caat
PENSION PLAN

Annual Report 2021

Making tomorrow better

Helping Canadians reimagine a better life in retirement

Table of contents

4 Message from the Chair and Vice-Chair

6 Message from the CEO

8 2021 highlights

11 Management's commentary

- 12 Plan funding
- 14 Plan Text amendments
- 15 Responsible investments
- 18 Professional investment management
- 20 Strategic partners
- 23 Managing operational risks
- 24 Strategic priorities

25 Governance

31 Financial statements

62 Ten-year review

Providing the lifetime pension that **Canadians want and need**

A message from the Chair and Vice Chair of the Board

Dr. Scott Blakey, Chair

Adapting and innovating for long-term sustainability

Don Smith, Vice-Chair

A good workplace pension is more relevant than ever. The CAAT Pension Plan remains a stable, reliable source of security for our employers and members.

Over the past year, the Plan's ability to deliver on its pension promise despite economic volatility has made it even more attractive to members and employers. The resulting growth and diversity in membership has helped to strengthen the Plan and expand our capability to support more workplaces as they adjust to changing conditions and priorities.

Building the capacity to adapt and meet the emerging needs of members and employers continues to guide the Plan's strategic focus. The strong growth of DBplus demonstrates the team's agility in scaling, administering, and enhancing a unique design that employers want and employees need – secure lifetime retirement income at a fixed contribution rate.

DBplus is a critically acclaimed, award-winning pension plan design. Since the introduction of DBplus, CAAT has welcomed more than 160 new employers and 25,000 additional members. Last year, the Plan welcomed Sanofi Canada, Conference Board of Canada, National Association of Federal Retirees, and Ontario Dental Association, among other private sector and not-for-profit employers.

We are now proud to again break new ground with the launch of DBplus with Contribution Choice, a new design feature that enhances contribution rate flexibility, making it easier than ever for employers to offer a modern defined benefit pension plan. By offering more flexibility for employers and members, we look forward to further expanding and diversifying membership across sectors, industries, and employee demographics.

Growth is good for the Plan. As the Plan governors, we are focused on long-term growth and resilience. This requires adaptive thinking and agility to seize opportunities and manage risks.

We are extremely proud of how Derek Dobson and the CAAT organization have expertly managed the Plan over the years to deliver value, benefit security, and stability for members, while continuously building reserves. The CAAT team continues to outperform investment benchmarks and improve funding health year after year, despite global challenges.

On behalf of the Plan governors, we look forward to delivering additional retirement savings options for the benefit of our members and employers. We are confident that the CAAT Pension Plan and its staff will continue to be a trailblazing force in the retirement savings industry.

Dr. Scott Blakey, Chair

Don Smith, Vice-Chair

A message from CAAT's CEO and Plan Manager

Delivering value with resilience and reliability

Derek W. Dobson,
CEO and Plan Manager

As one of the most sustainable and fastest growing pension plans in Canada, the CAAT Pension Plan remains committed to providing Canadians with a secure lifetime pension.

Strength, sustainability, and resilience are cornerstones of the Plan. We are happy to share that for the 11th straight year, the Plan's funding health has improved.

The results of CAAT's January 1, 2022 actuarial valuation place the Plan in a healthy funding position, yielding year-over-year increases across all vital metrics. The Plan is 124% funded on a going-concern basis – in other words, the Plan now has $1.24 set aside for every dollar promised in pensions. The Plan's net assets have a market value of $18.2 billion and funding reserves totaling $4.4 billion. Building large funding reserves provides a buffer against unexpected economic or demographic shocks and aligns with the Plan's focus on benefit security and stability.

The Plan has filed the January 1, 2022 valuation with the regulators, which means that conditional benefits are granted until 2025, including conditional inflation protection enhancements in retirement. Furthermore, we project that the Plan will remain strong and resilient well into the future.

Funding position improvements are due primarily to gains from 2021 investment performance. That is a testament to our dedicated team of experts, who remain focused on maintaining our status of being one of Canada's most sustainable and well-funded pension plans.

Last year, CAAT welcomed 100 new employers to DBplus and attracted interest from many others. We now have member participation across 11 industries and the support of 17 unions and associations, with many more exploring our valuable and unique solution.

More than ever before, employers and workers are realizing the superior value of a secure defined benefit pension plan. Members should feel proud that the Plan continues to offer valuable lifetime pensions to more Canadians, so that more workers can save and retire with confidence. As we grow and diversify across Canada, our pension plan will be even stronger.

Our focus on long-term growth and security means that members can count on our pension promise – that a lifetime pension will be ready when they are.

Derek W. Dobson,
CEO and Plan Manager

Staying strong in **extraordinary times**

2021 highlights

2021 highlights

75,600
Members

11
Industries

211
Total employers

6,700 net increase in members

49,700 active

22,500 retired

3,400 deferred

17 unions and member associations

2021 highlights

$18.2 Billion
Net Assets

$4.4 Billion
Funding reserves

124%
Funded

Discount rate held at
4.95%

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investment net return in 2021
15.8%

10-year annualized net rate of return of
11.1%

The strength and stability desired by **employees and employers**

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 $4.4 billion. In addition, there are $2.0 billion in asset smoothing reserves that reflect deferred investment gains to be gradually 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

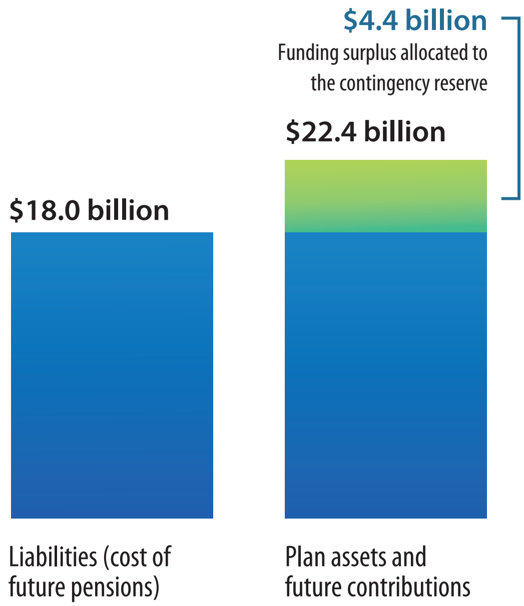
Going-concern funding results (Modified aggregate basis)	January 1, 2022 Filed valuation
Asset Values:	**($ millions)**
Market value of net assets	18,020
Smoothing adjustment	(2,011)
Present value of future contributions	
DBprime – basic contributions	3,604
DBprime – stability contributions	1,489
DBplus	1,312
Total actuarial value of assets	22,414
Liabilities for accrued benefits	13,037
Present value of future benefits for active members	
DBprime	3,969
DBplus	902
Provision for conditional inflation adjustments granted to 2024	137
Total actuarial liabilities	18,045
Funding reserve – with smoothing	4,369

(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 of January 1, 2022



The CAAT Plan's regulatory funding valuation is:

- A point-in-time determination of the Plan's financial health
- Comparing the Plan's liabilities (cost of future pensions) to its assets, including future contributions 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 2021, 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.

The Plan Text was also amended to expand the definition of Child to include dependent children enrolled full-time in school (up to age 25) and dependent adult disabled children of a Plan member (provided that the child became disabled prior to age 18, or age 25 if they were enrolled in school full-time at the date they became disabled). The definition of Disabled under DBprime was also amended to de-link the definition of Disabled from the receipt of workplace disability benefits and enable the Plan to verify disability independent of the member's disability benefits.

Consistent with the Plan's funding position as shown in its January 1, 2022 valuation, the Plan Text was revised to guarantee annual Average Industrial Wage increases for active DBplus members until 2025, and to extend the current DBplus early retirement adjustment factor for retiring DBplus members until 2025.

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.

Responsible investments

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

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

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 corporate 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 proxy voting, go to: **www.caatpension.ca/investments/responsible-investing**

2. Corporate engagement

The Plan joins 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 learn 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

Principles for Responsible Investment

The CAAT Plan is a signatory to the United Nations-supported Principles for Responsible Investment (PRI), together with over 4,600 signatories from more than 60 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.

Task Force on Climate-related Financial Disclosures (TCFD)

Recognizing the impact that climate change will have on the global economy and financial markets, the CAAT Plan recently endorsed the recommendations of the TCFD. Signatories encourage corporations to provide climate-related disclosures, allowing investors to better understand climate risks and opportunities in their portfolios. The recommended disclosures cover four key "pillars":

1. Governance processes associated with climate-related risks and opportunities.
2. The actual and potential impacts of climate-related risks and opportunities on business strategy.
3. The processes used to identify, assess, and manage climate-related risks.
4. The metrics and targets used to assess and manage climate-related risks and opportunities.

CDP

The CAAT Plan is a signatory to the CDP (formerly known as the Carbon Disclosure Project). The CDP acts on behalf of hundreds of institutional investors in encouraging companies around the world to disclose information on greenhouse gas emissions, water usage, and their strategies for managing climate change and deforestation risks.

SHARE

The CAAT Plan is an affiliate of SHARE – the Shareholder Association for Research & Education. SHARE is a Canadian organization that works with institutional investors to promote responsible investment practices through active ownership, research, and education. In 2019, SHARE became one of the Plan's participating employers.

CCGG

CAAT is a proud member of the Canadian Coalition for Good Governance (CCGG), with representation on the Public Policy Committee. CCGG's mission is to promote good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets.

SHAPING CHANGE THROUGH COLLABORATION

Pension Investment Association of Canada (PIAC)

A number of CAAT Plan staff 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.

Institutional Limited Partners Association (ILPA)

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

30% Club Canada

Diversity and inclusion are integral to sound corporate governance and culture. Recognizing Canada's distinct corporate governance framework, the aim of the 30% Club Canada is to engage Canadian board chairs and CEOs to achieve better gender balance at the board level, as well as at executive management levels.

www.30percentclub.org/chapters/canada

Professional investment management

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

The Plan's investment team recommends and implements investment policies, as approved by the Board of Trustees. The investment team recommends the asset mix to the Board of Trustees based on periodic asset-liability modelling (ALM) studies. Finally, the investment team establishes an active management strategy, with the goal of adding value over market benchmarks over time.

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 asset mix is well diversified, with exposure to a broad range of asset classes. There are three broad categories of assets: Interest-rate-sensitive, Inflation-sensitive, and Return-enhancing.

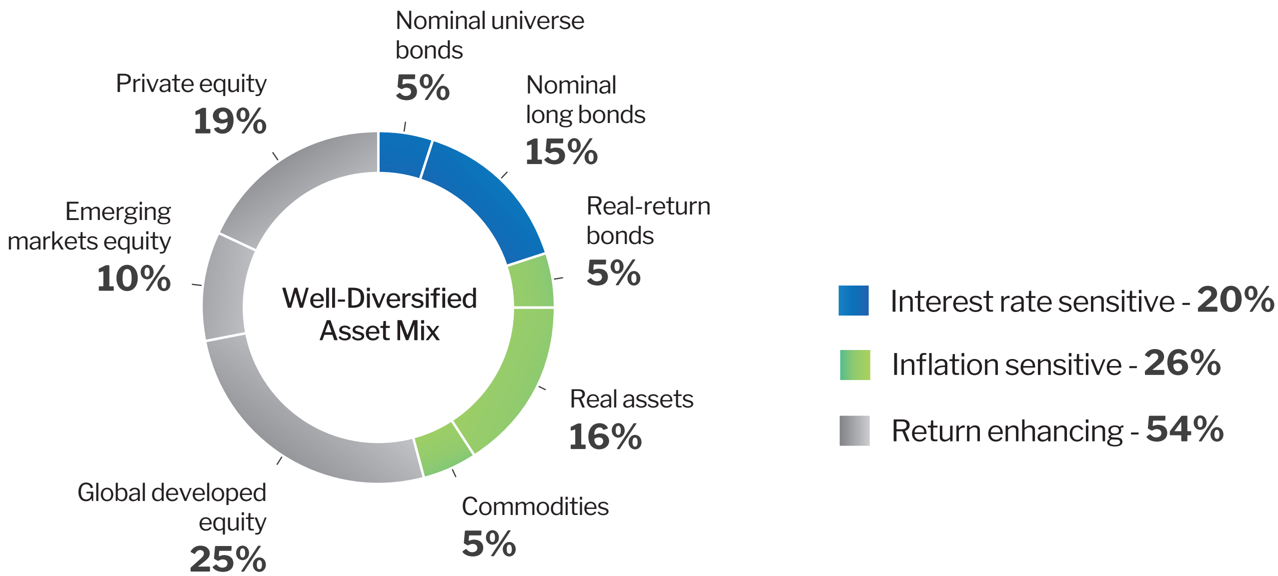
Interest-rate-sensitive and Inflation-sensitive assets help to offset the effects of changing interest rates and inflation on the valuation of the Plan's pension payments. Interest-rate-sensitive asset classes comprise long and universe bonds while inflation-sensitive asset classes comprise real assets (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 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 and the next one will be conducted in 2022.



Strategic partners

The CAAT Plan investment division oversees the implementation and monitoring of the asset mix that is executed through the activities of more than 65 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 Plan's interests and investment strategy
- 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 related co-investments, consider a myriad of factors concerning a firm's organization, including staff, investment strategy and process, portfolio characteristics, and how ESG factors are considered in the investment process.

2021 Market Overview

The global economy continued to recover from the shock suffered with the onset of the COVID-19 pandemic in the spring of 2020. While new variants emerged in 2021, the continued vaccine rollout, combined with continued monetary and fiscal stimulus, provided near-term stability to economies. As a result, equity markets saw strong performance during 2021. However, investors began to look past the near-term effects of the pandemic and began anticipating higher inflation and interest rates going forward.

Developed market equity returns were robust in 2021; with the main Canadian and U.S. market indices both rising over 25% in Canadian dollar terms, while developed international markets rose over 10%. Returns from emerging equity markets were negative, when measured in Canadian dollars. This was due mainly to the Chinese market; it saw declines in 2021 due to regulatory changes and pressures on its real estate sector.

Canadian fixed income returns were negative in 2021, with the long bond market falling over 4%. While the Bank of Canada maintained its policy rate at 0.25% through the year, longer-term rates rose considerably.

Inflation-sensitive assets delivered strong performance in 2021, as inflation concerns preoccupied investors. The broad commodity markets gained close to 40% for the year in Canadian dollar terms.

Strong long-term investment performance

The Plan's assets totaled $18.2 billion at the end of 2021, up from $15.8 billion at the end of 2020. The Fund returned 15.8% in 2021 net of management fees, significantly outperforming the Plan's discount rate of 4.95%.

Over the past 10 years, the Plan has delivered an annualized return of 11.1%, net of fees.

On an absolute basis, all asset classes contributed positively to returns in 2021, except for Long Bonds and Emerging Market Equity. Commodities, Private Equity, and Global Developed Equity were the largest contributors.

NET FUND RETURNS VS POLICY BENCHMARK

(Annualized)

	1 YEAR	5 YEARS	10 YEARS
CAAT Nominal Return	**15.8%**	**11.7%**	**11.1%**
Policy Benchmark	10.4%	9.5%	9.2%
CAAT vs. Policy Benchmark	+5.4%	+2.2%	+1.9%

The Plan's returns outperformed the policy benchmark return by 5.4% for the year. Over the past ten years, the Plan has outperformed its policy benchmark by 1.9%, 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.

2021 NET INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

as at December 31, 2021 (net of expenses)

Asset Class	CAAT Plan Investments** ($ millions)	CAAT 2021 Return	Benchmark	Benchmark Return	Value Added
Interest-rate sensitive					
Long Bonds	$2,637	(4.4%)	FTSE Canada Long Term Bond Index	(4.5%)	0.1%
Universe Bonds	$913	(2.6%)	FTSE Canada Universe Bond Index	(2.5%)	(0.1%)
Inflation sensitive					
Real-Return Bonds	$969	1.8%	Actual RRB Portfolio Return	1.8%	0.0%
Real Assets	$2,912	15.4%	CPI + 4%	8.7%	6.7%
Commodities	$933	38.3%	S&P GSCI Commodity Index	39.2%	(0.8%)
Return enhancing					
Global Developed Equity*	$4,593	24.2%	MSCI World Index	20.8%	3.4%
Emerging Markets Equity	$1,731	(2.1%)	MSCI Emerging Markets Index	(3.4%)	1.3%
Private Equity	$3,464	41.6%	MSCI ACWI + 3%	20.5%	21.1%

*Global Developed Equity includes Canadian, U.S., International, and Global Equity portfolios. The total fund return of 15.8% includes 0.3% from the impact of currency hedging.

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

Numbers may 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.

Cybersecurity risk

CAAT continues to invest in information & cyber security to protect the sensitive data and systems used in the operation of the Plan. The focus in 2021 was on improving the people and processes related to cyber risk and ensuring alignment with the growth of the Plan.

In planning for 2022, CAAT has committed to implementing the internationally recognized information security framework, ISO-27001, and will seek certification in 2023. The certification will provide new and existing members with assurance of CAAT's dedication to safe and secure operations.

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 2021, we continued to provide additional options for the confirmation process: Retired members and survivors were able to confirm pension payments by mail, phone, email or by submitting forms through a secure document upload system.

Strategic priorities

In 2021, CAAT maintained its strategic focus on keeping member benefits secure and on growing Plan membership. Despite the pressures exerted by the pandemic, the Plan steadily and successfully completed its 2019-2021 Strategic Plan aimed at promoting Modern Defined Benefit (DB) pension plans, growing and diversifying Plan membership, and building Plan champions.

Looking ahead, the Plan created a 2040 Strategy and developed a new 2022-27 Strategic Plan: *Making Tomorrow Better, Today*. The new Strategy and Strategic Plan position CAAT to continue diversifying and growing Plan membership to better meet the changing needs of participants and mitigate key long-term risks to the Plan.

Three priorities continue from the prior strategy:

1. **Maintaining a focus on benefit security –** remains a core principle in the management of the Plan and relies on CAAT's funding policy to implement Plan priorities through appropriate management of the Plan's funding reserves.
2. **Expanding workplace pension coverage –** encompasses increasing and diversifying membership through new participating employers and member groups, and mutually beneficial mergers with other pension plans. This strengthens the Plan by improving risk pooling and efficiencies, while increasing the number of Canadians and employers who benefit from a secure workplace pension while reducing risks for employers.
3. **Innovate and Advocate –** focuses on designing pension solutions that are purpose-built for the workplaces of today and the future. This requires collaborating to raise stakeholder awareness of the value the Plan delivers to members and their employers, and the role secure lifetime pensions play in improving retirement security for Canadians.

CAAT's people, strategic risk management, stakeholder relations, and operational excellence objectives 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 **#3 fastest growing pension plan in Canada** by Benefits Canada in an article published in 2021, based on 2020 results.

CAAT was recognized as **an innovator in the pension industry** by KPA Advisory's Keith Ambachtsheer: "For employers, the offering removes pension management costs and risks, provides contribution cost certainty, and phase-in contribution levels to ease change management."

CAAT was named a **GTA Top Employer** by Greater Toronto's Top 2022 Employers and one of the **2021 Best Places to Work** by Canadian HR Reporter. The publication also recognized CAAT with the **2022 5-Star Rewards and Recognition** award.

Balanced governance **adds value**

Governance

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), which in turn represents Ontario colleges' boards of governors, and by 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 establishes policies for administering benefits. In addition, they work collaboratively with the Sponsors' Committee to establish the funding risk appetite that is appropriate for the Plan's long-term obligations.

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 (AS OF DECEMBER 31, 2021)

Sponsors’ Committee

The Sponsors’ Committee’s focus is on determining how to best balance contribution rates and benefit design. The Committee also reviews and approves new employer applications to join the Plan or creates conditions for delegated authority where Plan staff can approve them in certain circumstances.

The Sponsors’ Committee has eight members: four representing employees, three appointed by OPSEU and one by OCASA; and four representing employers, who are appointed by CEC.

MEMBERS OF THE SPONSORS’ COMMITTEE (AS OF DECEMBER 31, 2021)

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)

The Board and Sponsors’ Committee are grateful to the following Plan governors for their service to the Plan:

- David Haley, Trustee
- Karen McRae, Trustee
- Anne Sado, Member of the Sponsors’ Committee
- Mike Seeger, Trustee

The Board and Sponsors’ Committee welcome the following confirmed Plan governor appointments in 2022:

- Jonathan Lake, Trustee
- Janet Morrison, Member of the Sponsors’ Committee
- Glenn Vollebregt, Trustee
- Donald Wright, Trustee

Subcommittees

Equal representation and voting extends to subcommittees of the Board of Trustees, which 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.

Appeals Committee – 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 DBprime 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, DBprime stability contributions, 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, 2022, the Plan sits at Funding Level 4.

	LEVERS OF CONTROL	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5	LEVEL 6
DB*prime*	**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
DB*plus*	**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%

Related Parties

CAAT Pension Plan is an independent entity providing retirement benefits to individuals across Canada. It is related to its three sponsors, which are not related to each other – the College Employer Council, Ontario Public Sector Employees Union, and Ontario College Administrative Staff Association. As the College Employer Council is governed by representatives from Ontario's public colleges, each college is also considered to be a related party.

The Province of Ontario is not considered to be a related party. The Province has no control over the Plan except through regulation and in the role of a regulator. Any purchase or sale of securities issued by the Province is performed through independent market intermediaries at market prices. The Province has no obligation to provide support for the Plan's liabilities in any way.

Strong long-term **performance**

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

Michael Dawson,
Chief Financial Officer

April 18, 2022

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, 2021, 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, 2021, 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 18, 2022

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 going-concern liabilities of the Colleges of Applied Arts and Technology Pension Plan (the “Plan”) as at December 31, 2021, for inclusion in the Plan’s financial statements.

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

- Plan provisions in effect as December 31, 2021;
- membership data provided by the Board as at December 31, 2020;
- 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, 2021 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 2021, 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.

Luc Girard, F.C.I.A.
Mercer (Canada) Limited
A business of Marsh McLennan

Joseph Fung, F.C.I.A.

April 18, 2022

Statement of financial position

($ millions)	2021	2020
	December 31	
Assets		
Investments (Note 3)	**$ 19,062**	$16,679
Investment-related assets (Note 3a)	**677**	734
Employer contributions receivable (Note 11)	**21**	19
Member contributions receivable (Note 11)	**20**	19
Other assets (Note 7)	**30**	29
	$ 19,810	$17,480
Liabilities		
Investment-related liabilities (Note 3a)	**1,520**	1,605
Accounts payable and accrued liabilities (Note 8)	**70**	29
	1,590	1,634
Net assets available for benefits	**$ 18,220**	$15,846
Pension obligations (Note 9)	$ 13,166	$12,724
Regulatory surplus (Note 10)	4,369	3,270
Measurement differences between regulatory and accounting surplus (Note 10)	685	(148)
Surplus	**$ 5,054**	$ 3,122

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

Rasho Donchev, Chair

Scott Blakey, Vice-Chair

Statement of changes in net assets available for benefits

($ millions)	2021	2020
	Year ended December 31	
Increase in net assets available for benefits		
Contributions (Note 11)	**$ 634**	$ 588
Investment income (Note 12)	**2,464**	1,575
Non-investment related income (Note 13)	**5**	4
Transfer of pension plan assets (Note 19)	**3**	788
	3,106	2,955
Decrease in net assets available for benefits		
Benefits (Note 14)	**668**	601
Investment administration expenditures (Note 15)	**13**	11
Pension administration expenditures (Note 15)	**51**	39
	732	651
Net increase in net assets available for benefits	**2,374**	2,304
Net assets available for benefits, beginning of year	**15,846**	13,542
Net assets available for benefits, end of year	**$ 18,220**	$ 15,846

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

($ millions)	2021	2020
Accrued pension obligations, beginning of year	**$ 12,724**	$ 11,339
Increase in accrued pension obligations (Notes 9)		
Interest on accrued benefits	**633**	592
Benefits accrued	**404**	344
Changes in actuarial assumptions	**9**	376
Assumption of pension plan liabilities (Note 19)	**-**	642
Experience losses	**64**	32
	1,110	1,986
Decrease in accrued pension obligations		
Benefits paid (Note 14)	**668**	601
	668	601
Net increase in accrued pension obligations	**442**	1,385
Accrued pension obligations, end of year	**$ 13,166**	$ 12,724

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

Statement of changes in surplus

Year ended December 31

($ millions)	2021	2020
Surplus, beginning of year	**$3,122**	$2,203
Net increase in net assets available for benefits	**2,374**	2,303
Net increase in accrued pension obligations	**(442)**	(1,384)
Surplus, end of year	**$5,054**	$3,122

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 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. The Plan allocates surplus to reserves, determines DBprime stability contribution rates, and grants conditional benefit enhancements in accordance with its Funding Policy. Actuarial funding valuations are conducted to determine pension liabilities and the funded position of the Plan, based on assumptions approved by the Board of Trustees, and contribution and benefit levels approved by the Sponsors’ Committee.

Retirement Pensions

DBprime

A retirement pension is available based on the number of years of credited service, the average of the best 60 consecutive months of pensionable earnings and the age of the member at retirement. A member is eligible for an unreduced pension at the earlier of i) age 65, ii) when the sum of their age plus pensionable service totals at least 85, or iii) at least age 60 with at least 20 years of pensionable service. Members may retire before this date with a reduced pension, subject to eligibility requirements.

DBplus

A retirement pension is available based on total contributions made to the Plan (employee plus employer contributions) multiplied by an annual pension factor during each year of participation. A member is eligible for an unreduced pension at the age of 65. Members may retire before this date with a reduced pension, subject to eligibility requirements.

Death Benefits

Upon the death of the active or retired member, benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary, or the active or retired member's estate.

Portability

Members vest immediately upon joining the Plan and are entitled to a deferred pension if they terminate employment with their employer prior to retirement. Members not eligible for an immediate pension may opt to transfer the commuted value of their benefit to another pension plan if that plan permits, or to a registered retirement vehicle after two years from the date of their last contribution, subject to locking-in provisions and certain age restrictions.

Escalation of Benefits

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

	2021		2020	
($ millions)	Fair Value	Cost	Fair Value	Cost
Investments				
Short-term investments	**$ 1,653**	**$ 1,653**	$ 1,382	$ 1,408
Fixed income (Note 3b)	**5,020**	**4,823**	4,874	4,539
Equities (Note 3c)	**6,085**	**4,859**	6,018	5,008
Infrastructure	**1,729**	**1,406**	1,389	1,092
Private Equity	**3,401**	**2,085**	2,081	1,503
Real Estate	**1,174**	**710**	935	637
Investments	**$ 19,062**	**$ 15,536**	$ 16,679	$ 14,187
Investment-related assets				
Accrued income	**$ 31**	**$ 31**	$ 36	$ 36
Securities purchased under agreement to resell	**157**	**157**	–	–
Unsettled trades receivable	**395**	**397**	565	574
Derivative-related assets (Note 5)	**94**	**9**	133	9
Investment-related assets	**$ 677**	**$ 594**	$ 734	$ 619
Investment-related liabilities				
Securities sold under agreement to repurchase	**$ (517)**	**$ (517)**	$ (158)	$ (158)
Unsettled trades payable	**(976)**	**(977)**	(1,434)	(1,456)
Derivative-related liabilities (Note 5)	**(27)**	**(1)**	(13)	(7)
Investment-related liabilities	**$ (1,520)**	**$ (1,495)**	$ (1,605)	$ (1,621)
Net investments	**$ 18,219**	**$ 14,635**	$ 15,808	$ 13,185

3(b) – Fixed income

Investments in fixed income include the following issuers:

	2021		2020	
($ millions)	Fair Value	Cost	Fair Value	Cost
Government of Canada[1]	**$ 1,812**	**$ 1,657**	$ 1,560	$ 1,413
Provincial governments[1]	**2,000**	**1,967**	1,934	1,813
Municipal governments[1]	**81**	**81**	57	54
Corporate	**824**	**812**	772	715
Foreign	**303**	**306**	551	544
Total fixed income	**$ 5,020**	**$ 4,823**	$ 4,874	$ 4,539

[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:

	2021	2020
($ millions)	Fair Value	Fair Value
1 – 5 years	**$ 575**	$ 409
6 – 10 years	**877**	645
11 – 20 years	**1,228**	1,194
Greater than 20 years	**2,340**	2,626
Total fixed income	**$ 5,020**	$4,874

3(c) – Equity Investments

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

	2021		2020	
($ millions)	Fair Value	%	Fair Value	%
United States	**$ 2,674**	**44.0**	$ 2,363	39.3
Asia Pacific	**1,490**	**24.5**	1,545	25.7
Europe (excluding United Kingdom)	**778**	**12.8**	673	11.2
Japan	**364**	**6.0**	455	7.6
Canada	**281**	**4.6**	256	4.3
Other	**226**	**3.7**	311	5.1
United Kingdom	**149**	**2.4**	226	3.7
Latin America	**123**	**2.0**	189	3.1
Total equity	**$ 6,085**	**100.0**	$ 6,018	100.0

3(d) – Summary of Significant Investments

As at December 31, 2021, the Plan held the following investments each having a fair value or cost exceeding 1% of the fair value or cost of total investments:

($ millions)	Fair Value	Cost
Short-term investments		
United States Treasury Bills	$790	$789
Fixed income		
Government of Canada Bonds	1,709	1,552
Province of Alberta Bonds	193	189
Province of Ontario Bonds	903	884
Province of Quebec Bonds	539	530
Equities		
Acadian Emerging Market Small-Cap Fund	395	233
Arrowstreet Global World Alpha Extension Fund	1,140	915
BlackRock Long Term Private Capital Fund	193	126
Bridgewater Pure Alpha Fund II	496	414
GMO Emerging Domestic Opportunities Fund V	639	630
IShares Core S&P 500 ETF	272	204
IShares Core S&P Midcap ETF	195	126
Renaissance Learning Co-Investor Aggregator LP	207	60
Symmetry International Fund Limited	204	191
Real Estate		
Carlyle Property Investors, L.P	369	293
Greystone Real Estate Fund	563	208

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, 2021, the Plan's investments included loaned securities with a fair value of $2,196 million (2020 - $1,695 million). The fair value of collateral received in respect of these loans was $2,344 million (2020 - $1,782 million). Net income earned from securities lending for the year was $2.2 million (2020 - $3.0 million) 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 30, 2021 with a revision of the benchmark for Real Return Bonds ("RRB") to the FTSE RRB Index from the actual RRB portfolio return, effective January 2022.

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 Fund is expected to, at minimum, earn a long-term rate of return sufficient to maintain the Plan's long-term sustainability, based on current contribution rates from Members and Employers. The Plan's assets were allocated within the allowed allocation ranges as at December 31, 2021 and 2020.

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

		2021		2020	
Asset Class	**Benchmark index**	**Allocation range**	**Actual allocation**	Allocation range	Actual allocation
Liability-hedging assets		**29-71%**	**45.9%**	29-71%	47.1%
Nominal Long Bonds	FTSE TMX Long Bond Index	**10-25%**	**14.5%**	10-25%	18.0%
Nominal Universe Bonds	FTSE TMX Universe Index	**3-7%**	**5.0%**	3-7%	4.6%
Real-Return Bonds	Actual RRB portfolio return[2]	**3-7%**	**5.3%**	3-7%	4.8%
Real Assets	CPI + 4%	**10-25%**	**16.0%**	10-25%	14.7%
Commodities	S&P GSCI	**3-7%**	**5.1%**	3-7%	5.0%
Return-enhancing assets		**33-67%**	**53.7%**	33-67%	52.6%
Global Developed Equity	MSCI World Index	**20-35%**	**25.2%**	20-35%	29.2%
Emerging Markets Equity	MSCI Emerging Markets Index	**8-12%**	**9.5%**	8-12%	10.2%
Private Equity	MSCI ACWI + 3%	**5-20%**	**19.0%**	5-20%	13.2%
Cash, Cash equivalents, and Other	Not applicable	Not applicable	**0.4%**	Not applicable	0.3%
Total investments		**100.0%**	**100.0%**	100.0%	100.0%

[2] For 2022, the benchmark for Real-return bonds has been changed to FTSE RRB Index.

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:

($ millions)		2021		2020
	Gross Exposure	**Derivative Impact**	**Net Exposure**	Net Exposure
United States Dollar	**$ 9,219**	**$ (1,815)**	**$ 7,404**	$ 5,932
Euro	**1,086**	**(327)**	**759**	617
Other currencies	**539**	**(8)**	**531**	634
Japanese Yen	**214**	**(15)**	**199**	342
British Pound Sterling	**332**	**(132)**	**200**	175
Hong Kong Dollar	**164**	**(8)**	**156**	208
Swiss Franc	**98**	**-**	**98**	71
Total foreign	**11,652**	**(2,305)**	**9,347**	7,979
Canadian Dollar	**6,580**	**2,292**	**8,872**	7,829
Net Investments	**$ 18,232**	**$ (13)**	**$ 18,219**	$15,808

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, 2021 would result in a gain/loss of $467 million (2020 - $399 million).

Interest Rate Risk

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

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

As at December 31, 2021, the duration of the fixed income portfolio was 14.3 years (2020 – 15.0 years). If interest rates were to rise by 1%, the fair value of the fixed income portfolio would decline by approximately $495 million (2020 - $616 million). Conversely, if interest rates were to fall by 1%, the fair value of the fixed income portfolio would increase by approximately $490 million (2020 - $614 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:

($ millions)	2021		2020	
	10% Change results in a change of	Gain / Loss	10% Change results in a change of	Gain / Loss
Global Developed Equity	**9.8%**	**$ 474**	10.0%	$ 480
Emerging Markets Equity	**10.3%**	**$ 159**	10.5%	$ 177

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.

($ millions)	**2021**	2020
Short-term investments	**$ 1,653**	$ 1,382
Fixed income	**5,020**	4,874
Derivative-related assets	**94**	133
Interest receivable	**22**	21
Other assets	**19**	21
Loaned securities	**2,196**	1,695
Credit default derivatives – written	**171**	22
Total maximum exposure	**$ 9,175**	$ 8,148

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

($ millions)	**2021**	2020
AAA	**$ 1,951**	$ 1,759
AA	**843**	718
A	**1,605**	1,514
BBB or lower	**621**	883
	$ 5,020	$ 4,874

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, 2021, the fair value of such bonds held by the Plan was $3,812 million (2020 - $3,493 million). In addition, the Plan's portfolio of short-term investments of $1,653 million (2020 - $1,382 million) 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 form, 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.

	2021			2020		
($ millions)	Notional Value	Fair Value		Notional Value	Fair Value	
		Positive	Negative		Positive	Negative
Equity						
Futures	$ 1,637	$ 28	$ (4)	$ 1,528	$ 35	$ (2)
Fixed income						
Futures	612	2	(4)	465	1	(1)
Currency derivatives						
Forwards	3,581	–	(12)	2,703	34	–
Interest rate derivatives						
Swaps	171	3	0	1,154	8	(8)
Futures	274	–	(2)	2	0	–
Credit default swaps						
Purchased	138	3	0	128	3	0
Written	171	4	0	22	0	0
Options	42	–	0	–	–	–
Commodity						
Futures	934	54	(3)	787	52	(2)
Inflation						
Swaps	22	–	(2)	–	–	–
	$ 7,582	$ 94	$ (27)	$ 6,789	$ 133	$ (13)

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

($ millions)	2021	2020
Under 1 year	$ 7,086	$ 5,485
1 to 5 years	444	1,229
Over 5 years	52	75
	$ 7,582	$ 6,789

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 assets and liabilities as at December 31:

		2021		
($ millions)	Level 1	Level 2	Level 3	Total
Short-term investments	**$ 442**	**$ 1,211**	**$ –**	**$ 1,653**
Fixed income[3]	**3,636**	**1,384**	**–**	**5,020**
Equities	**2,812**	**3,273**	**–**	**6,085**
Infrastructure	**–**	**–**	**1,729**	**1,729**
Real estate	**–**	**–**	**1,174**	**1,174**
Private equity	**–**	**–**	**3,401**	**3,401**
Investment-related assets	**115**	**562**	**–**	**677**
Investment-related liabilities	**(12)**	**(1,508)**	**–**	**(1,520)**
	$ 6,993	**$ 4,922**	**$ 6,304**	**$ 18,219**

		2020		
($ millions)	Level 1	Level 2	Level 3	Total
Short-term investments	$ 296	$ 1,086	$ –	$ 1,382
Fixed income[3]	3,331	1,543	–	4,874
Equities	3,055	2,963	–	6,018
Infrastructure	–	–	1,389	1,389
Real estate	–	–	935	935
Private equity	–	–	2,081	2,081
Investment-related receivables	123	611	–	734
Investment-related liabilities	(5)	(1,601)	–	(1,605)
	$6,800	$ 4,602	$ 4,405	$ 15,808

[3] The level classification for 2020 has been changed from that previously reported (Level 2) as management has determined that certain securities (Canadian government bonds, including Canadian provincial bonds) meet the criteria of Level 1 classification

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:

		2021		
($ millions)	Infrastructure	Real Estate	Private Equity	Total
Opening balance	$ 1,389	$ 935	$ 2,081	$ 4,405
Acquisitions	433	169	891	1,493
Dispositions	(277)	(106)	(580)	(963)
Realized gains	159	10	270	439
Unrealized gains	25	166	739	930
Closing balance	**$ 1,729**	**$ 1,174**	**$ 3,401**	**$ 6,304**

		2020		
($ millions)	Infrastructure	Real Estate	Private Equity	Total
Opening balance	$1,118	$825	$1,234	$3,177
Acquisitions	337	152	715	1,204
Dispositions	(190)	(29)	(199)	(418)
Realized gains	72	9	105	186
Unrealized gains (losses)	52	(22)	226	256
Closing balance	$1,389	$935	$2,081	$4,405

NOTE 7: OTHER ASSETS

Other assets consist of fixed assets with a net book value of $3 million (2020 - $3 million), miscellaneous receivables and prepaid expenses in the amount of $8 million (2020 - $5 million), long-term notes receivable with a fair value of $17 million (2020 - $19 million) and an annuity with a fair value of $2 million (2020 - $2 million). Fixed assets are stated at cost and are depreciated or amortized on a straight-line basis over their useful lives.

($ millions)		2021		2020
Fixed assets	Cost	Accumulated depreciation & amortization	Net book value	Net book value
Systems software	$ 7	$ 5	$ 2	$3
Other[4]	2	1	1	0
	$ 9	$ 6	$ 3	$3

[4] Includes leasehold Improvements, Computer Equipment, and Furniture, Fixtures & Equipment.

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are $3 million from prepayments resulting from mergers (2020 - $1 million) and an accrual of $15 million (2020 - $14 million) for supplemental employment retirement benefits for staff employed by the Plan based on pension entitlements that are in excess of registered pension plan maximums under the *Income Tax Act* (Canada).

NOTE 9: PENSION OBLIGATIONS

Pension obligations represent the value of accrued pension benefits payable in the future to members and are based on an actuarial valuation prepared by the Plan's Actuary. The valuation data used is as at the beginning of the year and then extrapolated to year end. It uses the projected benefit method pro-rated on service and management's best estimate of various economic and non-economic future events, as at the valuation date. Pension obligations include the value of conditional benefits to January 1, 2025 and exclude further conditional benefits thereafter. Pension obligations and the resulting surplus 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, 2022. The next regulatory valuation is required to be filed no later than as at January 1, 2025.

Pension obligations as at December 31, 2021 were $13,166 million (2020 – $12,724 million).

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:

	2021	2020
Discount rate	**4.95%**	4.95%
Salary escalation rate	**3.75%**	3.75%
Inflation rate	**2.00%**	2.00%
Real discount rate	**2.95%**	2.95%

Changes in actuarial assumptions between 2020 and 2021 resulted in an increase in the pension obligation of $9 million due to changes in certain economic assumptions other than the discount rate (between 2019 and 2020 an increase in the pension obligation of $376 million was primarily due to a 20 basis-point decrease in the discount rate and a change in certain demographic assumptions).

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 2021, experience losses were $64 million (2020 – losses of $32 million). Experience losses in 2021 and 2020 stemmed from demographic experience losses and the extension of conditional benefits, offset by lower than assumed salary escalation.

Plan Provisions

Under DBprime, the contribution rate on contributory earnings (as defined by the Plan Text) by both employers and employees is 11.2% up to the Year's Maximum Pensionable Earnings (YMPE) of $61,600 in 2021 and $58,700 in 2020) as determined by the federal government to determine Canada Pension Plan contributions and 14.8% of contributory earnings in excess of the YMPE.

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

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

NOTE 10: SURPLUS

The excess of net assets available for benefits against pension obligations results in the Plan being in a surplus of $5,054 million as at December 31, 2021 (2020 – $3,122 million). 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, 2021, which has been filed with FSRA subsequent to year end is $4,369 million (2020 – $3,270 million). A 25 basis-point decrease in the discount rate assumption at December 31, 2021 would result in a decrease in the regulatory surplus of approximately $688 million (2020 - $631 million).

Measurement differences between the regulatory surplus and accounting surplus in 2021 of $685 million (2020 – ($148) million) 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 2021 is a $2,011 million (2020 - $1,084 million) deferred gain 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

($ millions)	2021	2020
Members		
Current service	**$ 294**	$274
Purchases of past service	**19**	9
Employers		
Current service	**301**	275
Purchases of past service	**4**	4
Transfers from other pension plans	**16**	26
	$ 634	$588

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 may be 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, 2021, $21 million of employer contributions receivable and $20 million of member contributions receivable (2020 – $19 million of employer contributions and $19 million 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:

($ millions)	2021	2020
Interest income	$ 131	$ 121
Dividend income	161	109
Other income	3	3
	295	233
Investment gains Realized gain	1,353	700
Change in unrealized appreciation	993	758
	2,346	1,458
Investment income prior to investment expenses	2,641	1,691
Investment management fees	(172)	(110)
Transaction costs	(5)	(6)
	$2,464	$1,575

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

($ millions)	2021	2020
Short term investments[5]	$ 298	$ (32)
Fixed income	(98)	414
Equities	1,069	796
Infrastructure	184	168
Private Equity	1,005	347
Real Estate	183	(2)
	$ 2,641	$ 1,691

[5] Includes currency forwards and options and commodity futures gains of $320 million (2020 - losses of $124 million)

NOTE 13: NON-INVESTMENT RELATED INCOME

Non-investment related income consists of interest recognized on long-term notes receivable using the effective interest method for $3 million (2020 - $4 million) as well as realized gains incurred due to early recognition of long-term notes receivable for $2 million (2020 - $0).

NOTE 14: BENEFITS

($ millions)	2021	2020
Pensions	$ 605	$ 550
Payments on termination of membership	63	51
	$ 668	$ 601

NOTE 15: ADMINISTRATION EXPENDITURES

INVESTMENT ADMINISTRATION EXPENDITURES

($ millions)	2021	2020
Salaries and benefits	$ 8	$ 7
Professional services[6]	2	2
Premises and equipment	2	1
Custodial fees	1	1
	$13	$11

[6] Includes Actuarial fees, Audit fees, and other professional services.

PENSION ADMINISTRATION EXPENDITURES

($ millions)	2021	2020
Salaries and benefits	$ 36	$ 28
Premises and equipment	9	6
Professional services[6]	4	4
Custodial fees	1	0
Communications and travel	1	1
	$ 51	$ 39

[6] Includes Actuarial fees, Audit fees, and other professional services.

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, 2021, these commitments totalled $2,831 million (2020 - $2,416 million).

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 $21 million, with the following amounts payable over the next five years: 2022 - $2 million, 2023-2026 - $3 million in each year.

NOTE 17: RELATED-PARTY TRANSACTIONS

Related parties to the Plan include the Plan sponsors and the 24 Colleges of Applied Arts and Technology 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 2021 was $43 thousand (2020 - $55 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. The Plan did not receive any claims nor made any payments pursuant to such indemnifications in 2021 or 2020.

NOTE 19: TRANSFER OF PENSION PLAN ASSETS AND LIABILITIES

The Plan routinely enters 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.

The Plan did not assume new pension obligations in 2021 (in 2020 $642 million of pension obligations were assumed), and no transfers of pension assets occurred (in 2020 $788 million of pension assets were transferred to the Plan, becoming part of the Plan's investment assets).

The Plan received $3 million in residual transfers resulting from past asset mergers during the year (2020 - $0).

Investment focused on the **long term**

Ten-year review

Ten-Year Review

(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Financial ($ millions)										
Short-term investments	1,653	1,382	1,269	1,161	987	1,028	808	714	709	562
Fixed Income	5,020	4,874	4,287	3,351	3,145	2,543	2,459	2,260	1,940	1,793
Equities	6,085	6,018	5,495	4,279	5,047	4,452	4,267	4,052	3,838	3,290
Infrastructure	1,729	1,389	1,118	1,107	844	745	600	400	297	237
Real Estate	1,174	935	825	720	558	469	419	407	379	339
Private Equity	3,401	2,081	1,255	928	649	516	471	311	183	119
Derivatives (net)	67	120	118	(206)	62	33	(181)	(42)	2	–
Total investments	19,129	16,799	14,367	11,340	11,292	9,786	8,843	8,102	7,348	6,340
Other assets (liabilities) (net)	(910)	(953)	(825)	(524)	(506)	(398)	(251)	(137)	(221)	(80)
Net assets available for benefits	18,219	15,846	13,542	10,816	10,786	9,388	8,592	7,965	7,127	6,260
Contributions	634	588	539	495	444	443	432	417	368	355
Investment income (loss)	2,464	1,575	1,731	40	1,432	700	621	808	860	624
Non-investment related income	5	4	–	–	–	–	–	–	–	–
Transfer of pension plan assets	3	788	1,006	–	–	106	–	–	–	–
Benefit payments	(668)	(601)	(515)	(479)	(457)	(431)	(406)	(369)	(344)	(332)
Administrative expenses	(64)	(50)	(36)	(25)	(21)	(22)	(20)	(18)	(18)	(14)
Net change in net assets available for benefits	2,374	2,304	2,725	31	1,398	796	627	838	866	633
Returns										
Annual return, gross of fees	16.9%	12.0%	16.8%	1.4%	16.8%	8.8%	9.0%	12.3%	14.5%	11.8%
Annual return, net of fees	15.8%	11.1%	16.0%	0.5%	15.8%	8.1%	8.1%	11.5%	13.9%	11.3%
Membership										
Active members	49,700	43,700	39,900	32,200	29,400	28,400	26,500	24,700	22,000	21,400
Deferred members	3,400	3,400	2,200	1,600	1,400	1,400	1,400	1,800	1,700	1,300
Retired members	22,500	21,800	19,300	16,100	15,500	14,900	14,000	13,500	13,100	12,600
Total members	75,600	68,900	61,400	49,900	46,300	44,700	41,900	40,000	36,800	35,300
Going-concern funding status as at December 31										
Funded status	124.2%	118.8%	117.9%	119.9%	118.1%	113.3%	110.4%	107.2%	105.1%	103.6%
Funding reserves (deficit)	4,369	$3,270	$ 2,858	$ 2,618	$ 2,269	$ 1,601	$ 1,179	$ 773	$ 525	$ 347
Discount rate	4.95%	4.95%	5.15%	5.50%	5.60%	5.60%	5.70%	5.80%	5.80%	5.80%

Numbers are rounded.

*Valuations not filed.

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