The Comfort of Certainty

Modern pensions, like CAAT Pension Plan, are improving the well-being of Canadians *every* day

caat PENSION PLAN

Annual Report 2023

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Experience of a Lifetime.

The Value of Pensions for Life

Ms. Kareen Stangherlin, Chair

Ms. Virginia Di Monte, Vice-Chair

In 2023, CAAT celebrated a year of noteworthy accomplishments. Against the backdrop of economic uncertainty and global macro volatility, CAAT's unique strategy emerged as a catalyst for sustained success in providing enduring pension solutions for our valued members.

Through sound governance, strong leadership, and solid long-term investment performance, CAAT has successfully maintained a funding level of 124% on a going-concern basis. This accomplishment underscores CAAT's industry-leading ability to adapt and manage risk in an evolving world.

CAAT believes its growth strategy will enhance pension security for all members through diversification and scale. In 2018, the Plan introduced an innovative and modernized design: the award-winning DBplus pension. In the five years since launching DBplus, CAAT has doubled its membership and extended lifetime retirement income benefits to more than 94,500 active and retired members.

In welcoming 81 new employers and unions in 2023, the Plan also affirmed its standing as Canada's workplace retirement solution of choice. Notable employers that joined during the year include Canadian Nuclear Laboratories, Candu Energy, Lakehead University, and Thunder Bay Pulp and Paper, among others.

In reviewing CAAT's achievements, we thank Derek Dobson for his unwavering leadership, and his team for their dedication to the wellbeing of CAAT's members. Under Derek's leadership over the past 15 years, CAAT has become one of Canada's most respected, sustainable, and top-performing pension plans. Moreover, the experts at CAAT have shown relentless passion and drive in securing retirement income for Canadians; an inspirational example of how deep-rooted purpose can drive exceptional performance.

Pension plans have evolved into dynamic and strategic tools that bring substantial benefits to businesses and the broader economy. When workers feel more secure, they contribute more to their local communities, are healthier, more productive, and drive our society forward. The Plan's commitment to growth, innovation, and flexibility has positioned CAAT as a resilient and forward-thinking pension provider, able to adapt and thrive in an increasingly complex world.

The Board of Trustees look to 2024 with confidence. As always, CAAT's success will come from serving our members well, understanding the expectations of our stakeholders, and continuing to offer innovative retirement income solutions that meet the evolving needs of members and employers.

Ms. Kareen Stangherlin, Chair

V Di Monte

Ms. Virginia Di Monte, Vice-Chair

A message from the CEO and Plan Manager

A Pension That Works for You

Derek W. Dobson,
CEO and Plan Manager

Secure and stress-free lifetime retirement income. That's our promise to members – a promise that is at the heart of CAAT's mission, vision, and purpose.

The Plan has been well-funded for more than a decade and continues to be one of Canada's highest performing and most sustainable pension plans. Results of the actuarial valuation ending January 1, 2024, confirm that the Plan remains at a healthy funding level of 124% on a going-concern basis, with $1.24 set aside for every dollar promised in pensions. Surpassing $20.1 billion in market value of assets, our trusted team of experts have built $5.3 billion in funding reserves. Reserves protect the Plan against any unexpected headwinds which reinforces benefit security.

Our mission to provide secure, valuable, and sustainable workplace retirement solutions requires meeting the demands of a changing business environment and intensely competitive labour market. As pension partners, CAAT worked with diverse employers such as Nova Scotia Department of Education and Early Childhood Development, Candu Energy, and Canadian Nuclear Laboratories to support their talent attraction goals with lifetime retirement income and the peace of mind that it brings.

With CAAT's 'profit-for-members' model, members do well when the Plan does well. This means granting enhancements like conditional inflation increases and as announced last year, following approval from the Plan Governors, increasing the value of benefits per contribution dollar.

Investing back into members' retirement benefits also means investing in new solutions and services that help members customize their retirement, like an optional member retirement savings account coming later this year.

A passion to improve retirement income security for Canadians is at the core of our organization, because expanding access to good pensions is better for Canadians and for society. As we build bridges to retirement, we also build a stronger, more prosperous Canada – one pension promise at a time.

Derek W. Dobson,
CEO and Plan Manager

2023 Highlights

2023 Highlights

94,500
Members

370
participating employers

20
industries

21
unions and member associations

9,500
net increase in members

64,900
active

24,600
retired

5,000
deferred

2023 Highlights

124%
Funded

Discount rate lowered to
4.90%

Increased funding reserves to
$5.3 billion

$20.1 billion
in net assets

9.5%
net investment return in 2023

10-year annualized net rate of return of
9.3%

Management's Commentary

Plan Funding

The 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.

As at January 1, 2024, Plan reserves have grown to $5.3 billion. In addition, there are $0.7 billion in asset smoothing reserves that reflect deferred investment gains to be gradually recognized in future actuarial valuations.

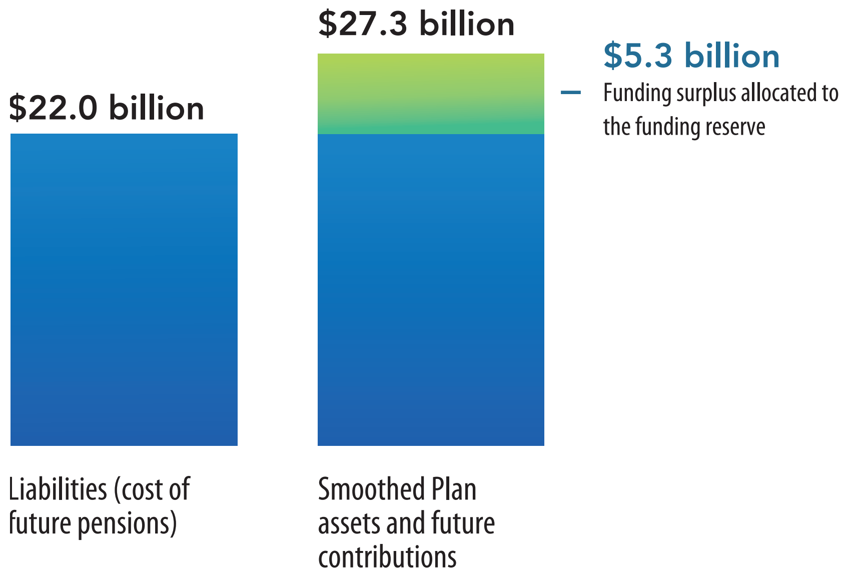
Reserves are available as a cushion against negative investment experience in the future, or larger-than-expected liability growth due to demographic shifts. Reserves are an important tool to fund future conditional benefit enhancements, keep benefits secure and DBprime contribution rates stable.

VALUATION SUMMARY

Going-concern funding results (Modified aggregate basis)	**January 1, 2024** Filed valuation
Asset Values:	**($ millions)**
Market value of net assets	20,104
Smoothing adjustment	(671)
Present value of future contributions	
DBprime – basic contributions	4,752
DBprime – stability contributions	676
DBplus	2,439
Total actuarial value of assets	**27,300**
Liabilities for accrued benefits	15,315
Present value of future benefits for active members	
DBprime	4,789
DBplus	1,933
Total actuarial liabilities	**22,037**
Funding reserve – with smoothing	5,263

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

FUNDING VALUATION
As at January 1, 2024



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 five years
- Performed on a going-concern basis (assumes Plan will continue to operate)
- Prepared by an independent actuary
- Based on realistic assumptions about member life expectancy, future earnings, economic conditions, and conservative investment returns
- Filed with provincial and federal regulators at least every three years. Plan management may choose to file a valuation on a more frequent basis. The Plan will be filing a valuation as at January 1, 2024.

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

Strategic Priorities

In 2023, CAAT maintained its strategic focus on securing member benefits and developing flexible, innovative plan designs. The Plan continued to promote defined benefit (DB) pension plans and build strong awareness and interest in DBplus. Notable new employers in the Plan include Candu Energy and Canadian Nuclear Laboratories.

The Plan has been very successful in supporting the growing demand for modern DB pensions among organizations seeking to attract and retain talent and maintaining their trust after enrolment. The Plan is also responding to requests from members to provide additional flexibility to meet their retirement goals. As a result, the Plan will launch an optional member retirement savings account later this year, which will give members the option to save more for retirement on top of the pension they are already earning with the Plan.

The Plan remains focused on enhancing services associated with the current Plan designs – DBprime and DBplus – and preparing operationally for the previously announced respective DBprime contribution reduction and DBplus pension factor increase, effective January 1, 2025.

Given the increased need and awareness of modern DB pensions, the Plan is also investing in operational readiness for the onboarding of new, large employers.

CAAT's Strategic Plan highlights three key priorities to: 1) Maintain a focus on benefit security, 2) Engage Stakeholders, and 3) Innovate and Advocate. The Plan remains focused on these priorities as it continues to take steps to purposefully improve retirement income security for more Canadians.

Professional Investment Management

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

The Plan's investment team recommends and implements investment policies as approved by the Board of Trustees. The investment team recommends a long-term 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).

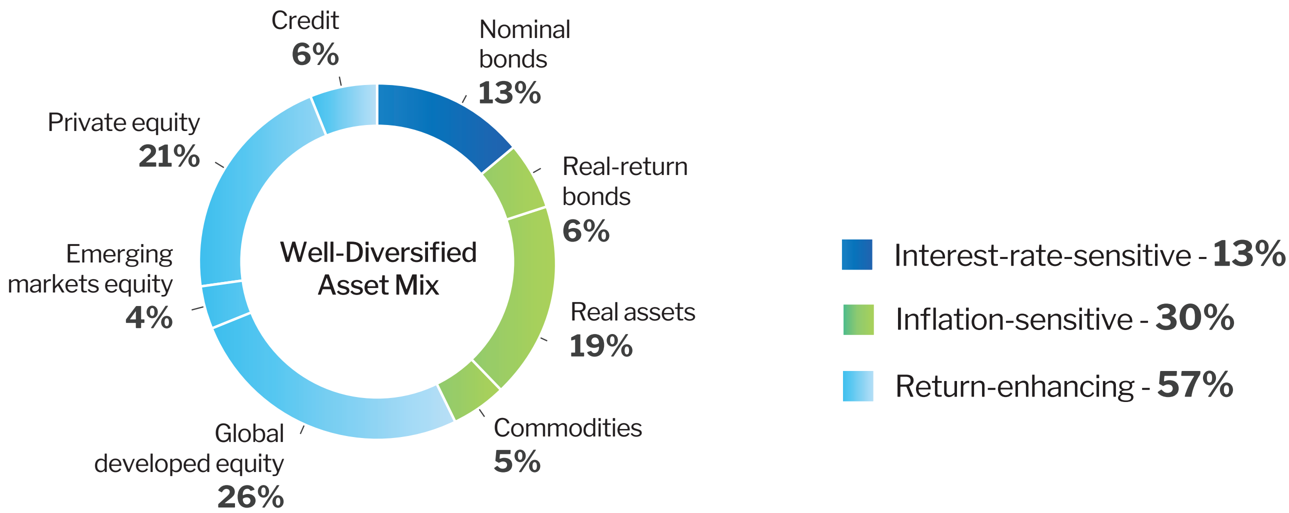
Diversified Portfolio Fundamental to Managing Risk

The Plan's asset mix is well diversified, with exposure to a broad range of asset classes which have primary and secondary purposes. The asset classes are categorized into three broad groupings: Interest-rate-sensitive, Inflation-sensitive, and Return-enhancing.

Interest-rate-sensitive and Inflation-sensitive asset categories help to offset the effects of changing interest rates and inflation on the valuation of the Plan's liabilities. The interest-rate-sensitive asset category is comprised of long and universe bonds, while the inflation-sensitive asset category comprised of real assets (real estate and infrastructure), real return bonds, and commodities.

The return-enhancing category, includes global and emerging market public equities, private equities, and credit, help the Plan to achieve its targeted rate of return. These assets also 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 Categories



Investing in Canada

In 2023, the Plan's Canadian holdings made up nearly 30% of its assets. This includes investments in equities, bonds, real estate and infrastructure.

World Class Managers

The CAAT Plan's investment team oversees the implementation and monitoring of the asset mix that is executed through the activities of more than 65 external investment and partners. In addition, the use of co-investments in private markets continues to play an important role in the Plan's investment strategy.

2023 Market Overview

As 2023 began, investors were concerned that the commitment of central banks to reduce inflation worldwide, via the maintenance of high interest rates, would lead to a recession. However, these fears were not realized; economic activity remained resilient, particularly in the U.S.

Global equity markets, having experienced significant declines in 2022, rebounded sharply in 2023. The U.S. equity market led the way, due mainly to a handful of large technology stocks.

Declining mid- and long-term interest rates in Canada led to positive returns for Canadian bonds in 2023, after poor performance in 2022. On the other hand, global commodity markets fell by over 6% for the year, measured in Canadian dollar terms.

Strong Long-Term Investment Performance

The Plan's assets totaled $20.1 billion at the end of 2023 (up from $18.2 billion in 2022). The Fund returned 9.5% in 2023 net of management fees, underperforming its policy benchmark but outperforming the Plan's regulatory discount rate.

Over the past 10 years, the Plan has delivered an annualized return of 9.3%, net of fees, significantly outperforming both its policy benchmark and the Plan's discount rate.

NET FUND RETURNS VS POLICY BENCHMARK

(Annualized)

	1 YEAR	5 YEARS	10 YEARS
CAAT Nominal Return	**9.5%**	**9.8%**	**9.3%**
Policy Benchmark	12.7%	8.1%	7.3%
CAAT vs. Policy Benchmark	(3.2%)	1.7%	2.0%

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

2023 NET INVESTMENT RETURN BY ASSET CLASS RELATIVE TO BENCHMARK

As at December 31, 2023 (net of expenses)

Asset Class	CAAT Plan Investments** ($ millions)	CAAT 2023 Return	Benchmark	Benchmark Return	Value Added
Interest-rate sensitive					
Nominal Bonds	$2,653	7.4%	FTSE Canada Mid-Term Bond Index	5.7%	1.7%
Inflation sensitive					
Real-Return Bonds	$1,252	1.9%	FTSE Canada Real Return Bond Index	2.0%	(0.1%)
Real Assets	$3,678	5.8%	CPI + 4%	7.1%	(1.3%)
Commodities	$950	(6.6%)	S&P GSCI	(6.8%)	0.2%
Return enhancing					
Global Developed Equity[1]	$5,273	19.8%	MSCI World Index	20.5%	(0.7%)
Emerging Markets Equity	$774	19.0%	MSCI Emerging Markets Index	6.9%	12.1%
Private Equity	$4,224	5.9%	MSCI ACWI + 3%	21.9%	(16.0%)
Credit[2]	$1,216	–	2/3 Bloomberg Global High Yield Index, 1/3 Bloomberg Global Aggregate Corporate Index	–	–

[1]Global Developed Equity includes Canadian, U.S., International, and Global Equity portfolios. The total fund return of 9.5% includes 0.3% from the impact of currency hedging. Numbers do not add due to rounding. As outlined in the Statement of Investment Policies and Procedures (SIPP) dated November 29, 2022, the Global Developed Equity (GDE) and Emerging Markets Equity (EME) asset classes will be consolidated into Public Equities with a new benchmark of MSCI ACWI. The full transition is expected to be completed in 2024.

[2]Annual rate of return figures are not available for the Credit asset class as it was established during 2023.

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

Responsible Investing

The principal investment goal of the Plan is to maximize long-term, risk-adjusted returns to secure lifetime pensions for members.

Part of CAAT's long-term approach includes a focus on Responsible Investing. Responsible Investing means incorporating environmental, social, and governance (ESG) factors into investment decisions. Considering these factors helps guide which assets to invest in, as well as the stewardship of those assets.

We believe:

- **We have an obligation to invest responsibly**
  Responsible Investing is an extension of the Plan's fiduciary duty to members. Incorporating ESG factors into investment decisions is critical to evaluating opportunities and addressing financial and other risks to the Plan over the long-term.

- **Climate change is a risk, but also an opportunity**
  Climate change presents significant investment opportunities and systemic risks. CAAT will incorporate the potential impacts of the transition to a low-carbon economy and the physical impacts of different climate outcomes into its investment decisions.

- **Equity drives results**
  Equitable employment practices at organizations the Plan is invested in, including fair wages and safe working conditions, contribute to improved long-term investment results.

- **It all starts with governance**
  Organizations that exhibit good governance practices are also better positioned to address environmental and social issues.

- **We can't do it alone**
  Responsible Investing requires close collaboration with both investee organizations and other long-term investors. It is a valuable tool to promote change and foster success.

The Plan's investment decisions are guided by the three core principles of its Responsible Investing Policy:

1. Governance

Responsible Investing requires consistent oversight with an eye toward continuous improvement. The Plan's Governors review and update the Responsible Investing Policy at least every three years. The Board also, reviews reporting from Plan staff concerning the Plan's Responsible Investing activities and how ESG factors are integrated into the Plan's investment decisions.

Plan staff are responsible for integrating ESG considerations into investment and portfolio management decisions and for implementing Plan-wide ESG-focused investment initiatives.

2. Integrating ESG factors

CAAT actively collaborates with its external investment partners to ensure that consideration of ESG factors is built into their investment processes. ESG factors are key considerations in the Plan's due diligence process for working with existing and potential managers.

CAAT's approach to ESG involves two primary focus areas: climate change and labour matters. CAAT is committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), which aim to identify and manage climate change risks and opportunities to enhance long-term risk-adjusted returns. CAAT also supports and encourages fair working conditions for workers employed by Plan assets.

3. Stewardship

CAAT maintains diligent stewardship practices within its approach to Responsible Investing, and examines shareholder proposals on ESG issues, considering the possible effects on the long-term shareholder value. This includes using the Plan's proxy voting power in a manner consistent with the Plan's Responsible Investing Policy.

A Strategic Appointment

The appointment of CAAT's first Director of Responsible Investing underscores the Plan's commitment in this area. The Director is charged with implementing and advancing our Responsible Investing efforts and strategy, to address the unique challenges and opportunities facing investments.

Responsible Investment Collaborative Partnerships

CAAT is committed to collaborating with like-minded organizations, investors, regulators, and legislators to exchange information and advocate for better transparency and performance on Responsible Investment standards and practices.

Below is a list of organizations to which CAAT belongs:

PRI	**Principles for Responsible Investment** CAAT is a signatory to the United Nations-supported Principles for Responsible Investment (PRI), together with over 5,300 signatories from more than 60 countries. PRI signatories believe that an economically efficient, sustainable, global financial system will reward long-term, responsible investment and benefit the environment and society.
CDP DISCLOSURE INSIGHT ACTION	**CDP** CAAT 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 SHAREHOLDER ASSOCIATION for RESEARCH & EDUCATION	**SHARE** CAAT 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. SHARE is also one of the Plan's participating employers.
CCGG Canadian Coalition for Good Governance THE VOICE OF THE SHAREHOLDER	**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. CCGG is also a participating employer of CAAT Pension Plan.

	Pension Investment Association of Canada (PIAC) Several CAAT Pension 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
	Responsible Investment Association (RIA) The RIA is Canada's industry association for responsible investment. The RIA aims to drive the growth and development of responsible investing in Canada's retail and institutional markets, with a vision to align capital with sustainable and inclusive development as codified in the Paris Agreement and the UN Sustainable Development Goals.
	Ceres Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. Ceres works with investor members to advance sustainable investment practices, engage with corporate leaders, and advocate for key policy and regulatory solutions to accelerate the transition to a just, sustainable, net zero emissions economy.
	Climate Engagement Canada (CEC) | joined in 2024 CEC is a finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy. The aim of CEC is to drive a broader and more consistent dialogue with Canadian issuers around climate risks and opportunities.

ESG Data Convergence Initiative	**ESG Data Convergence Initiative (EDCI) | joined in 2024** EDCI is a collaborative initiative between Limited Partners (LPs) and General Partners (GPs), the aim of which is to drive convergence around meaningful ESG metrics for the private equity industry. This provides comparable data on how GPs portfolio companies are performing on ESG relative to each other and promotes greater transparency for LPs.
IFRS Sustainability Alliance	**IFRS Sustainability Alliance | joined in 2024** The IFRS Sustainability Alliance is a global membership program for sustainability standards, integrated reporting and integrated thinking. The Alliance offers curated insights and educational programming, as well as peer-to-peer networking.

Managing Operational Risks

Enterprise Risk Management

CAAT's Enterprise Risk Management framework governs the approach to identifying and managing risks. It ensures the Plan has a "risk aware" culture which includes general awareness, attitudes, and behaviors of Plan staff toward risk and how risk is managed within the Plan. It also manages and invests in appropriate tools, enables technologies and processes to guide how CAAT identifies, evaluates, tracks, and reports risk mitigation activities on an ongoing basis.

In 2023, CAAT established a Risk Oversight Committee (ROC). The ROC is composed of senior executives from various functions within the Plan, and the role of the committee is to ensure a consistent, efficient and unified approach to risk management across the Plan that improves organizational decision making.

Cybersecurity Risk

CAAT continues to invest in information and cyber security to protect the sensitive data and systems used in the operation of the Plan. In 2023, CAAT enhanced the overall cyber maturity of the Plan by achieving the internationally recognized ISO-27001:2022 certification, which is a global standard for effective management of information and cybersecurity risks. The organization also significantly improved the Plan's cyber stance by maturing its core tactical defenses and future-proofing security risks by defining a cybersecurity roadmap.

Plan Text Amendments

In 2023, amendments were made to the Plan Text to add new employers or expand the participation of employees of certain employers and to accept the assets and liabilities associated with other plans merging into the Plan.

The Plan Text was amended in 2023 in accordance with the Plan's Funding Policy:

- DBprime contribution rates will be reduced by 1% for members and employers, effective January 1, 2025. This means that DBprime contributions will be 10.2% of earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 13.8% of earnings above the YMPE for both members and employers.
- The DBplus annual pension factor will be increased from 8.5% to 9.5%. The new DBplus annual pension factor will be applied to the pension earned by members on new ongoing contributions starting January 1, 2025. Any pension earned up to January 1, 2025, will continue to use the 8.5% rate.
- Contributions in respect of periods of purchasable service prior to a member's enrolment in the Plan will be calculated using an annual pension factor of 8.5%. Contributions in respect of a leave while a member of the Plan will be calculated using an annual pension factor of 8.5% for leave periods before January 1, 2025, and 9.5% for leave periods on and after January 1, 2025.

Consistent with the Plan's Funding Policy and the Plan's funding position as shown in its January 1, 2024, valuation, the Plan Text was revised to grant additional annual Average Industrial Wage increases for active DBplus members until 2027, and to extend the current DBplus early retirement adjustment factor for retiring DBplus members until 2027. Additional conditional inflation protection enhancements will be granted to 2027.

Finally, the Plan Text was revised in 2023 to extend the deadline for employers to remit contributions to the Plan. Previously, contributions had to be remitted on a business day on or before the 20th of the month after the end of the month to which the contributions relate. As of January 1, 2024, employers must remit contributions to the Plan no later than 30 days after the end of the month to which the contributions relate.

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 Pension Plan website alongside a blacklined version of the prior Plan Text showing recent changes.

AWARDS AND RECOGNITION – A REFLECTION OF CAAT'S STRATEGY

CAAT ranked **#1 highest performing Canadian pension plan** in the BNY Mellon Canadian Master Trust Universe, based on 10-year returns at the end of 2023 for plans with a market value above $1 billion. Chief Executive Officer and Plan Manager Derek Dobson received a **Lifetime Achievement Award** from Institutional Connect for his contributions to the pension industry, and his consistent leadership and resilience to improve retirement outcomes in Canada.

In a release announcing the participation of Woodbridge Foam employees and Unifor Local 112, Peter Martin, Vice President of Global Total Rewards stated, "This partnership between Woodbridge Foam and our Unifor-member teammates will provide a secure retirement solution that will give them peace of mind as they work toward their golden years. We also see **the competitive advantage of choosing DBplus in helping us attract and maintain our workforce talent pool at a fixed cost and with minimal risk.**"

CAAT was named a **GTA Top Employer** by Greater Toronto's Top 2023 Employers and one of Waterstone Canada's **Most Admired Corporate Cultures** in 2023. The Canadian HR Reporter recognized CAAT with the **2023 5-Star Rewards and Recognition** award.

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 decisions about Plan benefits and funding. Joint governance is a key element of the world-renowned Canadian model for pension organizations.

The Plan Governors are appointed by the Plan sponsors: the College Employer Council (CEC) (which in turn represents Ontario colleges' boards of governors), the Ontario Public Service Employees Union/Syndicat des employés de la fonction publique de l'Ontario (OPSEU/SEFPO), and the Ontario College Administrative Staff Association (OCASA).

Board of Trustees

As fiduciaries, the Trustees are legally bound to act in the interest of the Plan and its members. The Board of Trustees sets the investment policy and 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.

The Board has 12 Trustees: six appointed by employee groups (four by OPSEU/SEFPO, one by OCASA, and one by OPSEU/SEFPO and OCASA on a rotating basis) and six appointed by CEC.

MEMBERS OF THE BOARD OF TRUSTEES (AS AT DECEMBER 31, 2023)

Sponsors' Committee

The focus of the Sponsors' Committee is to determine how best to balance contribution rates and benefit design. The Committee also reviews and approves new employer applications to join the Plan and establishes delegated authority for Plan staff to approve applications that meet specified conditions.

The Sponsors' Committee has eight members: four representing employees (three appointed by OPSEU/SEFPO and one by OCASA) and four representing employers, who are appointed by CEC.

MEMBERS OF THE SPONSORS' COMMITTEE (AS AT DECEMBER 31, 2023)

Dr. Janet Morrison
Employer Co-Chair
(CEC-appointed)

Veneise Samuels
Employee Co-Chair
(OPSEU/SEFPO-appointed)

Riley Burton
Employee representative
(OCASA-appointed)

Dr. Gervan Fearon
Employer representative
(CEC-appointed)

Ross Gascho
Employer representative
(CEC-appointed)

Cheri Hearty
Employee representative
(OPSEU/SEFPO-appointed)

Shawn Pentecost
Employee representative
(OPSEU/SEFPO-appointed)

Glenn Vollebregt
Employer representative
(CEC-appointed)

The Board and Sponsors' Committee are grateful to Gretchen Van Riesen, Trustee, for her service to the Plan.

The Board and Sponsors' Committee welcome Dianne Salt, whose appointment to the Board of Trustees will take effect in 2024.

Subcommittees and Stakeholder Committees

The principle of equal representation 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 – focuses on funding, administration, legislation and the appointment and evaluation of actuarial and legal advisors. The 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 and effective 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.

The Plan has also introduced Stakeholder Committees that provide a forum for participating employers and unions not directly represented on the Board of Trustees to engage with the Plan and provide input and perspectives on matters of Plan governance.

Funding Policy

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

The Policy defines six levels of Plan financial health and sets guidelines within each level. It is designed to build reserves in the Plan and determine when additional benefit enhancements can be granted or when DBprime contribution rates may change. Within the Policy, Plan Governors have three funding controls: reserves, DBprime stability contributions, and conditional benefit enhancements.

Each Funding Level spans a broad band that allows Plan Governors to determine how to best use reserves based on the Plan's funding position. The options available can apply to DBprime, DBplus, or both, as described in the following table:

	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	Consider up to 1%	Consider up to 1.5%	Consider up to 2%	2% plus up to 7.5% increase in liabilities	Further build, up to tax limit
Common	**Future benefits**	Consider temporary reductions	Consider restoration of any temporary reductions				Consider improving benefits (e.g., ad hoc increases)
Common	**Post-retirement conditional inflation protection increases** (75% of CPI)	None	Applied	Applied plus consider-catch-up	Applied plus reserves	Applied plus reserves	Consider increases above 75% of CPI
DB*plus*	**Pre-retirement benefit increase** (100% of AIW)	None	None	Applied	Applied plus consider catch-up	Applied	Applied
DB*plus*	**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%)
DB*plus*	**Early retirement factor (ERF)** (from age 65)	5% or higher	5%	5%	Consider 3%, 4% or 5%	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 CEC, OPSEU/SEFPO and OCASA. As the CEC 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.

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

The Board of Trustees is ultimately responsible for the financial statements of the CAAT Pension Plan. The Board of Trustees oversees financial reporting through its Audit Committee. The Committee reviews matters of accounting, auditing, internal control systems, the financial statements and reports of the external auditors.

The Plan's external auditors, Deloitte LLP, are directly accountable to the Audit Committee and have full and unrestricted access to the Committee. They discuss with the Committee their audit and related findings as to the integrity of the Plan's financial reporting and adequacy of internal control systems in the context of their financial statement audit. Deloitte LLP have conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they considered necessary to express their opinion on the annual financial statements.

Derek W. Dobson,
CEO and Plan Manager

Michael Dawson,
Chief Financial Officer

April 15, 2024

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, 2023, 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, 2023, 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 15, 2024

CAAT Pension Plan 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, 2023, 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, 2023;
- membership data provided by the Board as at December 31, 2022;
- 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, 2023 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 2023 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 15, 2024

Statement of Financial Position

($ millions)	December 31 2023	2022
Assets		
Investments (Note 3)	**$ 20,324**	$ 18,879
Investment-related assets (Note 3a)	**691**	461
Employer contributions receivable (Note 11)	**36**	28
Member contributions receivable (Note 11)	**35**	27
Other assets (Note 7)	**31**	32
	$ 21,117	$ 19,427
Liabilities		
Investment-related liabilities (Note 3a)	**968**	1,179
Accounts payable and accrued liabilities (Note 8)	**45**	56
	1,013	1,235
Net assets available for benefits	**$ 20,104**	$ 18,192
Pension obligations (Note 9)	**$ 15,396**	$ 14,101
Regulatory surplus (Note 10)	**5,263**	4,713
Measurement differences between regulatory and accounting surplus (Note 10)	**(555)**	(622)
Surplus	**$ 4,708**	$ 4,091

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

Kareen Stangherlin, Chair

Virginia Di Monte, Vice-Chair

Statement of Changes in Net Assets Available for Benefits

Year ended December 31

($ millions)	2023	2022
Increase in net assets available for benefits		
Contributions (Note 11)	**$ 888**	$ 704
Investment income/(loss) (Note 12)	**1,751**	(388)
Non-investment related income (Note 13)	**3**	3
Transfer of pension plan assets (Note 19)	**124**	436
	2,766	755
Decrease in net assets available for benefits		
Benefits (Note 14)	**747**	700
Investment administration expenditures (Note 15)	**19**	19
Pension administration expenditures (Note 15)	**70**	54
Membership expansion expenditures (Note 15)	**18**	10
	854	783
Net increase (decrease) in net assets available for benefits	**1,912**	(28)
Net assets available for benefits, beginning of year	**18,192**	18,220
Net assets available for benefits, end of year	**$ 20,104**	$ 18,192

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

Statement of Changes in Pension Obligations

($ millions)	2023	2022
	Year ended December 31	
Accrued pension obligations, beginning of year	**$ 14,101**	$ 13,166
Increase in accrued pension obligations (Note 9)		
Interest on accrued benefits	**727**	668
Benefits accrued	**498**	430
Changes in actuarial assumptions (Note 9)	**249**	-
Assumption of pension plan liabilities (Note 19)	**108**	345
Experience losses (Note 9)	**460**	285
	2,042	1,728
Decrease in accrued pension obligations		
Benefits paid (Note 14)	**747**	700
Changes in actuarial assumptions (Note 9)	**-**	93
	747	793
Net increase in accrued pension obligations	**1,295**	935
Accrued pension obligations, end of year	**$ 15,396**	$ 14,101

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)	**2023**	**2022**
Surplus, beginning of year	**$ 4,091**	$ 5,054
Net increase (decrease) in net assets available for benefits	**1,912**	(28)
Net increase in accrued pension obligations	**(1,295)**	(935)
Surplus, end of year	**$ 4,708**	$ 4,091

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/Syndicat des employés de la fonction publique de l’Ontario (“OPSEU/SEFPO”) (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, DBplus benefit accrual 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 received by the Plan (member plus employer contributions) annually multiplied by an annual pension factor which can adjust based on the Plan's funding surplus in accordance with the Plan's Funding Policy. 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 earned during a specific period 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 at 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, private credit, 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. Underlying private credit investments are valued using discounted cash flows based on current market yields on comparable securities.
- Real estate investments are held through ownership in limited partnership arrangements. 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. Underlying 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 at 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

	2023		2022	
($ millions)	Fair Value	Cost	Fair Value	Cost
Investments				
Short-term investments	**$ 1,863**	**$ 1,898**	$ 1,708	$ 1,704
Fixed income (Note 3b)	**4,671**	**4,717**	4,247	4,712
Equities (Note 3c)	**5,694**	**4,554**	5,535	4,816
Infrastructure	**2,637**	**2,027**	2,256	1,783
Private equity	**4,154**	**2,709**	3,682	2,338
Private credit	**264**	**247**	214	160
Real estate	**1,041**	**772**	1,237	743
Investments	**$ 20,324**	**$ 16,924**	$ 18,879	$ 16,256
Investment-related assets				
Accrued income	**48**	**48**	47	47
Securities purchased under agreement to resell	**284**	**284**	90	90
Unsettled trades receivable	**166**	**167**	281	272
Derivative-related assets (Note 5)	**193**	**2**	43	4
Investment-related assets	**$ 691**	**$ 501**	$ 461	$ 413
Investment-related liabilities				
Securities sold under agreement to repurchase	**(779)**	**(779)**	(481)	(481)
Unsettled trades payable	**(145)**	**(145)**	(598)	(590)
Derivative-related liabilities (Note 5)	**(44)**	**(2)**	(100)	(1)
Investment-related liabilities	**$ (968)**	**$ (926)**	$ (1,179)	$ (1,072)
Net investments	**$ 20,047**	**$ 16,499**	$ 18,161	$ 15,597

3(b) – Fixed income

Investments in fixed income include the following issuers:

($ millions)	2023 Fair Value	2023 Cost	2022 Fair Value	2022 Cost
Government of Canada[1]	**$ 2,399**	**$ 2,372**	$ 1,644	$ 1,700
Provincial Governments[1]	**1,073**	**1,086**	1,555	1,826
Municipal Governments[1]	**48**	**52**	76	92
Corporate	**681**	**737**	695	805
Foreign	**470**	**470**	277	289
Total fixed income	**$ 4,671**	**$ 4,717**	$ 4,247	$ 4,712

[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:

($ millions)	2023 Fair Value	2022 Fair Value
1 – 5 years	**$ 912**	$ 588
6 – 10 years	**2,425**	739
11 – 20 years	**614**	1,087
Greater than 20 years	**720**	1,833
Total fixed income	**$ 4,671**	$ 4,247

3(c) – Equity Investments

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

($ millions)	2023 Fair Value	2023 %	2022 Fair Value	2022 %
United States	**$ 2,820**	**50**	$ 2,701	49
Asia Pacific	**942**	**16**	943	17
Europe (excluding United Kingdom)	**783**	**14**	743	13
Canada	**347**	**6**	306	6
Japan	**264**	**5**	305	6
United Kingdom	**228**	**4**	226	4
Other	**167**	**3**	167	3
Latin America	**143**	**2**	144	2
Total equity	**$ 5,694**	**100%**	$ 5,535	100%

3(d) – Summary of Significant Investments

As at December 31, 2023, 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	$ 716	$ 735
Fixed income		
Government of Canada Bonds	1,964	1,951
Province of Ontario Bonds	470	473
Province of Quebec Bonds	386	394
Canada Housing Trust No. 1	543	529
Equities		
Acadian Emerging Market Small-Cap Fund	253	131
Arrowstreet Global World Alpha Extension Fund	1,532	1,203
BlackRock Long Term Private Capital Fund	336	126
Bridgewater Pure Alpha Fund II	380	308
iShares Core S&P 500 ETF	303	244
Symmetry International Fund Limited	261	192
Private credit		
Piney Lake Opportunities Offshore Fund LP	191	177
Real estate		
Carlyle Property Investors, L.P	394	308
Greystone Real Estate Fund	248	89

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, 2023, the Plan's investments included loaned securities with a fair value of $1,296 million (2022 - $1,737 million). The fair value of collateral received in respect of these loans was $1,356 million (2022 - $1,854 million). Net income earned from securities lending for the year was $3.1 million (2022 - $3.3 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 28, 2023 when Real Return Bonds ("RRB") with a benchmark of FTSE RRB Index was revised to Inflation-Linked Bonds with a custom benchmark, effective January 2024. The custom benchmark is a combination of the FTSE RRB Index (for Canadian bonds), and the Bloomberg U.S Treasury Inflation-Linked Bond Index (for U.S. bonds). The weights of each index in the benchmark shall reflect the actual weights of Canadian and U.S. bonds in the Fund.

The Statement designates seven broad classes of assets. A set of benchmarks has been identified to measure performance against each class's annual rate of investment return. The total investments annual rate of return is measured against a composite index made up of the weighted average of each class's benchmark return using the actual allocation of assets to weight the various classes. The 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 asset allocation, including the effect of derivatives and the associated benchmark index as at December 31, 2023, is as follows:

		2023	
Asset Category/Class	**Benchmark (Index)**	**Allocation Range/Target**	**Actual Allocation**
Interest Rate Sensitive:			
Nominal bonds	FTSE Mid-Term Government Bond	12%	13%
Total Interest Rate Sensitive		**8-20%**	**13%**
Inflation Sensitive:			
Real-return bonds	FTSE RRB Index	5%	6%
Real assets	CPI + 4%	23%	19%
Commodities	S&P GSCI	5%	5%
Total Inflation Sensitive		**27-45%**	**30%**
Return Enhancing:			
Public equity	MSCI ACWI	32%	30%
Private equity	MSCI ACWI + 3%	15%	21%
Credit	2/3 Bloomberg Global High Yield Index, 1/3 Bloomberg Global Aggregate Corporate Index	8%	6%
Total Return Enhancing		**35-65%**	**57%**
Cash, cash equivalents, and other	Not applicable	Not applicable	0%
Total		**100%**	**100%**

The asset allocation, including the effect of derivatives and the associated benchmark index as at December 31, 2022, is as follows:

		2022	
Asset Class	**Benchmark index**	Allocation range	Actual allocation
Liability-hedging assets		**29-71%**	**46%**
Nominal long bonds	FTSE TMX Long Bond Index	10-25%	11%
Nominal universe bonds	FTSE TMX Universe Index	3-7%	5%
Real-return bonds	FTSE RRB Index	3-7%	6%
Real assets	CPI + 4%	10-25%	19%
Commodities	S&P GSCI	3-7%	5%
Return-enhancing assets		**33-67%**	**54%**
Global developed equity	MSCI World Index	20-35%	25%
Emerging markets equity	MSCI Emerging Markets Index	8-12%	8%
Private equity	MSCI ACWI + 3%	5-20%	21%
Cash, cash equivalents, and other	Not applicable	Not applicable	0%
Total		**100%**	**100%**

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)	2023	2022
	Net exposure	Net exposure
United States Dollar	$ 8,168	$ 7,118
Euro	918	891
Other currencies	515	452
British Pound Sterling	165	224
Japanese Yen	147	200
Hong Kong Dollar	119	151
Swiss Franc	71	93
Total foreign	**10,103**	9,129
Canadian Dollar	**9,944**	9,032
Net investments	**$ 20,047**	$ 18,161

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, 2023 would result in a gain/loss of $505 million (2022 - $456 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, 2023, the duration of the fixed income portfolio was 8.3 years (2022 – 12.7 years). If interest rates were to rise by 2%, the fair value of the fixed income portfolio would decline by approximately $710 million (2022 - $944 million). Conversely, if interest rates were to fall by 2%, the fair value of the fixed income portfolio would increase by approximately $710 million (2022 - $928 million). In addition to the fixed income portfolio, there are also certain real estate, private equity, private credit, and infrastructure investments which may have interest rate components making them subject to interest rate exposures.

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)	**2023**		2022	
	A 10% benchmark change results in a market value change of	**Gain / Loss**	A 10% benchmark change results in a market value change of	Gain / Loss
Global developed equity	**10%**	**$ 523**	10%	$ 480
Emerging markets equity	**11%**	**$ 97**	11%	$ 103

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 short-term debt that has a minimum credit rating of R-1 as determined by a recognized credit rating agency.

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 Portfolio Implementation Policies and Procedures, which limits investments in derivative instruments involving 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)	2023	2022
Short-term investments	**$ 1,863**	$ 1,708
Fixed income	**4,671**	4,247
Private credit	**264**	214
Derivative-related assets	**193**	43
Interest receivable	**37**	28
Other assets	**18**	18
Loaned securities	**1,296**	1,737
Credit default derivatives – written[2]	**-**	308
Total maximum exposure	**$ 8,342**	$ 8,303

[2]Represents notional exposures.

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

($ millions)	2023	2022
AAA	**$ 2,605**	$ 1,787
AA	**672**	757
A	**874**	1,229
BBB or lower	**520**	474
	$ 4,671	$ 4,247

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 Canadian federal 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, 2023, the fair value of such bonds held by the Plan was $3,472 million (2022 - $3,199 million). In addition, the Plan's portfolio of short-term investments of $1,863 million (2022 - $1,708 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 to hedge at least 90% of developed market foreign currency exposure for interest rate and inflation sensitive assets.
- 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.

	2023			2022		
($ millions)	**Notional Value[3]**	**Fair Value**		Notional Value[3]	Fair Value	
		Positive	**Negative**		Positive	Negative
Equity						
Futures	**$ 2,444**	**$ 71**	**$ (11)**	$ 2,170	$ 7	$ (56)
Fixed income						
Futures	**477**	**15**	**(3)**	106	1	–
Options	**33**	**-**	**-**	–	–	–
Currency derivatives						
Forwards	**4,422**	**95**	**-**	4,257	–	(26)
Interest rate derivatives						
Swaps	**903**	**2**	**(4)**	72	1	–
Options	**73**	**-**	**-**	–	–	–
Credit default swaps						
Purchased	**7**	**1**	**-**	86	1	–
Written	**-**	**-**	**-**	308	2	–
Commodity						
Futures	**939**	**9**	**(26)**	896	31	(18)
	$ 9,298	$ 193	$ (44)	$ 7,895	$ 43	$ (100)

[3]Notional value represents the absolute value of all derivative positions.

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:

	2023			
($ millions)	Level 1	Level 2	Level 3	Total
Short-term investments	$ 1,335	$ 528	$ -	$ 1,863
Fixed income	2,090	2,530	51	4,671
Equities	2,439	3,255	-	5,694
Infrastructure	-	-	2,637	2,637
Real estate	-	-	1,041	1,041
Private equity	-	-	4,154	4,154
Private credit	-	-	264	264
Investment-related assets	143	548	-	691
Investment-related liabilities	(39)	(929)	-	(968)
	$ 5,968	$ 5,932	$ 8,147	$ 20,047

2022				
($ millions)	Level 1	Level 2	Level 3	Total
Short-term investments	$ 979	$ 729	$ –	$ 1,708
Fixed income	2,735	1,512	–	4,247
Equities	2,471	3,064	–	5,535
Infrastructure	–	–	2,256	2,256
Real estate	–	–	1,237	1,237
Private equity	–	–	3,682	3,682
Private credit	–	–	214	214
Investment-related receivables	86	375	–	461
Investment-related liabilities	(74)	(1,105)	–	(1,179)
	$ 6,197	$ 4,575	$ 7,389	$ 18,161

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:

2023						
($ millions)	Fixed Income	Infrastructure	Real estate	Private equity	Private credit	Total
Opening balance	**$ -**	**$ 2,256**	**$ 1,237**	**$ 3,682**	**$ 214**	**$ 7,389**
Acquisitions	**48**	**221**	**121**	**622**	**36**	**1,048**
Dispositions	**-**	**(67)**	**(274)**	**(398)**	**(58)**	**(797)**
Realized gains	**-**	**90**	**181**	**199**	**55**	**525**
Unrealized gains	**3**	**137**	**(224)**	**49**	**17**	**(18)**
Closing balance	**$ 51**	**$ 2,637**	**$ 1,041**	**$ 4,154**	**$ 264**	**$ 8,147**

2022					
($ millions)	Infrastructure	Real estate	Private equity	Private credit	Total
Opening balance	$ 1,729	$ 1,174	$ 3,211	$ 190	$ 6,304
Acquisitions	418	70	584	–	1,072
Dispositions	(174)	(141)	(537)	(5)	(857)
Realized gains	133	105	371	–	609
Unrealized gains	150	29	53	29	261
Closing balance	**$ 2,256**	**$ 1,237**	**$ 3,682**	**$ 214**	**$ 7,389**

NOTE 7: OTHER ASSETS

Other assets consist of fixed assets with a net book value of $2 million (2022 - $4 million), miscellaneous receivables and prepaid expenses in the amount of $11 million (2022 - $10 million), long-term notes receivable with a fair value of $17 million (2022 - $17 million), and an annuity with a fair value of $1 million (2022 - $1 million). Fixed assets are stated at cost and are depreciated or amortized on a straight-line basis over their useful lives.

($ millions)	2023			2022
Fixed Assets	**Cost**	**Accumulated Depreciation & Amortization**	**Net Book Value**	Net Book Value
Systems software	**$ 8**	**$ 7**	**$ 1**	$ 2
Other[4]	**2**	**1**	**1**	2
	$ 10	**$ 8**	**$ 2**	$ 4

[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 (2022 - $3 million) and an accrual of $18 million (2022 - $17 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, 2027 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, 2024. The next regulatory valuation is required to be filed no later than as at January 1, 2027.

Pension obligations as at December 31, 2023 were $15,396 million (2022 – $14,101 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 and 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 reflects higher short-term inflation expectations relative to 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:

	2023	2022
Discount rate	**4.90%**	5.10%
Salary escalation rate	**3.80%**	3.95%
Inflation rate	**2.05%**	2.20%
Real discount rate	**2.85%**	2.90%

Changes in actuarial assumptions between 2022 and 2023 resulted in an increase in the pension obligation of $249 million due to changes in economic assumptions (between 2021 and 2022, a decrease in the pension obligation of $93 million was due to changes in economic 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 2023, experience losses were $460 million (2022 – losses of $285 million). Experience losses in 2023 stemmed from higher than assumed inflation, higher than assumed salary escalation , the extension of conditional benefits and demographic experience losses (experience losses in 2022 stemmed from higher than assumed inflation and the extension of conditional benefits, offset by demographic experience gains and lower than assumed salary escalation).

Plan Provisions

Under DBprime, the contribution rate and contributory earnings (as defined in the Plan Text) by both employers and members is 11.2% up to the Year's Maximum Pensionable Earnings ("YMPE") of $66,600 in 2023 (and $64,900 in 2022) 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, both the contribution rate and contributory earnings are defined in the Plan Text by employer and in certain cases, employee groups. For certain employers who have opted to offer Contribution Choice, the member can elect a higher contribution rate which is at least matched by the employer. The member contribution rate 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 $4,708 million as at December 31, 2023 (2022 – $4,091 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, 2023, which has been filed with FSRA subsequent to year end is $5,263 million (2022 – $4,713 million). A 25 basis-point decrease in the discount rate assumption at December 31, 2023 would result in a decrease in the regulatory surplus of approximately $790 million (2022 - $649 million).

Measurement differences between the regulatory surplus and accounting surplus in 2023 of $(555) million (2022 – $(622) 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 2023 is a $671 million (2022 - $537 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)	2023	2022
Members		
Current year earnings and service	**$ 390**	$ 314
Purchases of past benefits	**77**	46
Employers		
Current year earnings and service	**398**	321
Purchases of past benefits	**5**	5
Transfers from other pension plans	**18**	18
	$ 888	$ 704

[5]Effective January 1, 2024, employers have 30 days from month end to remit contributions (formerly 20 calendar days).

Employers are required to remit both the employer and member portion of contributions to the Plan within 20 calendar days[5] 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 member data. On at least 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. For employers participating only in DBplus, benefits accrue only at the time contributions are received by the Plan. As at December 31, 2023, $36 million of employer contributions receivable and $35 million of member contributions receivable (2022 – $28 million of employer contributions and $27 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)	2023	2022
Interest income	$ 185	$ 152
Dividend income	229	388
Other income	5	4
	419	544
Investment gains Realized gain	464	246
Change in unrealized appreciation (depreciation)	1,069	(949)
	1,533	(703)
Investment income (loss) prior to investment expenses	1,952	(159)
Investment management fees	(198)	(225)
Transaction costs	(3)	(4)
	$1,751	$ (388)

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

($ millions)	2023	2022
Short term investments[6]	$ 4	$ 174
Fixed income	265	(779)
Equities	1,191	(425)
Infrastructure	218	288
Private equity	239	418
Private credit	76	29
Real estate	(41)	136
	$ 1,952	$ (159)

[6]Includes currency forwards and options and commodity futures losses of $12 million (2022 - gains of $194 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 (2022 - $3 million).

NOTE 14: BENEFITS

($ millions)	2023	2022
Pensions	$ 683	$ 641
Payments on termination of membership	64	59
	$ 747	$ 700

NOTE 15: EXPENDITURES

INVESTMENT ADMINISTRATION EXPENDITURES

($ millions)	2023	2022
Salaries and benefits	**$11**	$11
Premises and equipment	**2**	3
Professional services[7]	**3**	2
Custodial fees	**2**	2
Communications and travel	**1**	1
	$19	$19

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

PENSION ADMINISTRATION EXPENDITURES

($ millions)	2023	2022
Salaries and benefits	**$49**	$37
Premises and equipment	**13**	11
Professional services[7]	**6**	4
Custodial fees	**1**	1
Communications and travel	**1**	1
	$70	$54

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

MEMBERSHIP EXPANSION EXPENDITURES

($ millions)	2023	2022
Salaries and benefits	**$14**	$ 8
Premises and equipment	**3**	1
Professional services[7]	**1**	1
	$18	$10

[7]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, 2023, these commitments totalled $3,268 million (2022 - $3,005 million).

The Plan leases its office premises under a lease agreement expiring on November 30, 2027, with a five-year extension term following the expiration date. In addition, there are various equipment leases in place with expiry dates between 2024 and 2029. Future lease payments over the remaining life of the leases total $16 million, with the following amounts payable over the next five years: 2024-2026 - $2.6 million in each year, 2027 - $2.3 million, 2028 - $1.3 million.

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 2023 was $204 thousand (2022 - $88 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 make any payments pursuant to such indemnifications in 2023 or 2022.

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.

In 2023, $108 million of pension obligations ($345 million in 2022) were assumed by the Plan (and included in the Plan's pension obligations) and $124 million of pension plan assets ($436 million in 2022) were transferred to the Plan, becoming part of the Plan's investment assets.

The Plan received nil in residual transfers resulting from past asset mergers during the year (2022 - $1 million).

NOTE 20 – CHANGE OF COMPARATIVE FIGURES

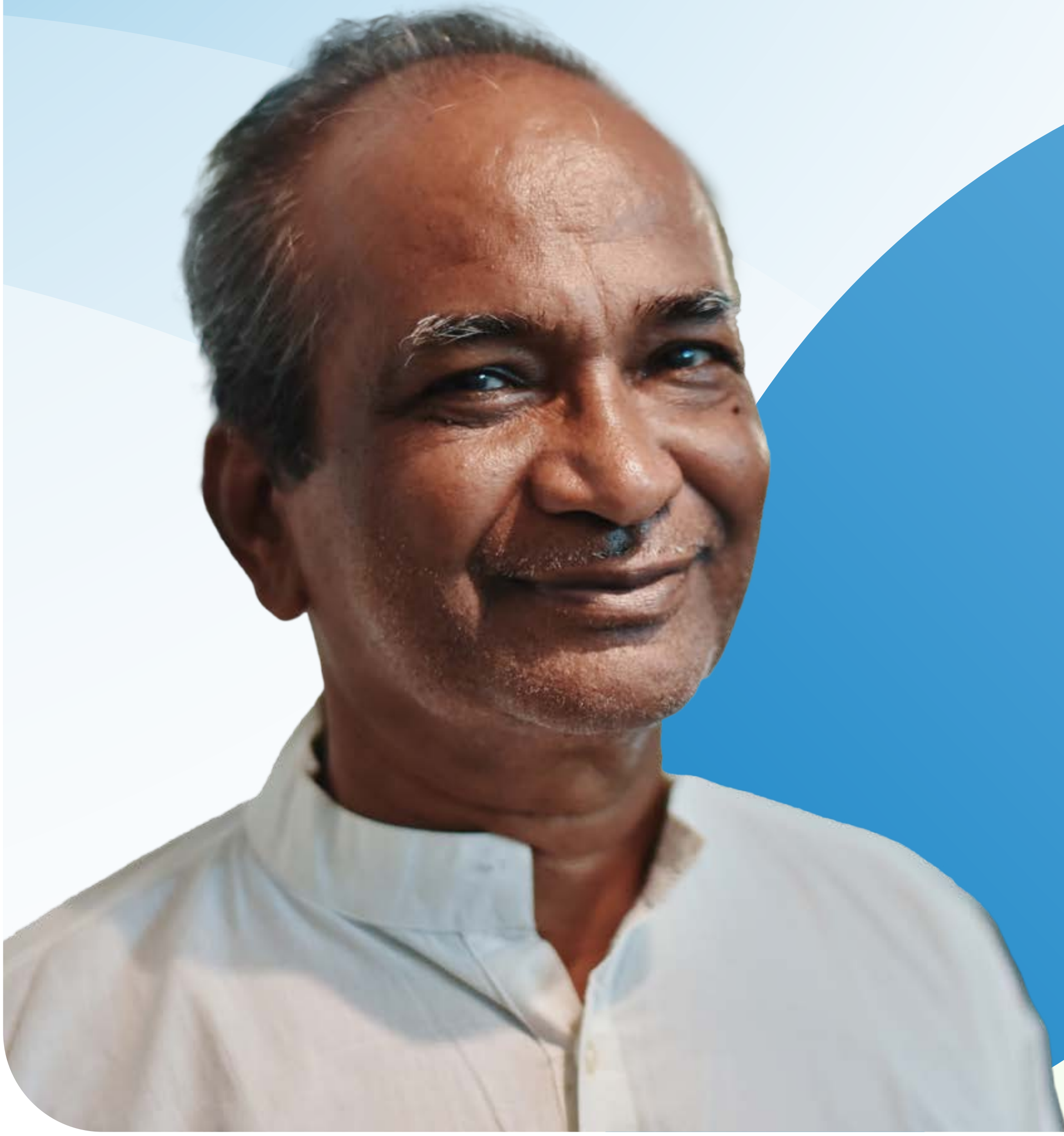
The Plan has reclassified certain investments from the asset class private equity to private credit in accordance with its investment strategy and reporting practices. The reclassification was made to reflect the nature and characteristics of these investments more accurately.

The reclassification resulted in the following changes to the financial statements:

- Previously reported investments in the private equity asset class have been reclassified to the private credit asset class.
- The reclassification has been applied retrospectively to the comparative financial information presented for the prior year ended December 31, 2022.

Management believes that the reclassification provides users of the financial statements with more meaningful information regarding the Plan's investment portfolio and strategy.

Ten-Year Review



Ten-Year Review

(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Financial ($ millions)										
Short-term investments	1,863	1,708	1,653	1,382	1,269	1,161	987	1,028	808	714
Fixed income	4,671	4,247	5,020	4,874	4,287	3,351	3,145	2,543	2,459	2,260
Equities	5,694	5,535	6,085	6,018	5,495	4,279	5,047	4,452	4,267	4,052
Infrastructure	2,637	2,256	1,729	1,389	1,118	1,107	844	745	600	400
Real estate	1,041	1,237	1,174	935	825	720	558	469	419	407
Private equity	4,154	3,682	3,211	1,903	1,223	905	643	516	471	311
Private credit	264	214	190	178	32	23	6	–	–	–
Derivatives (net)	149	(57)	67	120	118	(206)	62	33	(181)	(42)
Total investments	20,473	18,822	19,129	16,799	14,367	11,340	11,292	9,786	8,843	8,102
Other assets (liabilities) (net)	(369)	(630)	(909)	(953)	(825)	(524)	(506)	(398)	(251)	(137)
Net assets available for benefits	20,104	18,192	18,220	15,846	13,542	10,816	10,786	9,388	8,592	7,965
Contributions	888	704	634	588	539	495	444	443	432	417
Investment income (loss)	1,751	(388)	2,464	1,575	1,731	40	1,432	700	621	808
Non-investment related income	3	3	5	4	–	–	–	–	–	–
Transfer of pension plan assets	124	436	3	788	1,006	–	–	106	–	–
Benefit payments	(747)	(700)	(668)	(601)	(515)	(479)	(457)	(431)	(406)	(369)
Administrative expenses	(107)	(83)	(64)	(50)	(36)	(25)	(21)	(22)	(20)	(18)
Net change in net assets available for benefits	1,912	(28)	2,374	2,304	2,725	31	1,398	796	627	838
Returns										
Annual return, gross of fees	10.80%	-0.9%	16.9%	12.0%	16.8%	1.4%	16.8%	8.8%	9.0%	12.3%
Annual return, net of fees	9.50%	-2.3%	15.8%	11.1%	16.0%	0.5%	15.8%	8.1%	8.1%	11.5%
Membership										
Active members	64,900	55,400	49,700	43,700	39,900	32,200	29,400	28,400	26,500	24,700
Deferred members	5,000	4,100	3,400	3,400	2,200	1,600	1,400	1,400	1,400	1,800
Retired members	24,600	23,400	22,500	21,800	19,300	16,100	15,500	14,900	14,000	13,500
Total members	94,500	82,900	75,600	68,900	61,400	49,900	46,300	44,700	41,900	40,000
Going-concern funding status as at December 31										
Funded status	123.9%	124.0%	124.2%	118.8%	117.9%	119.9%	118.1%	113.3%	110.4%	107.2%
Funding reserves (deficit)	$5,263	$4,713	$4,369	$3,270	$2,858	$2,618	$2,269	$1,601	$1,179	$773
Discount rate	4.90%	5.10%	4.95%	4.95%	5.15%	5.50%	5.60%	5.60%	5.70%	5.80%

Numbers are rounded.

CAAT Pension Plan
250 Yonge Street, Suite 2500, P.O. Box 40
Toronto, ON Canada M5B 2L7

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