

Memorandum

Date: November 12th, 2008
To: All CAAT Local Presidents
From: OPSEU CAAT Trustees and Sponsor Committee Members
Re: Update on the CAAT Pension Plan

Market volatility and the security of your pension

In September and October, Canadian and international investment markets experienced sharp declines in response to the deepening global financial crisis. Media coverage of these events has no doubt caused concern amongst some plan members, both active and retired.

Be assured that these market conditions have no immediate impact on member benefits, contributions or on their pensions in general.

Over the last couple of decades financial markets have, from time to time, gone through crisis and have recovered over the long term. As a long term investor, the CAAT Pension Plan anticipates that market returns may experience significant short to mid-term volatility from time to time. In order to achieve the long term returns needed to pay pensions, the investment program has been designed for a long term time horizon. It is the long term performance that counts the most for pension plans

The Trustees continue the strategy of implementing long term investment diversification across industries, geographic areas and asset classes. Over the past year, the asset mix has been revised and shifted somewhat, out of the stock markets. The Plan has moved into three new return enhancing asset classes: infrastructure, real estate and private equity. These investments not only offer the potential for higher returns, they mitigate to some degree the impact of the current market volatility on the plan's funding status.

The goal is to manage the Plan's exposure to specific markets while increasing the ability to generate the returns needed to fund members' and retirees' pensions over the long term.

Page 2

Memo to all CAAT Local Presidents

Re: Update on the CAAT Pension Plan

The CAAT Plan investment returns, like those of all major institutional investors in global markets, are affected by significant market trends. Fortunately, the CAAT Plan has followed a stringent policy designed to restrict credit risk associated with debt securities, to securities with an investment grade rating. As a result, the Plan has no direct exposure to the toxic securitized assets that have triggered the current financial crisis.

The current financial crisis continues to be monitored.

The Plan cushions against market volatility through the use of a technique called "actuarial smoothing". Smoothing involves recognizing each year's investment gains or losses over a five-year period, reducing the short term impact of year-over-year changes in investment returns on the Plan's funded status. This means that any loss that may result from the current market slide would be recognized evenly over the five years between 2008 and 2012.

Together, these strategies will help to reduce the impact of current market volatility on the Plan's funding status.

The CAAT Pension Plan is a "defined benefit" plan. This means that when members retire, their pensions are calculated based on their best five-year average salary and their years of service in the Plan. Unlike defined contribution pension plans, individual RRSPs and other personal investments, members' pensions are not affected by these fluctuations in the financial markets. As a "Jointly Sponsored Pension Plan", under the Pension Benefits Act, protection is provided to pensions being paid to retired members and benefits already earned by working members.

Funding Policy Update

In 2007 the CAAT Pension Plan implemented a new funding policy. Please note that this is separate from the current financial crisis discussed above. (In brief, indexation applied to the part of your pension that corresponds to service earned from January 1, 2008 onward will receive indexation in the years that the plan can afford it and remain fully funded). There is no change to either retirees' pensions or to service accrued to December 31, 2007.

We are pleased to inform you that the Plan's governors have approved a payment for service in 2008, 2009 and 2010. There will be an increase for

Page 3

Memo to all CAAT Local Presidents

Re: Update on the CAAT Pension Plan

service in 2008. Increases for service in 2009 and 2010 will happen unless an actuarial valuation is filed as a result of deterioration in the funded position of the Plan. The Plan valuation was filed as of January 1, 2008. Legislation requires that all plans must file at least once every three years, so the Plan does not have to file another valuation until January 1, 2011.

Inflation Protection

Effective January 1, 2009 pensions will be increased by 2.55%. Cost of living increases once granted to retirees, cannot be taken away.

Part-time enrolment procedures

It has always been a priority for the CAAT Plan to ensure that part-time employees in the colleges know when they are eligible to join the plan. Although no part-time employee is required to join, they are eligible to join after 24 months of continuous service. This service is characterized by any consistent pattern of part-time hours. The 24 months are not considered to be broken by vacations or leaves of absence. These rules have not changed.

Most colleges advise part-time employees of their eligibility to join the CAAT Plan. Unfortunately, some colleges do not. The Plan has always advocated that it is a wise practice for colleges to obtain signed waivers from part-time employees who choose not to join the Plan. The Plan has encouraged colleges to provide part-time employees with a copy of the Member handbook or the pamphlet concerning part-time membership.

In order to address the issue of qualified part-time employees who indicate that they want to join the Plan but who claim they were never advised of their eligibility, the Plan will follow these procedures:

- There will be no retroactive purchases of eligible service earned before the date of joining the Plan, if the college has a waiver from the member on file, or can demonstrate that it distributed communications materials such as the pamphlet concerning membership to the member, or wrote directly to the member telling them they were eligible.
- Retroactive purchases of eligible service will be allowed if the college cannot demonstrate any of the above, (subject to income tax rules regarding past service pension adjustments).

Page 4

Memo to all CAAT Local Presidents

Re: Update on the CAAT Pension Plan

- The service allowed for purchase will be dated to the later of July 1, 2002 (when the eligibility rules changed), or two years after the member's date of hire.
- As has been the case in the past, the member and the college will each pay their share of the contributions plus interest for the service purchase.
- This policy provides reasonable opportunity and support for part-time members.

In solidarity,

OPSEU CAAT Pension Trustees and Sponsors

WT/ab

Authorized for distribution by:



Warren (Smokey) Thomas
OPSEU President