

December 20, 2018

Ministry of Innovation, Science and Economic Development
Government of Canada
C.D. Howe Building
235 Queen Street
Ottawa, Ontario K1A 0H5

Submitted electronically through online public consultation portal

Re: Government of Canada consultation on enhancing retirement security

Dear Sirs/Mesdames:

The Colleges of Applied Arts and Technology (CAAT) Pension Plan thanks the Government of Canada for holding consultations on ways to enhance retirement security. The CAAT Pension Plan welcomes the opportunity to comment, in its role as a workplace defined benefit pension plan administrator.

About the CAAT Pension Plan:

The CAAT Pension Plan is recognized by many as a model of a well-managed and well-governed defined benefit pension plan. We are a jointly sponsored, multiemployer pension plan with over 40 participating employers, serving close to 50,000 members. The Plan's employers include Ontario's publicly funded colleges, and organizations from the nonprofit, private and broader public sectors. As of January 1, 2018, the Plan has \$10.8 billion in assets under management to deliver its commitment of lifetime pensions to its members. In its actuarial valuation as at January 1, 2018, the CAAT Plan is 118% percent funded on a going-concern basis with a funding reserve of \$2.3 billion. The CAAT Plan's well-diversified investment portfolio has earned a five year average annual rate of return of 11.4 percent, net of investment management fees.

Joint governance can provide benefit security:

An important aspect of the consultation is the government's goal to seek feedback on how to make pensions more secure and sustainable for employees. Canada is home to the world's most successful pension plans. These "Maple Revolutionaries", as coined by *The Economist*, are well funded, sustainably invested and have the governance structures in place to maintain the longevity of these plans. It is therefore important to look how these plans are structured to provide examples of how to design a pension plan so that they are not dependant on the strength of any one employer. Such structures provide pension security and can also enable greater coverage and adequacy of pensions.

According to a recent World Bank Group report, independent governance is the primary characteristic for the success of the Canadian pension model. While many of these successful Canadian plans have governments or broader public-sector organizations as a sponsor or contributor of these plans, these funds operate autonomous of the government due to their joint governance structure and a shared funding model that is not reliant on an employer guarantee or backstop. Even more significant, plans that are structured in

this way, which include Jointly Sponsored Pension Plans (JSPPs) in Ontario, cannot reduce pension benefits that have already been earned by their members.

In the context of the CAAT Pension Plan, our joint governance structure, along with having many employers as part of our Plan, enables us to fully meet the pension commitment to our members. Under the CAAT Plan, members and participating employers share in the decision making of contribution rates, benefits and investment decisions. This governance model fosters cooperation and flexibility, and encourages prudent and responsible decision-making, while building a collective focus on benefit security at stable and appropriate contribution and accrual rates. Furthermore, with over 40 employers participating in the Plan from the broader public, nonprofit and private sectors, the multiemployer nature of the Plan ensures benefit security, as the Plan is not dependant on the health of any one employer to meet its obligations.

As such, building on the success of the Canadian pension model we recommend that the government encourage the use of the joint governance model, in particular, where pension plans can be consolidated under such a structure.

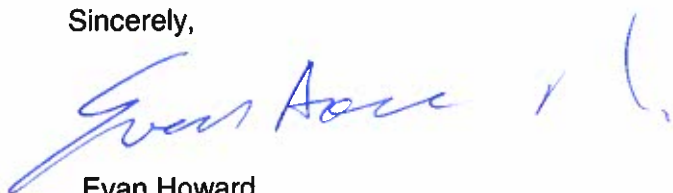
Consider mergers into successful multiemployer pension plans that fall under provincial jurisdiction:

Existing well-established, successful jointly sponsored, multiemployer pension plans can be an option for employers to consider in order to provide pension security. Mergers into jointly sponsored, multiemployer pension plans provide a two-fold benefit – they enable members to secure their pensions without reliance on the health of their employer, and employers are able to reduce their administration costs and focus greater resources on operating their business. For example, under Single Employer Pension Plan conversion to Jointly Sponsored Pension Plan rules contained in the Ontario Pension Benefits Act, the CAAT Pension Plan has participated in three recent mergers with organizations in the private sector and nonprofit sector including the Royal Ontario Museum, Youth Services Bureau of Ottawa and Torstar Corporation.

It is important to note that many jointly governed multiemployer pension plans fall under provincial jurisdiction. Therefore, we recommend that the government engage with its provincial counterparts to develop an efficient process for mergers to occur between organizations that are federally regulated and pension plans that fall under provincial jurisdiction.

Once again, we appreciate the opportunity to respond to the Government of Canada's consultation on retirement security. CAAT Plan staff would be more than happy to respond to any questions you may have in response to our submission.

Sincerely,



Evan Howard
General Counsel and Vice-President of
Pension Management
CAAT Pension Plan