



*A guide to valuable
workplace pensions*



As part of *DBplus*, employers and members will enjoy the benefits of CAAT's successful investment program, renowned pension management expertise and strong governance structure.



Established in 1967, the CAAT Plan offers multiple designs of a defined benefit (DB) pension. CAAT is open to organizations joining the Plan from the broader public sector, not-for-profit sector, and private sector. The CAAT Plan is fully funded and with assets of \$10.8 billion, provides lifetime pensions to 46,000 members and offers the benefits of a DB plan to 41 employers.



DBplus - making valuable workplace pensions a reality

The CAAT Plan is introducing **DBplus** which provides flexibility to accommodate the needs of employers and employees from various sectors. **DBplus** is a valuable Defined Benefit (DB) design that's simple, secure, stable and sustainable.

CAAT is seen as one of the most successful Plans in Canada. Our business is sustainable pensions. We're open and ready for growth in membership where it is mutually beneficial. This includes workplaces which currently offer single-employer DB pension plans, Defined Contribution (DC) plans, and other workplace retirement savings plans, including those in the private and not-for-profit sectors.

DBplus offers valuable features, such as predictable, lifetime income in retirement, inflation protection and survivor benefits. It pools risks and it is more efficient than traditional single employer DB plans and delivers substantially more pension than DC arrangements can for the average member. Further, members don't take on risks they can't effectively manage, such as longevity and market volatility, and timing.

DBplus is easy to administer, and provides substantial value. **DBplus** has a fixed contribution rate which provides cost and accounting certainty for employers, and removes key risks for employers interested in offering DB pensions, which Canadians strongly prefer.

It's designed for employees. Its features include what Canadians have said they want in a workplace pension – lifetime pension, survivor benefits and inflation protection.

The CAAT Plan will run and manage **DBplus** as an integrated product with its existing Plan design. The CAAT Plan is an extremely efficient multi-employer pension plan which provides a much lower risk profile than a single employer entity. We are not conflicted by competing interests – our only focus is on providing sustainable pensions for the benefit of our members and employers.

The CAAT Plan is a jointly sponsored pension plan. Members and employers have an equal voice at the table providing strong governance with a singular focus on pensions.

As part of **DBplus**, employers and members will enjoy the benefits of CAAT's successful investment program, renowned pension management expertise and strong governance structure.

CAAT is not-for-profit which means contributions and investment returns go to benefits – and not to profits paid out.

Growing membership helps the Plan become even stronger and more stable for all members.

DBplus meets the needs of members and employers, while holding fast to CAAT's core belief in the power and efficiency of a jointly governed, multi-employer DB pension plan.

What is DB_{plus}?

A simplified sustainable DB pension design with a fixed contribution rate for members, matched by employers.

Benefits earned are based on a percentage of the contributions made and the funded status of the Plan.



How does DB_{plus} work?

Members participating in **DB_{plus}** earn a guaranteed base lifetime pension. Depending on the funding level, benefit enhancements are made to reflect wage growth, inflation, and early retirement factors. The better the funding status of the Plan the more enhancements are made. The Plan uses reserves and its Funding Policy to keep benefits secure. *(For illustrations of how **DB_{plus}** works, please see pages 6-7)*

Employees

Make contributions. That's it. Enjoy the benefits of a secure DB pension.

Employers

Make contributions. That's it. Enjoy the attraction, retention and engagement advantages DB brings.



CAAT is an industry leader

Not-for-profit

We invest funds and manage pensions on a not for profit basis. Expenditures are minimized so there is more money to pay pensions rather than high management fees and commissions.

Sustainable and secure

We offer the benefits Canadians want and we're more sustainable and efficient at funding pensions than single-employer plans. We offer employers and members higher value at lower risk, cost, and complexity. The jointly governed CAAT Pension Plan stands 118% funded on a going-concern basis, with a funding reserve of \$2.3 billion, based on its latest actuarial valuation as at January 1, 2018.

Expertise

CAAT is sufficient in scale to attract and retain exceptional individuals with focused expertise in the key areas of investments, funding, communications and administration.

Joint governance

Our success is built on shared governance and its collective focus on benefit security, stable and appropriate contribution rates and the goal of treating members of different groups and generations fairly.

Funding Policy

Our Funding Policy is at the core of how we secure pensions. It provides a solid framework for the CAAT Plan governors to make decisions as they exercise their fiduciary duty and keep benefits secure.

Quick, efficient and proven

We have the experience to manage the transition and consolidation of pension plans from existing workplace arrangements – the Royal Ontario Museum (ROM), Youth Services Bureau (YSB) and Sheridan Student Union are recent examples. We can also efficiently manage the transition of legacy DB plans, group RRSP, and DC arrangements into CAAT.



Why join?

Recent research shows Canadians want, and are willing to contribute to achieve, secure, predictable, lifetime retirement income. Employees, unions and employers are looking for better and more secure pension options that have the best features of DB pensions without the costs and risks of traditional single employer plans.

Many employers have stopped offering DB pension plans, passing on risks and fees to their employees (and by extension, government and taxpayers). This is less efficient and more stressful to the average Canadian worker.

These inefficiencies lead to substantially lower pensions per contribution dollar, which in turn increases demand for social programs, affects general health (before and after retirement), and creates slower economic activity in communities across Ontario.

How DBplus benefits us all

Retirees with adequate income will help maintain a healthy tax base and reduces their reliance on social programs – health care and financial support programs. Having a valuable pension option for existing and new employers will make Ontario a more attractive place to do business.

- No taxpayer backstop
- No risk to Pension Benefit Guarantee Fund
- Efficient use of capital

Who can join?

We're open and ready for growth in membership where it is mutually beneficial. We're open to the broader public sector, not-for-profit sector, and private sector – within the province of Ontario and beyond.

What does DBplus cost?

Employers (and unions where they exist) establish a fixed contribution rate between 5% and 9% of pay. The higher the contribution level, the greater the benefits. There are no other costs or fees.



Why is this Plan better?

Joining an industry-leading jointly sponsored multi-employer plan removes the risk of pension reductions and the requirement for Pension Benefit Guaranteed Fund premiums (in Ontario), which have increased substantially.

Employers who go bankrupt often have insufficient funds in the pension plan to protect the benefits promised to members. Joining the CAAT Plan provides a secure pension that is not dependent on any one employer. This means:

- Lower stress for employees
- Higher employee engagement
- More financially productive retirees who rely less on taxpayer funded social and health programs.

How DBplus works

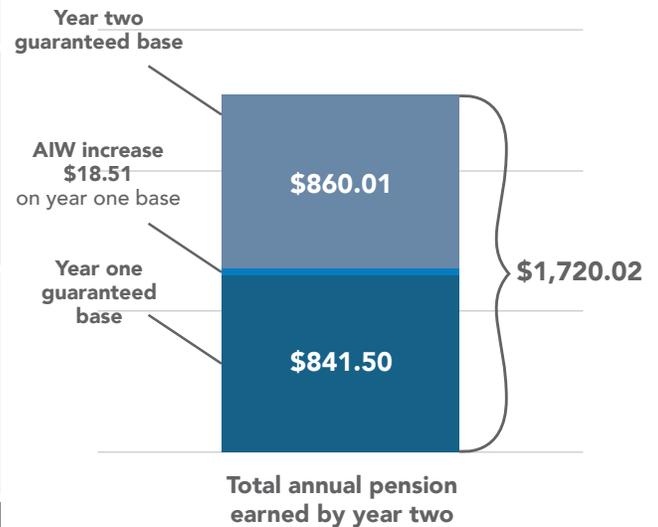
Year one benefit accrual calculation

Contributions	<p>Member contributions</p> <p>= 9% x Total earnings (Year one)</p> <p>= 9% x \$55,000</p> <p>= \$4,950.00</p>
Base pension	<p>Guaranteed base pension earned for the year</p> <p>= 8.5% x Total contributions (Employee + Employer)</p> <p>= 8.5% x (\$4,950 x 2)</p> <p>= \$841.50</p>



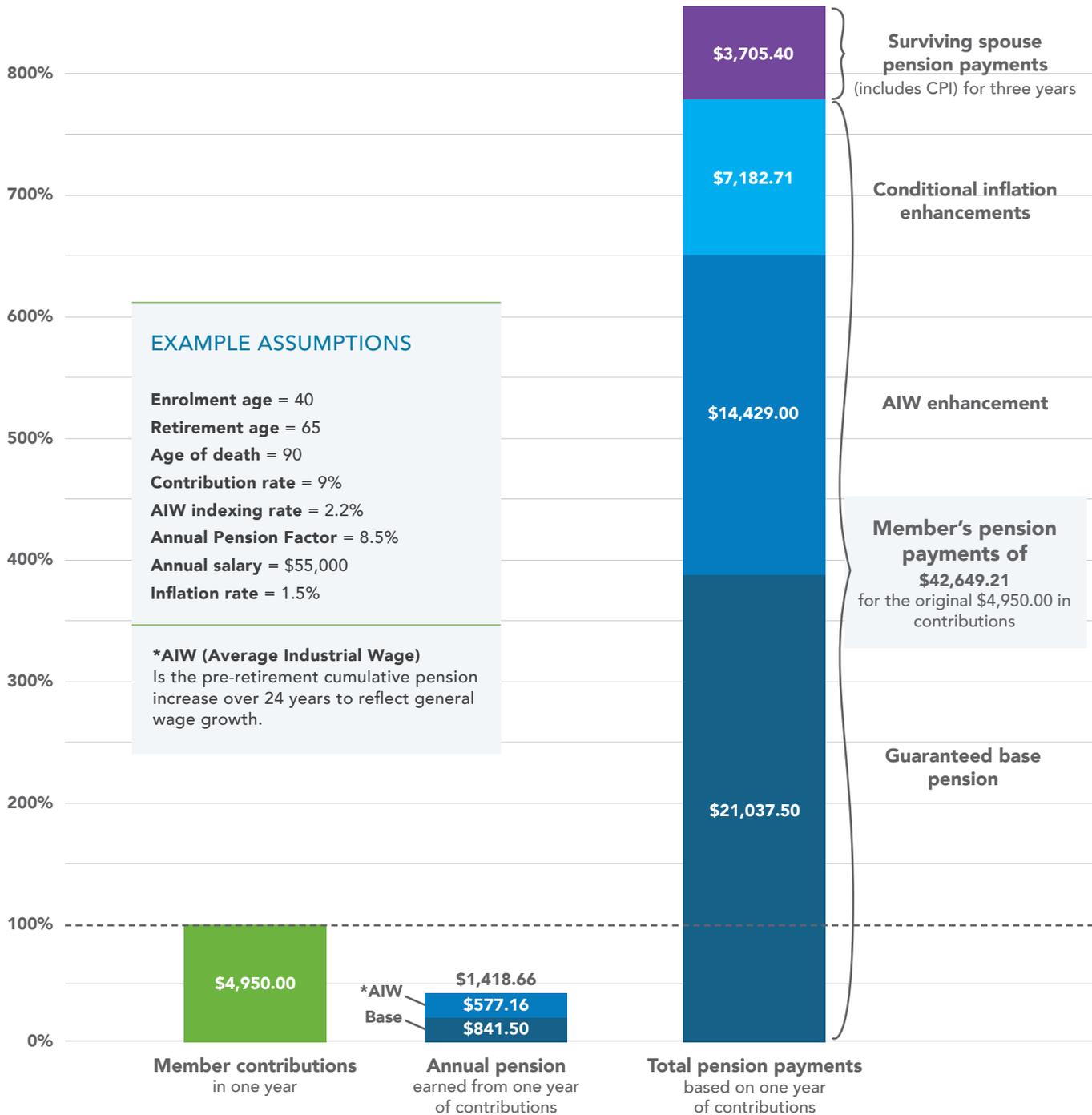
Year two benefit accrual calculation

Contributions	<p>Member contributions</p> <p>= 9% x Total earnings (Year two)</p> <p>= 9% x \$56,210</p> <p>= \$5,058.90</p>
Base pension	<p>Guaranteed base pension earned for the year</p> <p>= 8.5% x Total contributions (Employee + Employer)</p> <p>= 8.5% x (\$5,058.90 x 2)</p> <p>= \$860.01</p>
AIW enhancement	<p>Previous year's accrual</p> <p>= \$841.50</p> <p>AIW increase of previous year's accrued pension</p> <p>= 2.2% x \$841.50</p> <p>= \$18.51</p>
Year one + Year two accrued pension	
<p>= Previous year's accrual + Current year's accrual + AIW increase</p> <p>= \$841.50 + \$860.01 + \$18.51</p> <p>= \$1,720.02</p>	



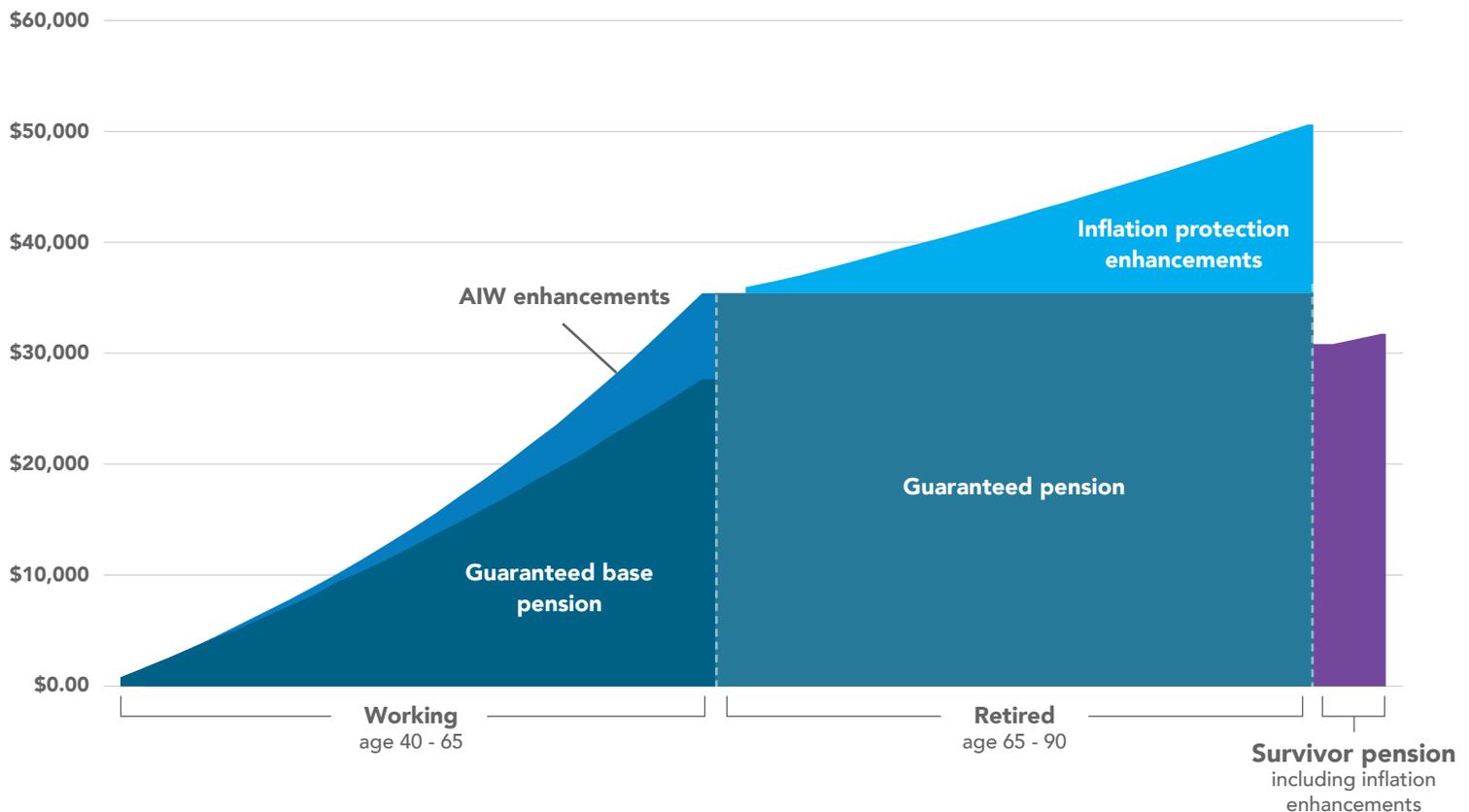
Members participating in **DBplus** would earn a guaranteed lifetime pension, equal to the total contributions made (member plus matching employer contributions), multiplied by an Annual Pension Factor of 8.5% during each year of participation. This pension factor reflects the goal of enabling retiring members participating in **DBplus** to receive about 800% return on their contributions in pension payments

Example: Accrual for one year



From earning benefits to a lifetime pension

Features of DBplus by the CAAT Plan include a secure lifetime pension, survivor benefits, and inflation protection. It's easy to administer and provides similar value to the current Plan design: on average, members collect pensions equal to 800% of contributions made during their careers.



Secure defined benefits members can count on

DBplus members can rely on a lifetime pension based on earnings that removes the need to worry about complex investments, market downturns, or outliving their savings.

Inflation adjustments

The impact of inflation is offset through the Plan's conditional inflation protection of 75% of the year-over-year increase in the Consumer Price Index.

Pension accrual increases with wages

Conditional wage enhancements reflect general wage increases (AIW) and the time value of money.

Survivor benefits

A lifetime pension is payable to the member's surviving spouse, even if the member marries after retirement. In a case of death before retirement, more options are available.

Portability

A member's pension is seamlessly portable among the 41 participating employers and highly portable with other plans.

Purchase past service

Members have the option to purchase eligible pension service or transfer pensions from any registered pension plan in Canada and consolidate a bigger DB pension.

DB*plus* provides the best of both worlds

Pensions can be confusing. Although names such as defined contribution (DC) and defined benefit (DB) pension plans sound similar, they couldn't be more different. These two basic models each have advantages and drawbacks. **DB*plus*** provides the best of both worlds.

DB*plus* by the CAAT Plan combines the cost certainty of a DC arrangement with the advantages of the lifetime pensions and survivor benefits from a traditional DB plan. **DB*plus*** offers the advantages of both, without the downside risks of either model. **DB*plus*** is simple, secure, stable and sustainable. DC arrangements are easy to understand because they're basically a savings account that individuals and their employers contribute to on a tax-deferred basis and that remains with the member to use to create income when they retire.

DC arrangements provide stable contributions for employers and retirement savings for employees that are not tied to the employer's financial health and viability. The downsides of DC arrangements include higher levels of employee stress from the worry of outliving their savings and from the

investment risk they must assume, often without the experience, time and expertise needed to make good choices. As well, DC arrangements lack decumulation options, or ways of creating a secure, predictable income stream in retirement from your savings, and there is no inflation protection.

On the opposite end of the spectrum, traditional, single-employer DB pensions come with valuable benefits such as predictable, lifetime income in retirement, early retirement options and spousal survivor benefits. These financial certainties and the pooling of investment risk managed by experts, helps to lower employee stress. The downside of traditional single-employer DB plans is they face a greater risk of becoming unsustainable due to size and the plan's liabilities sit on the employer's books creating balance sheet risks and volatility. Single-employer DB plans also come with higher overhead and compliance costs as well as fees and other expenses.

DB*plus* by the CAAT Plan operates like a DC plan for employers but with the advantages of DB benefits.

How employees benefit

- Earn predictable secure DB pension benefits payable for life with valuable inflation protection
- Studies show employees are less stressed about retirement income and more engaged in their work when part of a sustainable DB plan
- No expensive financial planning and no complex investment decisions to worry about
- Security of a fully funded, sustainable pension plan that isn't reliant on the financial health of any one employer
- Prior pension plan entitlements can be consolidated in CAAT making it easier to manage and possibly retire sooner

How employers benefit

- Reduced costs, risks and effort compared to offering other retirement programs
- Responsible for matching employee contributions only – there is no balance sheet risk or contribution volatility
- DB pension features are highly valued by employees – powerful attraction and retention tool
- The CAAT Plan's low operating costs mean more of the employer and employee contributions go to pay for benefits, not overhead
- Valuable retirement benefits to support workforce changes – minimizes delayed retirement by employees unable to retire with confidence

About the CAAT Pension Plan

The CAAT Pension Plan is independent, jointly governed and fully funded. Employers and members share equally in decisions about benefits and contributions through their representatives on two governing bodies. The Plan is highly respected for its pension and investment management expertise and operated for long-term sustainability.

Security and stability for the long term

Our pension promise to our members is very strong. As a multi-employer pension plan, CAAT's sustainability isn't tied to the financial wellbeing of a single employer, removing a key risk to benefit security for members. As of January 1, 2018, the CAAT Pension Plan stands 118% funded, with a funding reserve of \$2.3 billion. For every dollar promised in pension payments, the Plan has a \$1.18 set aside.

All employer expenses are included in CAAT Plan contributions

Employers offering workplace pensions are likely to incur a number of expenses related to investing or administering their single-employer pension plans. These include consulting fees, governance costs and the expenses of administration and systems. With the CAAT Pension Plan, there are no additional expenses. In addition, as CAAT Plan benefits and contribution rates are not subject to collective bargaining, there are fewer associated costs and less complexity.

Proven,
cost effective
transition

100% of ROM members (97% voted) and 100% of YSB members (99.6% voted) chose to join CAAT.

Mergers with the Royal Ontario Museum (ROM) and the Youth Services Bureau of Ottawa (YSB) showed strong employee support for joining CAAT.

DBplus is easy to understand

- Employee contribution rate matched by the employer
- Contribution flexibility - employer and employee group (union) choose a fixed contribution rate between 5% and 9%
- Predictable and secure DB pension payable for life
- Survivor benefits
- Conditional inflation protection
- Early retirement eligibility
- Portability and past-service purchases available

Simple
Secure
Stable
Sustainable

What experts are saying about DBplus by the CAAT Plan

"I am thrilled by this new pension system designed and administered by CAAT. I have been promoting exactly this type of plan for the past decade in my academic research and writing. And now it is here. And with one of the most respected plan administrators in Canada, CAAT. Congratulations! I hope you are overwhelmed with the success of this wonderful venture."

Robert L. Brown, PhD, FCIA, FSA ACAS FIA (Hons) Retired Professor of Actuarial Science and Director of the Institute of Insurance and Pension Research

"DBplus by the CAAT Plan addresses important concerns that I have had about workplace pension plans for a number of years. It combines the strengths of defined benefit and defined contribution plans while limiting their downsides. Its integration with and delivery by the existing CAAT Plan provides access to scale and expertise beyond the reach of most plans sponsored by individual employers."

Bob Baldwin, Principal Baldwin Consulting, Member of Advisory Group on Pension Papers, CD Howe Institute

"With its sustainable plan design, strong governance process based on fiduciary principles, and balanced investment program, the CAAT Pension Plan is truly an effective workplace pension plan for the 21st Century. ...The CAAT Plan's ability to adapt to changing circumstances stands it, and its members, in very good stead."

Keith Ambachtsheer, President, KPA Advisory Services Ltd. Director Emeritus, Rotman International Centre for Pension Management, University of Toronto

"Finally, a modern pension plan for Canadians. DBplus pension design is unique and one which is long overdue. DBplus will become a leader in the pension industry in Canada and Canadians will have better retirements because of this innovation."

Ronald A. Pink, Q.C., A founding and managing partner of Pink Larkin, specializing in pension and benefits law

"I am pleased to see a well-run public pension plan like CAAT offering its services to more Canadians. CAAT's combination of fiduciary governance, professional investment management, risk pooling, and focus on delivering predictable retirement income provides strong value for plan members. The plan deserves credit for taking action to expand access to retirement security."

Alex Mazer, Founding Partner, Common Wealth Pension Services

"Into a pension world often defined by incremental change, comes a monumental development. DBplus addresses employer objections to providing a DB pension plan while simultaneously offering employees tremendous value. The transparent link between contributions made and benefits paid, delivered by a dedicated, professional organization, is a win-win solution. Well done CAAT."

Blair Richards, CEO at Halifax Port ILA/HEA



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