

## CAAT Pension Plan funded status grows to 118%

Plan is open to new employers, including private sector

(Toronto: March 1, 2018) The jointly governed CAAT Pension Plan stands 118% funded on a going-concern basis, with a funding reserve of \$2.3 billion, based on its latest actuarial valuation as at January 1, 2018.

This is an improvement over last year's valuation that showed the Plan 113% funded with a funding reserve of \$1.6 billion.

Under the Plan's Funding Policy, the Plan governors can apply any combination of building additional reserves, prefunding conditional inflation protection, and reducing contributions. The Plan governors determined that allocating additional reserves to further strengthen benefit security and contribution stability is the most prudent option at this time. Reserves are available as a cushion against unexpected investment market declines or liability growth.

The valuation will be filed with the regulator in the coming weeks. By opting to file this valuation, the Plan will not be required to file another one before 2021, ensuring that contribution rates remain steady until at least 2022 for the Plan's 46,000 members and 40 employers.

### **Realistic assumptions foundational to benefit security**

Each funding valuation includes a review of the economic and demographic assumptions used, to ensure they continue to be realistic and appropriate for the Plan's risk tolerance.

The discount rate, which reflects asset mix, long-term market returns on the investment portfolio, and the Plan's risk tolerance, was held at 5.6%.

The valuation assumes that members currently retiring will live to 89 years on average while collecting their pensions.

The CAAT Plan's 2017 investment results will be released with its annual report in April.

### **Plan continues to grow through membership and new employers**

New employers include the Youth Service Bureau of Ottawa (YSB), whose active, retired, and deferred pension plan members voted to provide their 100% consent to proceed with a merger of YSB's defined benefit pension plan with the CAAT Plan. If the asset transfer is approved by the regulator, the merger will be the second case of a single-employer, defined benefit pension plan merging with the jointly sponsored CAAT Plan. The Royal Ontario Museum pension plan merged with the CAAT Plan in 2016.

The CAAT Plan is continuing discussions with other employers and employee groups about them joining the Plan, including those from the private and not-for-profit sectors.

## **Derek W. Dobson, CEO and Plan Manager, CAAT Pension Plan**

“As of January 1, 2018, our funded ratio, the core measure of benefit security, reached 118% – the strongest position since becoming jointly governed 22 years ago. Long-term projections show the Plan’s financial health should remain resilient into the future providing benefit security and contribution stability to our members and employers.

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

We are in discussions with several organizations and employee groups about them joining the CAAT Plan and are excited to be able to offer our successful model for sustainable defined benefit pensions.

Research shows that Canadians want the adequate and predictable retirement income that a well-governed and expertly managed defined benefit plan delivers and they are willing to make meaningful contributions to it. Employers benefit through lower operating costs, stable contribution rates, and lower risk by exiting the pension management business.”

## **BACKGROUNDER**

CAAT Pension Plan	2018	2017	2016	2015	2014
Funding reserve	\$2.3 billion	\$1.6 billion	\$1.2 billion	\$0.8 billion	\$0.5 billion
Membership	46,000	45,000	42,000	40,000	36,800
Discount rate	5.6%	5.6%	5.7%	5.8%	5.8%

- The actuarial valuation compares the CAAT Plan’s liabilities – the pensions earned by members, and the estimated pensions that will be earned in the future – to the assets of the pension fund and estimated contributions to be received.
- When the value of the fund, and the value of the liabilities match, the Plan is fully funded. When the Plan is more than 100% funded, it means the Plan has funding reserves to further back the promised pensions.
- The Plan’s ongoing stability is the result of strong investment performance, realistic assumptions, and setting contribution rates at a level adequate to secure pension benefits over the long term. Maintaining a healthy funding reserve to manage through unforeseen economic and demographic shocks reflects the desire for a secure and sustainable pension plan. These factors are enshrined in a well-thought-out Funding Policy developed by the joint sponsors.
- The Funding Policy defines six levels of Plan financial health and prescribes the use of reserves, stability contributions, and conditional benefits at each level.

## QUICK FACTS ABOUT THE CAAT PENSION PLAN

- Created in 1967, the CAAT Pension Plan assumed its current jointly sponsored governance structure in 1995.
- The CAAT Plan is a Modern Defined Benefit pension plan with 50/50 cost sharing by members and employers. Decisions about benefits, contributions, and investment risk are also shared equally.
- Originally established for the 24 Ontario colleges, the Plan grew to include 17 other employers and is now open to organizations from both the broader public, private, and not-for-profit sectors.
- Interested organizations can explore merging an existing or prior pension plan with the CAAT Plan. The CAAT Plan's merger with the Royal Ontario Museum's pension plan in 2016 was the first of its type in the province.
- The Plan is sponsored by employers, represented by College Employer Council, and by employees, represented by the Ontario College Administrative Staff Association (OCASA) and the Ontario Public Service Employees Union (OPSEU).

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