400	28,400	26,500	24,700	22,000	21,400	20,500
Deferred members	3,400	2,200	1,600	1,400	1,400	1,400	1,800	1,700	1,300	1,100
Retired members	21,800	19,300	16,100	15,500	14,900	14,000	13,500	13,100	12,600	12,100
Total members	68,900	61,400	49,900	46,300	44,700	41,900	40,000	36,800	35,300	33,700
Going-concern funding status as at December 31										
Funded status	118.8%	117.9%	119.9%	118.1%	113.3%	110.4%	107.2%	105.1%	103.6%	101.7%
Funding reserves (deficit)	\$3,270	\$2,858	\$2,618	\$2,269	\$1,601	\$1,179	\$773	\$525	\$347	\$154
Discount rate	4.95%	5.15%	5.50%	5.60%	5.60%	5.70%	5.80%	5.80%	5.80%	5.90%

Numbers are rounded.

*Valuations not filed.



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