Pension plan for Ontario colleges earns 13.9% net

Plan assets at $7.1 billion with a going-concern funding reserve of $525 million

TORONTO, April 16, 2014 - The Colleges of Applied Arts and Technology (CAAT) Pension Plan today announced a 13.9% rate of return net of expenses for the year ended December 31, 2013. The Plan’s net assets increased to $7.1 billion from $6.3 billion the previous year.

In its valuation filed as at January 1, 2014, the CAAT Pension Plan is 105% funded on a going-concern basis with a funding reserve of $525 million.

The Plan returned 14.5% gross of investment fees and expenses totaling 60 basis points. Since the economic crisis of 2008, the CAAT Pension Plan’s well-diversified investment portfolio has earned an average annual rate of return of 11.7% before expenses and 11.1% net of expenses.

Contributions to the CAAT Plan, shared equally by employees and employers of the Ontario college system, were $368 million in 2013, while income from investments was $860 million. The Plan paid $344 million in pension benefits for the year.

The CAAT Pension Plan has 22,000 members employed in the Ontario college system, which is made up of 24 colleges and seven affiliated non-college employers, and 15,000 members who are retired or have a deferred pension.

For every dollar paid in pension, at least 70 cents comes from investment income. The remaining 30 cents comes equally from member and employer contributions.

The average annual lifetime pension for all retired members and survivors is $23,700. In 2013, members on average retired at age 62 after 24 years of pensionable service. The 730 members who retired last year collected an average annual lifetime pension of $37,400.

The CAAT Plan seeks to be the pension plan of choice for single-employer Ontario university pension plans interested in joining a multi-employer, jointly sponsored plan in the sector. The postsecondary education alignment and similar demographic profile of university and college employees makes the university plans an ideal fit with the CAAT Plan’s existing asset and liability funding structures. The CAAT Plan has been in discussions with individual universities, employer and faculty associations, and with government officials, about the feasibility of building a postsecondary sector pension plan that leverages the Plan’s infrastructure and experience, reducing costs and risks for all stakeholders.
“We believe the merger of interested university pension plans with the CAAT Plan would benefit all stakeholders by delivering predictable costs and more secure benefits at a lower risk,” says Derek Dobson, CEO of the CAAT Pension Plan. “We can achieve this through an alignment of interests within the sector that provides the added advantage of seamless portability of pensions between colleges and universities.”

Created at the same time as the Ontario college system in 1967, the CAAT Plan assumed its current jointly sponsored governance structure in 1995. The CAAT Plan is a contributory defined benefit pension plan with equal cost sharing. Decisions about benefits, contributions and investment risk are also shared equally by members and employers. The Plan is sponsored by Colleges Ontario, OCASA (Ontario College Administrative Staff Association) and OPSEU (Ontario Public Service Employees Union).

The 2013 CAAT Pension Plan Annual Report will be available on the Plan website in late May.

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