

2017 Annual Report Webinar

Good Afternoon, everyone. I'm happy to expand on a few of the select areas that were highlighted in the video you just watched. Today's webinar is focused on informing our 46,000 members, whether they're retired, active, full-time, or part-time, or those who joined the plan recently from across our 41 participating employers. We want to share how we are adding meaningful value to the financial wellness of our members while working and in retirement, and at the same time removing the complexity, risk, and overhead costs associated with running single employer pension plans for our employers. Today we also welcome many guests from our peer plans, government, investment managers, advisors, and other industry participants.

This webinar is split into four general topic areas. The two top areas are primarily focused on our recent results. The bottom two areas highlight two key strategies to help make sure the plan remains relevant and strong over the longer-term. Let's get started with area one.

Enhancing benefit security is core to everything we do. Benefit security is our focus and drives our decisions. Overall, we have a goal of ensuring long-term sustainability to the plan for the benefit of all of our members and participating employers. Benefit security requires proper attention to both sides of the pension balance sheet. We spend a lot of time and energy focused equally on both these sides. CAAT does an excellent job on focusing on managing all these components: Contributions, investments, benefits, and expenses. In our plan, similar to most single employer pension plans, benefits cannot be reduced by law. As such, we need to ensure our contribution and investment programs are well thought out and working well. About 75% of benefits paid come from investment returns and 25% come from contributions made by members and employers throughout their working careers.

As our investment program delivers results, our contributions can and will come down. And although our expenses are very small, part of this equation, we are always careful with how we incur expenses and work towards maximizing the value to members and employers of every dollar spent. Beyond benefit security, we aim for stable contributions, which

leads to equity between generations of members. To keep contributions stable and benefits secure in a volatile world, we prudently build reserves.

A balance sheet of reserves has been growing stronger for eight years and counting. Benefit security is the cornerstone of how we measure success. The board and sponsors committee and plan staff are all aligned to this number one priority. All of our key strategies support keeping the plan healthy for today and the longer-term. At the end of 2017, one of our key measures of plan health is fund to ratio has grown to 118% with \$2.3 billion in reserves. This means that for every dollar of pension we have promised to our retired members who are currently receiving a pension from all active contributing members who have earned pensions, but have not yet retired, we have set aside \$1.18 for every dollar of promised pension.

Pension plan structures are important. Our structure leads to better decisions and focus. We have a funding policy that guides our long-term decisions in terms of blending the use of reserves, contributions, and conditional benefits to ensure long-term sustainability of the plan. This funding policy is published on our website so that all members and employers will not have any surprises. In addition, our strong and effective joint governance structure leads to better decisions, decisions that balance the interest of members and employers. In the nine years that I've been COO at CAAT, I've seen great governance at work. All 20 trustees and contributing members are well aligned to the goal of benefit securities.

Our success is not by accident. We conduct ongoing analysis to make sure all of our decisions lead to improvements in benefit security over the longer-term. We use prudent, realistic assumptions about future longevity, long-term investment returns, interest rates, member demographics, and inflation. We conduct ongoing detailed analysis of plan demographics, economic conditions, and pension reform activities to anticipate and manage change for today and tomorrow. We also advocate on behalf of plan members and employers where necessary. We are also pursuing growth opportunities to enhance the plan's efficiency, reduce ongoing risk, and improve the funding health over the long term. Overall, our plan is on track and working very well.

A little more on our funding policy. At the end of 2017, we are currently in the middle of funding policy level four at 118% funded ratio. As we continue to build reserves, ultimately we will start to reduce contributions as we approach level five of our funding policy.

Now into Section two. Our performance. More details of our performance are available in our annual report, which is available on our website. Investing for the long term is essential for a pension plan, but requires good practices, good governance, and active participation. The principal goal of the CAAT pension plan is to maximize long-term risk-adjusted returns to secure pensions at appropriate contribution rates. The plan believes that over the long term, companies that have sound corporate governance, structures, and practices will out-perform those that do not and that managing the risks of long-term shareholder return includes awareness and management of the environmental and social impacts of business activities. Corporate engagement also encourages the use of ESG factors in the investment process. We also vote our proxies to ensure corporations are heading towards being environmentally and socially responsible. Last year we voted over 12,000 proxy issues of companies across the CAAT portfolio. We also take active leadership roles in key investment organizations like PIAC and the Canadian Coalition of Good Governance.

On this slide, you'll note in the bottom left-hand corner our net investment returns for 2017. And that return of 15.8% was a very strong result both compared to our benchmarks and across different pension plans across Canada and elsewhere. At the end of 2007, our net assets reached \$10.8 billion. The graph in the middle shows the steady growth of pension assets since 2008.

We believe that we should be adding value through the use of our strong investment team and our expertise. Over the last five years, our net annual return has been 11.4%. Over the same period, we've added about \$1.1 billion above our investment benchmarks. This is very meaningful value for our members and employers. It leads to improved benefit security and accelerates the expected timing of contribution rate reduction in accordance with our funding policy. It's just not recent performance that has been strong. Of the more than 40 funds who participate in the

CIBC-Mellon universe, we have been on the podium in all the time duration. If only the Toronto Maple Leafs had the same success.

Moving now into Section three: Growing membership. Growing membership strengthens benefit security. We're open and ready for growth in membership where it is beneficial. This includes workplaces that currently offer single employer defined-benefit pension plans, those who offer defined contribution plans or group RSPs, and even workplaces that have no retirement savings program at all. It includes those from working and workplaces in the private and not-for-profit sectors across Canada. The best news for new and prospective employers and members is that pension risks are fully pooled across our 46,000 members and 41 employers currently participating in the plan. This past year, we welcomed two new employers: Sheridan Student Union and the Youth Services Bureau of Ottawa. We will continue to explore mutually-beneficial mergers with single employer pension plans beyond Ontario's post-secondary education sector.

Despite seeking growth, our current demographic profile is very strong. We feel confident that even without growth, the plan will remain strong and sustainable over the longer-term. So what are the advantages for employees thinking about joining the CAAT pension plan? Similar to what our current members are enjoying, essentially \$8 in benefits for every \$1 they contribute, they also see high value in having predictable lifetime pension income, valuable survivor benefits, and having their benefits keep pace with inflation through cost of living adjustments while they're retired. Most importantly, if members and employees inside and outside the CAAT pension plan is benefit security. People and employers find value in finding a secure and well-funded, sustainable pension plan.

So what's in it for employers? Employers recognize that defined plans serve as a more powerful attraction retention tool. From a cost perspective, joining the CAAT pension plan results in predictable pension costs with simplified accounting. Most of our employers use simple cash-based accounting, simply documenting what contributions were paid in the year. In addition, employers are happy to see that the contributions that they're making to the pension plan, the vast majority go to the benefit to members, not the overhead costs or fees. In addition, the CAAT pension

plan takes care of the bulk of administration, investing, governance systems, et cetera, resulting in no additional administration costs, a very low-risk proposition from an employer perspective.

As mentioned, we have welcomed Youth Services Bureau and Sheridan Student Union. In addition, the Canadian Collegiate Athletic Association will be joining effective May 1st. All told, in 2017 our membership grew, our active membership grew by 1300, both full-time and part-time employees, and our retired population grew by 700.

As mentioned, we've opened up the plan to beneficial growth from a variety of sectors and a variety of existing pension arrangements. In addition to that, we'll be launching a secondary plan design in June of this year and we believe will make pensions even be more accessible to members and employers from across the country and we've seen that there's a lot of interest in this new secondary pension plan design. We will be sharing more details in a future webinar time in the fall dedicated to this topic.

So what's in it for members? Why are we pursuing growth? In short, growing plan membership improves the benefit security, improves the health of the plan, and gives the plan a stronger and more diverse voice when advocacy is required.

We also have guiding principles which we use to make sure that any beneficial merger is aligned and will work for the plan in the longer term. Quite simply, all mergers or new employers who joined must ultimately be in the best interest of CAAT's plan and its members overall, including the new employer members who have joined. The plan will not assume any other plan's deficits, although we will work with them to amortize any initial unfunded liability.

Finally, the college system and members are very proud of the strong plan that they built over the last 50 years. As such, they are open to sharing new governance roles, but they would limit new governance roles to being 50% of the existing board. In short, I want to ensure our members and employers that growth has many benefits to the plan and will keep us sustainable and strong over the longer-term.

Section four, our strategy to build plan champions. In 2017, we made a substantial investment to expand our information and educational programs. I've demonstrated by this table we more than doubled the sessions that we're offering at employers' sites and our reach to members tripled. We have been doing member presentations for many years. We believe members want to learn more about their pension benefits and as they do, they naturally become plan champions.

As demonstrated through our member survey results, for those who attended member presentations on a frequent basis, they suggested that they're getting excellent value for their contribution made. So 93% of all members say they're getting somewhat good, good, or excellent value, and we've determined that when they say excellent value, we've dubbed them a plan champion. We can see by this graph that the recency of their planning a presentation also has some impact. So we encourage members to continue to attend presentations regularly throughout their working career.

It is very gratifying to plan staff and the plan governors to receive thoughtful and supportive comments from members and employers. It is clear that the focus on delivering meaningful benefits, plus our commitment to first-class service and education that is clear and transparent, is well aligned to the needs of our shareholders and stakeholders.

The comment on the screen is from an active member. This is one of the key goals of our presentations is to make people feel confident that their pension is secure. With a lot of other pension issues and risks in the broader industry, we want to make sure our members and employers understand that the CAAT commitment to benefit security is much different and very, very strong.

Our focus on building plan champions goes well beyond member presentations. We also strive to deliver timely and accurate information and service in all our interactions, both with members and employers. And the feedback has been very positive and we're encouraged we're on the right track. For example, 90% of employers rated the service as excellent, very good, or good. And those who ranked our service as excellent rose

from 23 to 27%. In addition, member satisfaction with transfers, buy-backs, improved by 9% over 2017. We've been demonstrating our ability to improve service while also handling increasing volumes. For example, all our member statements were sent by May 21st -- 24th, last year, well ahead of the June 30th deadline. In addition, contribution reconciliations required by employers were sent by midyear. Again, our earliest ever attainment that important process. We handled a thousand more member transactions than the previous year, including answering 9500 phone calls with an eight second average response time. Members and employers also engaged with a plan through e-mails and we responded to 4600 e-mails last year.

Our members are less stressed, because we are part of a secure and sustainable CD plan. The comment on the screen is something we see many times. Members are relieved that they don't need to be experts at investments, timing the market and their retirement, predicting how long they will live, and avoiding the implicit fear of running out of money in retirement. These are some of the key features of a secure and sustainable defined benefit pension plan.

The quote on the screen is something I hear often when I do member presentations. There's tremendous attraction retention benefits from a member perspective. Many of our members have approached me and said that they've taken a lower paying job at the college or another employer just to get access to a defined benefit pension plan like ours. Survey results suggest that over 90% of Canadians would like to join a sustainable defined pension plan like ours.

Our employers help contribute to our success by providing accurate and timely data, providing space for presentations, and working with us to improve our collective goal of providing valuable benefits and having them understood and appreciated by all our members. Employers are also pleased with how the plan contributes to their success through lower employee stress, higher engagement, and a desire for more employees to remain in the longer-term. As mentioned earlier, we have opened up access to our pension plan to provide the attained benefits to every workplace. There's a long road ahead, however, and only one in six working Canadians have a defined pension plan at their workplace. We

look forward to this journey as it benefits those members, as well as our plan and our stakeholders.

Those are just a couple of quick comments or commentary from some of our members and employers, and as mentioned, overall 93% of our active members see value for their contribution dollars that they're making. This is a key objective of the plan not only to deliver value, but make sure that the value is understood by as many members as possible, which helps the plan be more sustainable and valuable to all stakeholders. Sustainability, as I mentioned earlier, is also a key goal of the plan. We're happy to report that 96% of our survey respondents believe that our plan is a sustainable model for delivering secure benefits over the longer-term. So we're gratified that members and employers both see value and see the plan's strength and sustainability over the longer-term.

The final quote is from a retired member, and this is what a pension plan is all about. Providing a secure lifetime pension, no matter how long you live. We are driven to bring value to our members' lives by improving financial wellness, both while working and in retirement.

So in summary, 2017 was an amazing year for CAAT and it is rewarding to look back on what we have accomplished for our members and employers. You have come a long way in a short period of time. I want to assure you that the 20 dedicated board and sponsor activity members and the 95 full-time pension experts will continue to work diligently on your behalf going forward and stay focused on keeping the plan strong, relevant, and resilient for the next 50 years and beyond. Thank you for taking time out of your busy day to join today's webinar. We hope you have a better understanding of the plan's strength and its ongoing direction.