TORONTO TRANSIT COMMISSION
REPORT NO.

MEETING DATE: May 28, 2014

SUBJECT: TTC Pension Fund Society
2014 Annual General Meeting Newsletter

INFORMATION ITEM

RECOMMENDATION

It is recommended that the TTC Board receive for information the attached 2014 Annual General Meeting Newsletter, which includes the TTC Pension Fund Society (the PFS) and TTC Sick Benefit Association (the SBA) bylaw amendments and audited financial statements for the year ended December 31, 2013.

FUNDING

There is no financial impact to the Toronto Transit Commission's 2014 Operating and Capital budgets.

BACKGROUND

The PFS was established on January 3, 1940. Effective January 1, 2011, pursuant to the May 27, 2011 Memorandum of Agreement between the Toronto Transit Commission and the Amalgamated Transit Union, Local 113 (the "Sponsors' Agreement"), the PFS was established as a Jointly Sponsored Pension Plan (JSPP), as defined by the Ontario Pension Benefits Act. Other Ontario JSPPs include: Ontario Teachers' Pension Plan, OMERS, Healthcare of Ontario Pension Plan, Ontario Public Service Employees' Union Pension Plan (OPTrust) and Colleges of Applied Arts and Technology Pension Plan. As at December 31, 2013, the PFS had approximately 13,000 active Members and 7,100 pensioners and net assets of $4.9 billion.

The TTC Sick Benefit Association was incorporated in 1960 and provides benefits to approximately 10,280 unionized members each year.

DISCUSSION

The Newsletter is a comprehensive annual publication, distributed primarily for communication with TTC employees and pensioners. The Newsletter also serves to notify members of the Annual General Meeting and the Bylaw amendments for their approval.

Similar to the Annual Reports of other major Ontario pension plans, the attached Newsletter covers important information, discussion and analysis of the TTC Pension Fund Society's financial position, investments, funded status and administrative matters.

JUSTIFICATION

The attached Newsletter is submitted for the information of the TTC Board, as the TTC sanctions PFS and SBA Bylaw amendments contained therein.

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Attachment: 2014 Annual General Meeting Newsletter

2014 Annual General Meeting Newsletter

TORONTO TRANSIT COMMISSION
PENSION
FUND SOCIETY

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ABOUT THE TTC PENSION FUND SOCIETY LOGO

At the April 23, 2014 meeting, the TTC Pension Fund Society Board of Directors approved the logo which makes its inaugural appearance on the cover of this Newsletter. The tree rooted in the word PENSION symbolizes strength, stability and long-term growth. The outreaching branches symbolize the security and protection of Members' retirement income.

In preparation for the Annual General Meetings (AGM) of the Pension Fund Society (PFS) and the Sick Benefit Association (SBA), this edition of the Newsletter contains the Directors' Reports, Audited Financial Statements and Bylaw Amendments for each entity.

The publication of these documents is required by law;
It is important information which you should read thoroughly; and
You are urged to attend the Annual General Meetings on:

Saturday, June 21, 2014
Ontario Institute for Studies in Education (OISE)
Auditorium Room G162
252 Bloor Street West
(east of St. George Street, on the north side of Bloor Street)

Coffee will be served at 8:30 a.m.
The Pension Fund Society meeting will commence at 9:00 a.m. and the Sick Benefit meeting will follow.

The purpose of the AGM is to provide a forum for the Membership to review and approve the Directors' Reports, the Audited Financial Statements and Bylaw Amendments of the PFS and the SBA. Members of the Board of Directors, the Officers and their Advisors, as listed on the next page, will be in attendance to answer any questions that Members and Associate Members may have.

Please bring your TTC transportation pass for identification as voting cards will be distributed.

PFS Board of Directors:

Bob Kinnear – President
Vincent Rodo – Vice-President
Scott Gordon
Frank Grimaldi
Orest Kobylansky
Brian Leck
Kevin Morton
Gemma Piemontese
Michael Roche
Manny Sforza

PFS Officers:

Mary Darakjian – Head of Pensions
James Clarkson – Treasurer
Cheryl Uroda – Corporate Secretary

PFS Advisors:

Actuary: Mercer (Canada) Limited, represented by Marvin Ens
Auditor: PricewaterhouseCoopers, represented by Ryan Couvrette
Financial Advisor: James A. Knowles Inc., represented by Jim Knowles

SBA Board of Directors:

Gemma Piemontese – President
Bob Kinnear – Vice-President
Mary Darakjian – Treasurer
Pat Daniels
Scott Gordon
Frank Grimaldi
Orest Kobylansky
Manny Sforza

SBA Officer:

John Iorio – Secretary

TO THE MEMBERS OF THE TTC PENSION FUND SOCIETY

We are very pleased to report on the results of the Toronto Transit Commission Pension Fund Society's (PFS) 74th year of operations, which ended December 31, 2013. It is important that Members read and understand the information contained in this Newsletter and we also encourage you to attend the Annual General Meeting (AGM) on Saturday, June 21st when the 2013 Audited Financial Statements and other important information related to the PFS will be presented. As this information tends to be complex, the AGM provides a tremendous opportunity to ask questions, address any concerns and receive feedback from the PFS Board of Directors, Officers and their Advisors.

BOARD OF DIRECTORS SUCCESSION

Since the last AGM, there have been a couple of changes in the Board. We welcome Ms. Gemma Piemontese and Mr. Orest Kobylansky as new Directors. Ms. Piemontese replaced Mr. Andy Byford who, as reported in last year's Newsletter, resigned from the Board in April 2013. Mr. Orest Kobylansky replaced Mr. Dave Dixon who resigned from the Board in October 2013. We thank Messrs. Byford and Dixon for their valuable contributions.

MODERNIZATION

In keeping with the corporate vision to modernize the Toronto Transit Commission (TTC), over the past couple of years we have taken some very significant steps to better administer an already well-managed pension plan and to better communicate this invaluable Plan with our Members.

The comprehensive asset-liability study undertaken in 2012 and the resulting "liability aware investing" asset risk management focus, have, among other benefits, resulted in a number of improvements to the financial reporting and administration of the plan. This will be discussed in more detail in subsequent sections of this Newsletter.

We received positive feedback on the formatting changes incorporated in last year's Newsletter. This year's edition has taken that a step further by substantially revamping the contents. This new Directors' Message, unlike previous years' reports, is an executive summary of the current year's highlights, followed by in-depth discussions of the plan's financial position, investments, funded status and administrative matters. In June 2013, we launched the PFS intranet site. Employees with access to the TTC computer network are encouraged to visit the site for a wealth of information regarding your pension plan. We also set up the department's general email address, PFS@ttc.ca, which may be used internally or externally for any inquiries. Lastly, we are very happy to be partnering with the TTC's Corporate Communications Department by including some general content published from The Coupler (TheCoupler.ca) at the end of this and future Newsletters. All of this has been done to engage and enhance communication with our employees and pensioners.

There are a couple of other initiatives being considered in the coming year. We plan to develop a "*pension calculator"* which will allow employees using the intranet site to receive quick estimates of current and projected pension benefits. We will also be investigating electronic distribution, such as through epost, of pensioners' paystubs and employees' annual entitlement statements. We will keep you informed of progress on this front as they develop.

Modernization will continue to further strengthen an already strong pension plan, a pension plan that Members can be proud of.

A Governance Model and Plan Design that Works

Considering the unprecedented number of workers expected to retire from the Canadian workforce over the next 20 years and the general increase in longevity of retirees, pension reform has become a priority item on the agenda of all levels of government. In last year's Newsletter, we reported on the Ontario Government's proposed initiatives to help improve the stability and affordability of public sector defined benefit pension plans. Related to these initiatives, the Premier of Ontario recently announced the formation of a technical advisory group, led by former Prime Minister Paul Martin along with six leading pension experts from the public, private and non-profit sectors, who will advise the government on how to strengthen retirement income security for people across the province. Also, late last year, the Minister of Finance made an important announcement that the retiring CEO of the Ontario Teachers' Pension Plan, Mr. Jim Leech, has been retained to help make the electricity sector pension plans more affordable for all Ontarians. Alongside any outcome from government initiatives to strengthen retirement income security, the PFS continues to provide a strong source of retirement income for its Members.

We found it quite timely that Mr. Leech co-authored a recently published book, *The Third Rail*, which coincidentally sounds like a subway operating rulebook, but in fact is a guidebook to a successful pension system. This is not a typical "*pensions 101*" book dwelling on the technical aspects of pension design and management. Instead, it examines the real life lessons learned from successful pension reform initiatives in New Brunswick, Rhode Island and the Netherlands, and their political stickhandling of the issues, as a basis for possible changes to over-stressed Canadian pension systems. A highly recommended good read, the book advocates well-designed and well-governed defined benefit pension plans as being superior to other forms of regulated retirement savings schemes.

We believe a well-designed, well-governed pension plan succinctly describes the PFS. Our employer/employee risk sharing model differs from the typical final average defined benefit plan. It also differs from the target benefit model adopted in New Brunswick, which allows cutting of accrued benefits. In contrast, pension benefits earned at the TTC belong to each employee for their lifetime after retirement. This is stated in the PFS Bylaws and cannot be changed without Membership approval. What our unique plan design allows us to do is "tighten our belt", so to speak, in order to keep the pension promise made to our Members, even when market turmoil, low investment yields or other economic factors threaten the long-term viability of many other plans. As a Jointly Sponsored Pension Plan with an equal cost/risk sharing agreement built into a plan design that provides for prudent administration, the PFS is in a desirable position to remain stable and affordable, and to further develop in the future.

Plan Improvements

We are very pleased to advise that, after careful consideration, the Board was able to approve a three year base period update and our pensioners will receive an increase of up to 2% in their pensions effective January 1, 2014. This update will allow our active members and 2014 retirees to include their best four years of pensionable earnings and credited service up to December 31, 2013 in the calculation of their retirement benefits.

Acknowledgement

Finally, on behalf of the Board, I wish to express to the PFS Members, Officers and Staff, our sincere appreciation for their support, dedication and co-operation throughout the year.

B. Kinnear | Vincent Rodo

Bob Kinnear, President | ***Vincent Rodo, Vice-President***

PLAN OVERVIEW

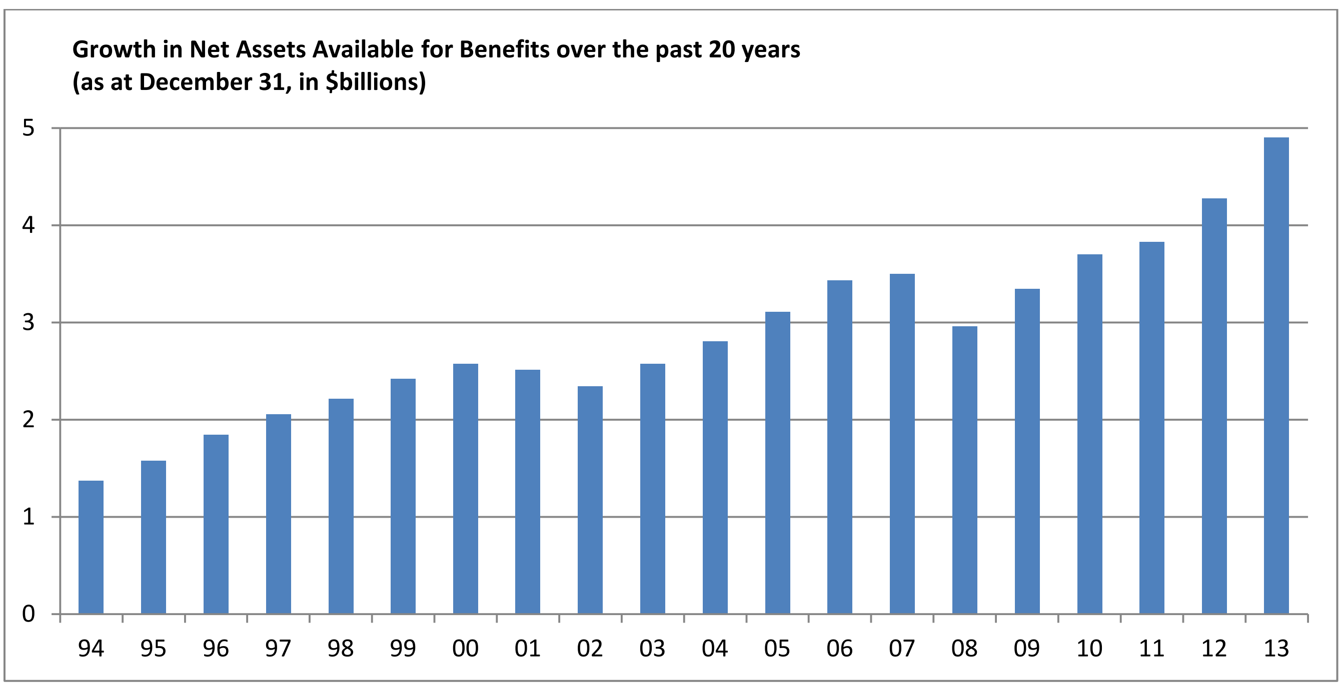
The Toronto Transit Commission Pension Fund Society (PFS or the Plan) was established through collective bargaining and was incorporated under the Companies Act of Ontario on January 3, 1940, to provide retirement benefits for Toronto's transit employees. From inception, the Plan has been governed by selected executives of the Toronto Transit Commission (TTC) and the Amalgamated Transit Union Local 113 (ATU), who jointly represent the interests of contributing employers and employees. Since the Plan's structure already met most of the requirements, effective January 1, 2011 an agreement (the Sponsors Agreement) was signed by the TTC and ATU (the Plan Sponsors) to formally establish the PFS as a Jointly Sponsored Pension Plan (JSPP). Conversion to a JSPP continues to have many advantages, including solvency funding relief.

The PFS is administered by a Board of Directors (the Board) consisting of ten members, five of whom are appointed by the TTC and five by the ATU. The Directors are also contributing members of the Plan, which promotes a strong alignment of interest with the Plan Members. Together, the Directors review, monitor and make decisions on Plan risks, benefits, and investments. To fulfill this responsibility the Board delegates the responsibility to manage the day-to-day operations of the Plan to the PFS Officers and Staff and hires professional investment managers, consultants, actuarial and legal counsel to advise them.

THE PLAN'S FINANCIAL AND INVESTMENT DISCUSSIONS

Key objective: To grow the net assets of the Plan such that funds are available to meet the pension promise made to our Members in the short-term as well as decades into the future.

2013 results: The Plan's net assets available for benefits ended the year at $4.9 billion representing an increase of $632.5 million over the prior year. Investments delivered a total return of 14.2% after fees compared to the policy benchmark return of 10.3%. The 3.9% out-performance equates to approximately $166 million in gains achieved through active management of the Plan's investments.



FINANCIAL RESULTS

Changes in Net Assets Available for Benefits (in $ millions)	2013	2012
Net Assets – beginning of the year	4,271	3,825
Investment income	647	456
Contributions received	202	193
Benefits paid	(200)	(188)
Investment and plan administration expenses paid	(16)	(15)
Net Assets – end of the year	4,904	4,271

The net assets of the Plan continue to grow steadily, driven primarily by favourable investment results, as discussed in more detail below. Also, as the total inflow of contributions into the Plan from employers and employees continues to cover the outflow of benefits paid, the Plan does not use income from investments to fund benefits. However, as the plan matures and the ratio of employees to pensioners continues to decline this situation will likely change in the future. The Board pays close attention to this in the administration of the Plan. Finally, the investment and plan administration expenses continue to be very reasonable. Although expenses increased by approximately $1 million relative to the previous year, when expressed as a percentage of the Plan's net asset value, the rate decreased from 0.38% in 2012 to 0.36% in 2013.

MANAGEMENT OF INVESTMENTS

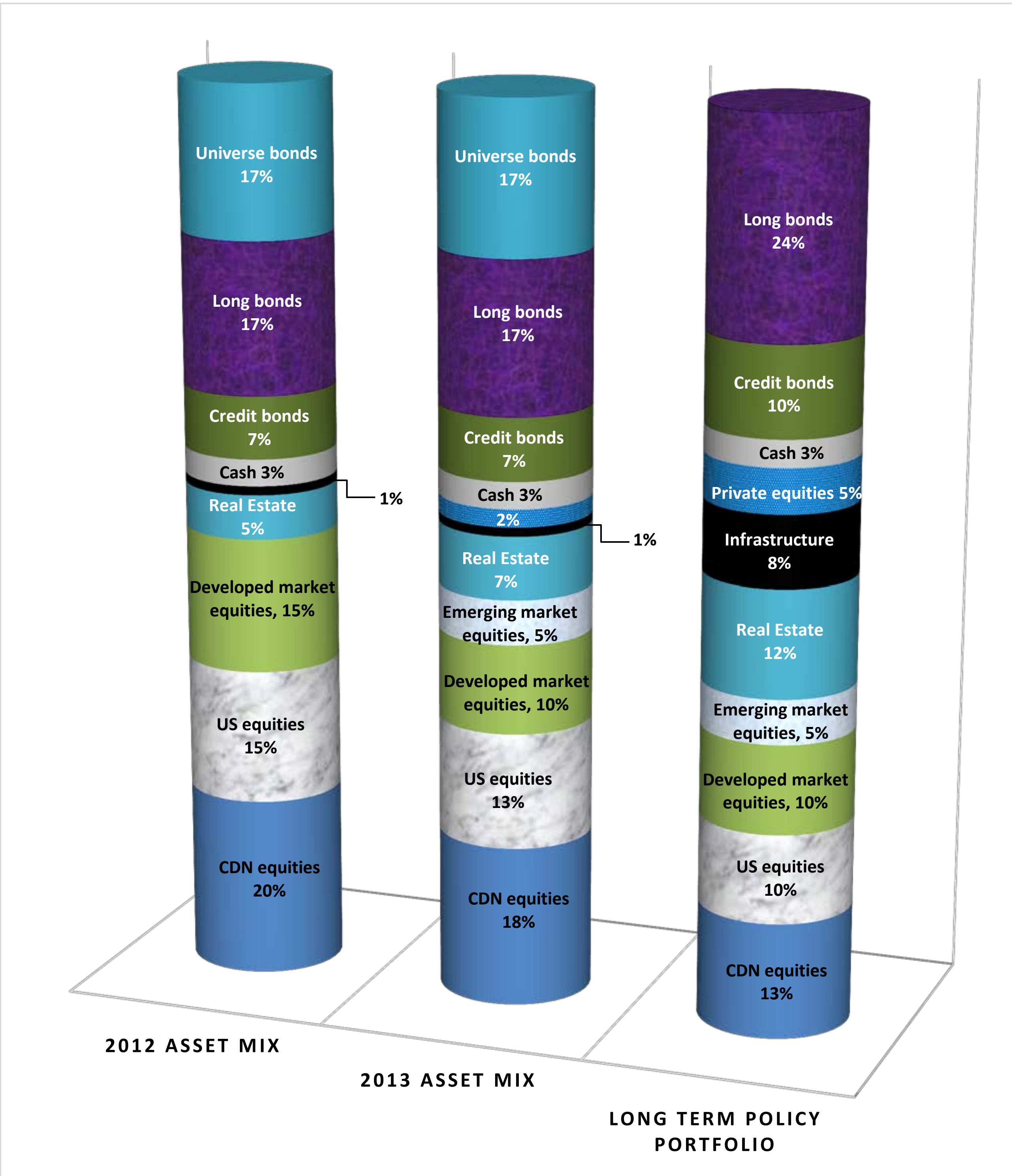
The Plan's assets are managed in accordance with the Statement of Investment Policies and Procedures (the SIP&P). The SIP&P, which is reviewed, updated as necessary and approved by the Board at least annually, establishes objectives and standards that guide the Plan's Officers, Staff and third-party advisors in administering the plan and recommending investment initiatives for the Board's consideration.

The SIP&P was rewritten in 2013 to incorporate the results of the comprehensive asset-liability study undertaken in 2012. Some of the most significant changes involved the Plan's risk management philosophy. Risk includes many factors that could affect the Plan's funded status, such as the price volatility of stocks, interest rate changes and currency exchange fluctuations against the Canadian dollar. In the past, the Plan's risk was managed mostly in the "asset only" space, which meant the focus was primarily on generating the best possible returns relative to the investment markets. The Plan's updated philosophy envisions a risk management approach commonly referred to in the pension industry as Liability Driven Investing (LDI). Many large Canadian pension plans currently employ this approach, which considers asset risk relative to changes in the value of the Plan's liabilities (the value of the pension promise that has been made to Members) in determining how best to deploy the plan's investment portfolio.

In general terms, an LDI strategy typically calls for increased exposure to longer-duration (longer-maturity) bonds to match pension liabilities, as both are closely correlated with interest rate changes. Another principle of LDI is to protect against short-term equity price volatility, which is achieved by shifting some exposure from publicly traded equities to less volatile or more diversified investments such as real estate, infrastructure and private equity.

The 2012 asset liability study evaluated the Plan's current and future funded status, taking into account the projected size and timing of pension payments, the size and investment characteristics of the Plan, and current and alternative asset mix policies. The optimal asset mix resulting from the asset liability study is referred to in the SIP&P as the Long-Term Policy Portfolio (LTPP) and contemplates significant shifts from the Plan's existing asset mix. Although implementation of the LTPP commenced in 2013, full implementation is expected to take many years and will evolve to reflect many factors along the way, including changes in global economic and investment market conditions, availability of investment opportunities at an appropriate cost and changes in plan demographics.

The following chart compares the asset mixes at year end 2012 and 2013 to the LTPP:



The transition to the LTPP will take a strategic and methodical approach over many years. This will allow the Board to consider a wide range of circumstances and select leading investment managers to achieve the end objective as well as to revise the LTPP along the way when and as needed to reflect the evolution of the Plan, practical constraints regarding the availability of investment opportunities at reasonable costs and other external factors. Overall, the key objective will be met with a well-diversified mix of assets, invested with an appropriate level of risk and monitored closely at all levels.

INVESTMENT RESULTS

The Plan's investment return on key asset classes and on a total fund level is summarized below:

	2013			2012		
Asset Category	**Benchmark return %**	**Post-fee return %**	**Value added %**	**Benchmark return %**	**Post-fee return %**	**Value added %**
Fixed income	(2.9)	(1.3)	1.6	4.7	5.7	1.0
Canadian equities	13.0	26.8	13.8	7.2	14.4	7.2
US equities	41.4	42.3	0.9	13.4	14.8	1.4
Non North American developed market equities (EAFE)	31.0	28.0	(3.0)	14.7	13.6	(1.1)
Real estate	(3.2)	4.7	7.9	8.2	12.4	4.2
Infrastructure	(3.2)	13.8	17.0	8.2	5.7	(2.5)
Total Plan	10.3	14.2	3.9	8.8	11.4	2.6

Additional details related to the above summary appear in Note 4 of the audited financial statements. In particular, the note contains disclosure of the market indices used as the benchmark to measure the value added return for each asset category.

FIXED INCOME INVESTMENTS

Fixed income investments consist of cash, short-term money market securities, asset backed securities such as mortgages, and government and corporate bonds (Canadian and non-Canadian). Cash and short-term securities are held primarily for liquidity to meet current cash outflow requirements. Long-term bonds provide investment security through steady income and act as a hedge or a match to the pension liabilities, which are also long-term in nature. The relatively shorter term corporate bonds are also a source of steady income. However, due to their shorter duration and other risk characteristics, corporate bonds are more of a source of growth rather than a hedge to the liabilities.

Interest rates on long-term government bonds rose significantly during 2013 after reaching historical lows in 2012. Due to the inverse relationship between interest rates and bond prices, bonds generally produced negative returns during the year. For example, the FTSE TMX Long Bond returned -6.2%; the shorter-duration FTSE TMX Universe Bond returned -1.2%.

The Plan's composite fixed income return was -1.3%, out-performing the benchmark return by 1.6% or $29 million. Out-performance was achieved by the Plan's corporate bond holdings which are invested through managers who actively seek to beat their benchmark indices.

EQUITY INVESTMENTS

Equity investments consist of corporate stocks that trade on various public exchanges around the world. The PFS holds stocks in companies operating in Canada, the United States and non-North American developed markets such as Europe, Australia and the Far East (EAFE). In 2013, the PFS hired two managers that invest in stocks of corporations operating in emerging markets, which include countries such as China, India, Taiwan, South Korea and Brazil, among others. The primary purpose of equity investments is to sustain the long-term growth of the Plan's assets. Although volatile in the short-term, over the long-term equities are expected to out-perform bonds and therefore create the potential for the Plan's net assets to grow at a higher rate than its liabilities.

Equity markets worldwide experienced a positive year, although the level of returns varied widely. For example, the US equity markets returned 41% in 2013 and, not far behind, the composite return for the EAFE equity markets was 31%. The resource-heavy Canadian stock market, disadvantaged by a significant drop in the price of gold, returned only 13%.

The Plan's equity investment returns relative to their respective asset benchmarks also varied widely. The Plan's three Canadian equity managers out-performed the benchmark TSX composite index by 13.8% or $120 million. A significant portion of that out-performance resulted from their underweighting in poorly-performing gold stocks relative to the index.

As outlined in the SIP&P, in markets where benchmark out-performance is particularly difficult to achieve, passive management can provide greater risk diversification at a lower cost than active management. As one of the most highly scrutinized and traded markets, the US stock market is a good example. Accordingly, the majority of the Plan's U.S. equities are managed passively, which means the manager replicates the index return. However, due to good performance achieved by the plan's remaining active US equity manager, overall US equity returns were 0.9% above the benchmark.

The 3.0% ($19 million equivalent) under-performance in the EAFE equity markets was primarily due to a manager whose contract was terminated during the year and whose portfolio was liquidated to fund the Plan's investments in emerging market equities.

ALTERNATIVE INVESTMENTS

This asset class consists of Real Estate, Infrastructure and Private Equity investments. The purpose of these investments is two-fold: to provide a degree of liability matching, along with potential long-term asset growth. As these investments are inherently long-term in nature they tend to provide steady income flows with some inflation protection and, in the case of Real Estate and Infrastructure, interest rate sensitivity. They also have a long-term growth component. However, unlike public market securities, these investments are not actively traded and are valued based on periodic, third-party appraisals. Consequently, their short-term price volatility may appear to be lower than that of public market securities.

Return benchmarking for alternative investments tends to be more complex than for fixed income and public equity investments. Given the anticipated expansion of investments in this asset class, the PFS will be focusing on refining the benchmarks for these investments in the coming year. Currently, the performance of real estate and infrastructure investments is evaluated using the FTSE TMX long bond index + 3% as a benchmark, to reflect the dual hedge/growth objectives of these asset types. Both real estate and infrastructure investments significantly out-performed their benchmark in 2013.

At the end of the third quarter 2013, the Plan acquired private equity investments which produced an annualized return of 7.1% to the end of 2013.

THE PLAN'S FUNDED STATUS

Key objective:
To manage the Plan's funded status in an effective, fiscally prudent manner to achieve long-term pension benefit sustainability and affordability for Members and Sponsors.

After consultation with the Plan's Actuary and careful consideration of long-term pension benefit affordability, the Board has approved a three year base period update and a 2% pensioner increase, subject to limits under the Income Tax Act. Effective January 1, 2014 pension benefits will be based on an employee's average best four years of pensionable earnings and credited service up to December 31, 2013.

MEMBERSHIP STATISTICS AND TRENDS AT A GLANCE

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Employees	13,013	12,767	12,690	12,572	12,400	11,681	11,241	10,896	10,688	10,536
Pensioners	7,092	6,824	6,562	6,300	6,134	6,018	5,863	5,722	5,560	5,389
Deferred vested	354	339	301	289	276	266	278	257	252	235
Total Membership	20,459	19,930	19,553	19,161	18,810	17,965	17,382	16,875	16,500	16,160
Ratio of employees to pensioner	1.83	1.87	1.93	2.00	2.02	1.94	1.92	1.90	1.92	1.96
Average age of employees	46.9	47.0	46.9	46.7	46.4	46.4	46.3	46.2	46.0	45.9
Average age at retirement	60.4	60.7	59.9	59.9	59.5	59.4	58.7	59.2	58.9	58.5
Average age of pensioners	71.0	70.9	70.8	70.6	70.5	70.3	70.0	69.8	69.6	69.5

The strength of the PFS plan design hinges on equal risk sharing by employers and employees. This has proven to work reliably, even over the past decade when sometimes-chaotic market conditions and persistently low interest rates challenged all defined benefit pension plans. Unlike typical indexed, final average defined benefit plans, the PFS plan does not provide automatic annual updates to the best four-year base period used in determining pension benefits, and does not guarantee automatic increases to pensions in payment. Instead, benefit changes are approved by the PFS Board of Directors only when, and to the degree that, they are actuarially deemed affordable. This is a powerful tool that has allowed the Board to contain costs, to maintain reasonable contribution rates, and to keep the plan on a sound financial footing despite the many challenges of recent. Without this tool, the Plan's liabilities would have continued to increased rapidly during unfavourable economic times, jeopardizing the health and the long-term affordability of the Plan.

In determining the level of benefits and contribution rates, the Board is bound by the PFS Bylaws and the Sponsors Agreement. These documents prescribe the order in which improvements may be applied, which is as follows: supporting the level of benefits already in effect; then updating the four-year base period; then updating the related survivor benefit date; and lastly, other benefit improvements. The documents also prescribe contribution rate limits. Board approval of contribution rates outside the prescribed limits would require the Plan Sponsors' prior agreement.

The Board is also guided by a formal Funding Policy in determining appropriate benefit and contribution levels. The Funding Policy helps to establish certain assumptions and parameters that the Plan Actuary uses to prepare the annual valuation.

Each year the PFS Actuary prepares very detailed analyses of the Plan's funded status, which incorporates up to date membership data and actuarial assumptions. The Board uses these actuarial valuations as a key input to the very important annual decision regarding plan improvements. The affordability of plan improvements cannot reliably be predicted based on prevailing investment market conditions or other simplified considerations, and this rigorous annual process, involving significant time and resources, must be completed before a decision can be made by the Board. For this reason, announcements of plan improvements cannot be made until well into the new year.

The following table summarizes the Plan's funded status as at January 1, 2012 and 2013, as reported in the two most recent valuations filed with the regulators:

	(In $ Millions)	
	2013	**2012**
Net assets available for benefits from audited financial statements	4,272	3,825
Asset smoothing adjustment for actuarial valuation purposes	(157)	25
Smoothed value of assets	4,115	3,850
Liabilities on a going concern basis	4,355	3,948
Funding deficit	(240)	(98)
Funded ratio	94.5%	97.5%
Discount rate	5.25%	5.25%

The above funding reflects the costs of the plan improvements approved in each year (2013: two-year base period update and 2% pensioner increase; 2012: one-year base period update and 1% pensioner increase. The funding deficits are amortized (paid off) over a period no more than15 years and are supported by the level of contribution rates in effect.

At the time of writing this Newsletter, the Board had concluded its third meeting of the year with the Plan Actuary regarding valuation matters and was able to approve the following changes in plan benefits:

- Pensioners will receive an ad hoc cost of living increase of up to 2% effective January 1, 2014;
- Effective January 1, 2014, the base period formula for calculating pension benefits will be the average of employees' best four years of pensionable earnings up to December 31, 2013; and
- In lock-step with this formula update, the survivor benefit date will be January 1, 2014.

The Canadian Income Tax Act does not permit the percentage increase in a pension in payment to be more than the percentage increase in the Consumer Price Index (CPI) since the pension started. Since the January 1, 2014 pensioner increase of 2.0% exceeds the 2013 CPI increase of 0.91% and since the January 1, 2013 pensioner increase of 2.0% exceeded the 2012 CPI increase of 1.9%, this limits the pensioner increase that can be provided to pensioners who retired in 2013, 2012 or the latter part of 2011 to a percentage less than 2.0%. More information on the Income Tax Act restrictions is provided in the 2014 Indexing Notice which has been mailed to pensioners.

For most traditional final average defined benefit pension plans, the above changes are automatic and would not represent a plan improvement triggering an actuarial valuation filing. Under the PFS plan design, the resulting January 1, 2014 actuarial valuation will have to be filed with regulators by September 30, 2014.

Due to the timing constraints in publishing this Newsletter, the funded status which includes the above improvements could not be incorporated in this document. However, this information will be presented at the AGM and will be incorporated in next year's Newsletter.

As stipulated in the PFS Bylaws, the bylaw amendments to effect these improvements will be presented to the TTC Board for sanctioning before the AGM and are contained in this Newsletter for Members' approval at the AGM.

PLAN ADMINISTRATION

Key objective: To provide our Members friendly service and timely and accurate information.

PENSION ADMINISTRATION STATISTICS AND TRENDS AT A GLANCE

	2013	2012	2011	2010	2009
Pre-Retirement Seminar Attendees	436	0	379	448	450
Pension Estimates	1,942	1,513	1,992	1,653	1 ,407
Refunds Processed	95	109	81	74	59
Retirements	395	396	373	299	257

THE TTC PENSION FUND SOCIETY'S PRE-RETIREMENT SEMINARS

The pre-retirement seminars are two full days and provide information regarding the PFS retirement benefits, wills, estates, financial planning, tax planning, investments and the government pension plans. If you are a Member of the PFS and you have either 20 years of service OR you are at least 40 years of age, you qualify to attend. Attendance at the seminar is one time only and you are welcome to bring your spouse or partner with you. The 2014 fall pre-retirement seminars will be held on October 16 & 17 and October 30 & 31. This year the seminars are being held at the Radisson Hotel Toronto East. You must apply to attend a seminar and your name will be placed on a waiting list. You may register by completing a seminar application form at your work location, call or email the pension office. Our contact information is contained in this Newsletter.

GETTING A PENSION ESTIMATE

In addition to receiving your annual pension entitlement statement by June 30th, which provides your normal annual pension calculation along with your credited and continuous service information, the PFS encourages all Members who are age 50 or who have 29 years of service to keep their pension estimate updated annually. Even if you do not plan to retire for up to 10 years, getting a pension estimate is a smart financial planning tool that will help ensure that you are ready for retirement.

By reviewing your estimate you will become familiar with your entitlement, how it's growing and changing, any optional forms of pension, costs for any health benefits, etc.

An estimate may be requested by email PFS@ttc.ca, or by phone (416) 393-4367 or 1 (800) 663-6820. Please provide the following information:

- your full name and employee/badge number;
- current marital status (single, married or common law);
- your spouse's date of birth so we can calculate survivorship costs; and
- whether you would like the estimate mailed to your home or work location.

For employees who have access to the TTC computer network, you may also complete the "**Request for Pension Estimate**" Form on the PFS intranet site.

MARRIAGE BREAKDOWN

As a reminder to our Members, the Pension Benefits Act (PBA) was amended effective January 1, 2012 to include significant changes to the way pension division may be handled as a result of a spousal relationship breakdown. If your separation agreement or other domestic contract was signed before January 1, 2012 and made specific reference to how your TTC pension was to be settled, a different set of rules will apply.

The new rules for pension valuation and its division as part of the family assets apply to separation agreements or other domestic contracts signed and dated on or after January 1, 2012. Upon paying an administration fee of $678, either the employee or their former spouse may initiate the request for the PFS to prepare a Family Law Valuation (FLV). The FLV is an actuarial calculation of the value of your pension accrued during the period of your spousal relationship.

Once you receive your FLV, you and your former spouse will decide whether or not your pension will be divided as part of the equalization of your net family assets. If it is decided that the pension is going to be divided, your former spouse is entitled to a maximum of 50% of the FLV, and your former spouse must transfer out this value from the plan if you had not commenced receipt of your pension on your Family Law Valuation Date.

Note: If your separation agreement or domestic contract was signed and dated on or before December 31, 2011, it must contain clear and specific wording on how the PFS is to administer any pension division and it must comply with governing pension legislation and PFS Bylaws. Under the old Marriage Breakdown rules, a former spouse would not receive his/her share of your pension until a "triggering event" such as termination of employment, retirement, or death. If you are unsure which rules your separation fall under, please speak with your lawyer or call the PFS.

For further information regarding this issue, please refer to the TTC Pension Fund Society Intranet Site or call our office at (416) 393-2810. Also, the Family Law Forms are available on FSCO's website, along with Frequently Asked Questions at http://www.fsco.gov.on.ca/en/pensions/Family-Law/Pages/familylawforms.aspx.

Government Pension Plan Changes and the Level Income Option

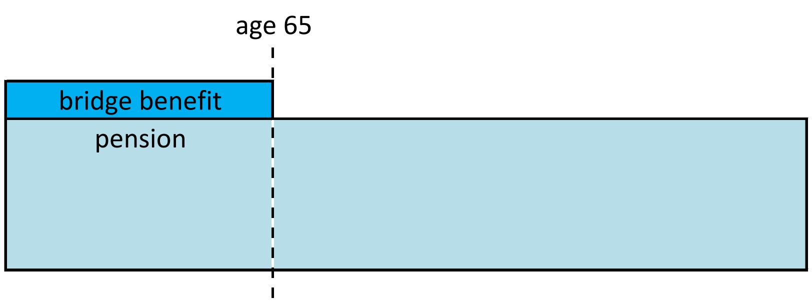
Starting in April 2023, the age of eligibility for Old Age Security (OAS) will gradually increase from the current age of 65 to age 67. These changes will be fully implemented by January 2029. People currently receiving the OAS pension and those born before April 1, 1958, will not be affected by these changes. For those affected by the change OAS will not begin at age 65. However, the CPP eligibility age for unreduced benefits continues to be age 65.

The level income option for your PFS pension allows you to have your pension paid in a higher amount before age 65 and in a lower amount after age 65. You can elect the level income option on your future Old Age Security (OAS), Canada Pension Plan (CPP), or on both your OAS and CPP pensions. Your age and the maximum Government rates for OAS and CPP at the time of your retirement as well as other limits under the Income Tax Act will determine the amount of level income available to you.

The level income option is only payable to you, the retired member. It increases only the pension that you receive prior to age 65 and reduces only the pension you receive from age 65 onwards. This means that taking the level income option will not affect the guarantee or survivorship option payable to your spouse or beneficiary (as applicable).

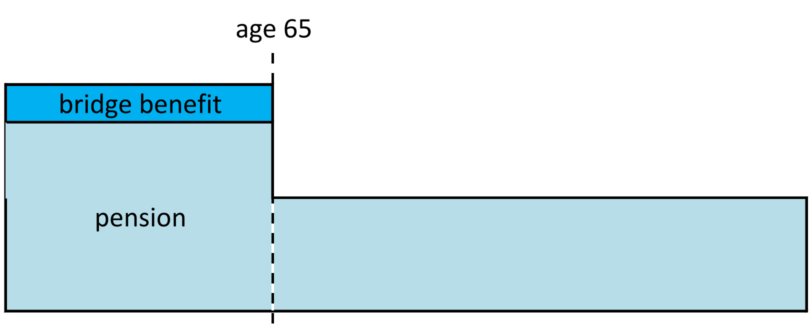
Here is a simple example:

A With no level income option



The pension amount does not reduce at age 65

B With level income option



The pension amount is higher than in A before age 65 and is less than in A after age 65

If you have elected the level income option at retirement, after age 65 you will be receiving a reduced pension from the PFS, along with whatever entitlement you may have from OAS and CPP. In theory, if you were to receive the maximum OAS and CPP amounts that were in effect when you retired, your total gross income from the PFS and Government pension plans (excluding your PFS bridge benefit) should level out.

It is very important to note that the PFS does not in any way guarantee that your income will level out as described. There are several factors that will determine your actual entitlement to the OAS and CPP benefits from the Government. Due to the noted changes to the OAS benefit and a request made by a Member at a previous Annual General Meeting, the Board of Directors investigated the possibility of changing the level income option to cover the two-year gap created by the future changes to the OAS. The result of this investigation was that delaying the level income reduction on OAS to any age above 65 is not permitted by the regulations under the Income Tax Act (ITA). The Board also confirmed that the Ministry of Finance has indicated that the Government does not intend to amend the registered pension plans regulation to accommodate the OAS age changes and that the CRA confirms that any extension of level income payments past age 65 would not be in compliance with current tax regulations. Based on this information, the only options available for the Board to consider were to eliminate the OAS portion of the level income option or leave it status quo. The Board decided to leave the level income option status quo.

Regardless of whether you plan to elect the level income option or not, it is imperative that you fully investigate what your entitlement from the Government pension plans will be. You can find information through the Government website at http://www.hrsdc.gc.ca/eng/retirement/ or you can call them toll free at 1-800-277-9914.

Credited Interest Rates

In 2014, the rate of interest to be credited to a Member's Required Contributions is 1.46%, compared to 1.59% in 2013. This is the interest rate that is disclosed on and is used to calculate the accrued interest in all Members' entitlement statements that are required to be issued by law, within six months following year end.

TORONTO TRANSIT COMMISSION PENSION FUND SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND DECEMBER 31, 2012

(IN THOUSANDS OF CANADIAN DOLLARS)

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MERCER

Actuaries' Opinion

Mercer (Canada) Limited was retained by the Board of the Toronto Transit Commission Pension Fund Society (the Society) to perform an actuarial valuation of the assets and Section 4600 accounting liabilities of the Society as at December 31, 2013, for inclusion in the Society's financial statements. We have completed such a valuation and provided our report to the Board.

The valuation of the Society's Section 4600 accounting liabilities was based on:

- Membership data as at January 1, 2013, supplied by the Society and used to extrapolate valuation results to December 31, 2013,
- Methods prescribed by Section 4600 of the CPA Canada Handbook – Accounting for pension plan financial statements, and
- Assumptions about future events (including mortality levels, future investment returns, and future pay levels), which have been developed by the Board with input from the actuaries and the auditors, and have been adopted by the Board as its best estimates for accounting purposes, in accordance with Section 4600 of the CPA Canada Handbook.

The valuation of the Society's assets was based on information provided by the Society.

The objective of the financial statements is to fairly present the financial position of the Society on December 31, 2013, in accordance with accounting practices. This is very different from the statutory funding valuation required by the Pension Benefits Act to ensure that the Society meets the funding requirements for the benefits being provided. As a result, the valuation results presented in the financial statements and notes are not indicative of the Society's ability to meet its funding requirements or of the benefit levels which it is able to provide.

While the actuarial assumptions used to estimate liabilities for the Society's financial statements represent the Board's best estimate of future events and market conditions at the end of 2013, the Society's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains and losses in future valuations.

We have tested the data used for the valuation for reasonableness and consistency, and in our opinion, the data are sufficient and reliable for purposes of the valuation and we believe that the methods employed are appropriate for purposes of the valuation. Our opinions have been given, and our valuation has been prepared, in accordance with accepted actuarial practice in Canada.

Marvin Ens
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
May 5, 2014

Loyd Zadorozny
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
May 5, 2014

May 5, 2014

Independent Auditor's Report

To the Board of Directors of the
Toronto Transit Commission Pension Fund Society

We have audited the accompanying financial statements of the Toronto Transit Commission Pension Fund Society, which comprise the statement of financial position as at December 31, 2013 and the statements of changes in net assets available for benefits and changes in pension benefit obligation for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Transit Commission Pension Fund Society as at December 31, 2013 and the changes in its net assets available for benefits and changes in its pension benefit obligation for the year then ended in accordance with the Canadian accounting standards for pension plans.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto Transit Commission Pension Fund Society

Statement of Financial Position

As at December 31, 2013

(in thousands of Canadian dollars)

	2013 $	2012 $
Assets		
Cash	12,036	13,475
Investments (note 3)	5,126,320	4,472,375
Investment-related receivables (note 3)	40,552	275,057
Contributions receivable		
Members	13,172	12,121
Employers	768	180
Other assets	1,053	1,131
	5,193,901	4,774,339
Liabilities		
Investment-related liabilities (note 3)	275,975	490,450
Other liabilities (note 6)	13,815	12,299
	289,790	502,749
Net Assets Available for Benefits	4,904,111	4,271,590
Pension benefit obligation (note 7)	3,996,993	3,833,264
Surplus	907,118	438,326

Approved by the Board of Directors

Vincent Rodo Director B. Kinnear Director

The accompanying notes are an integral part of these financial statements.

Toronto Transit Commission Pension Fund Society

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2013

(in thousands of Canadian dollars)

	2013 $	2012 $
Increase in net assets available for benefits		
Investment income (note 9)	134,769	142,500
Net increase in fair values of investments (note 9)	512,060	314,037
Contributions		
Members	99,725	95,647
Employers	102,077	97,950
	848,631	650,134
Decrease in net assets available for benefits		
Pension benefits	186,490	173,696
Investment and Plan administration expenses (note 10)	16,364	15,204
Death benefits	5,741	5,411
Termination refunds	6,561	8,916
Marriage breakdown	954	295
	216,110	203,522
Increase in net assets available for benefits during the year	632,521	446,612
Net assets available for benefits - Beginning of year	4,271,590	3,824,978
Net assets available for benefits - End of year	4,904,111	4,271,590

The accompanying notes are an integral part of these financial statements.

Toronto Transit Commission Pension Fund Society

Statement of Changes in Pension Benefit Obligation

For the year ended December 31, 2013

(in thousands of Canadian dollars)

	2013 $	2012 $
Pension benefit obligation - Beginning of year	3,833,264	3,771,488
Benefits accrued	126,510	126,925
Benefits paid	(199,745)	(188,319)
Interest accrued on benefits	228,942	222,342
Changes in actuarial assumptions	(111,776)	(143,635)
Experience gains	(1,906)	(18,096)
Plan amendments	121,704	62,473
Immediate vesting	-	86
Net increase in pension benefit obligation	163,729	61,776
Pension benefit obligation - End of year (note 7)	3,996,993	3,833,264

The accompanying notes are an integral part of these financial statements.

(tabular amounts in thousands of Canadian dollars)

1 Description of Plan

The following description of the pension plan operated by the Toronto Transit Commission Pension Fund Society (the Plan) is a summary only. For more complete information, reference should be made to the bylaws of the Plan.

General

The Plan commenced operations on January 3, 1940 as a corporation pursuant to letters patent under Part XVI of the Corporations Act of the Province of Ontario. The Board of Directors (the Board), which consists of ten voting members, five of whom are appointed from the Toronto Transit Commission (TTC) and five of whom are appointed by Amalgamated Transit Union Local 113 (ATU), administers the affairs of the Plan. Pursuant to the Sponsors' Agreement between ATU and TTC (the Sponsors), the Plan is registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The Plan covers substantially all employees of the TTC and ATU who have completed six months of continuous service. Under the Plan, contributions are made by members and matched by their employers. The Plan is registered under the Pension Benefits Act of the Province of Ontario (PBA) and the Income Tax Act (Canada) (registration number 0317586) and, therefore, is exempt from taxation on its income under Part I of the Income Tax Act (Canada).

The Plan is a defined benefit plan. The Board sets the employer and employee contribution rates, subject to the funding requirements determined in the actuarial report and subject to limitations in the Sponsors' Agreement between the ATU and TTC. Members' benefits are determined using a modified career average formula based on pensionable earnings and years of credited service. Plan improvements, including increases to the career average base period and pension indexing may be adopted by the Board, depending on the Plan's funded status.

Funding

The Plan is funded by contributions and investment earnings. The Board has adopted a Funding Policy that aims to achieve long-term funding stability, with the objective of supporting benefit levels higher than the contractual benefits, including base period updates and pension increases as stipulated in the bylaws. Actuarial funding valuations are conducted to determine the pension liabilities, the funded position and the contribution rates of the Plan.

Contributions

In 2013, each member employed by the TTC and ATU contributed 9.25% (2012 - 9.25%) of their earnings to the Plan up to the year's maximum pensionable earnings (YMPE) of $51,100 (2012 - $50,100) and 10.85% (2012 - 10.85%) of earnings above the YMPE. The TTC and ATU contributed an amount equivalent to each member's annual contribution.

(tabular amounts in thousands of Canadian dollars)

The TTC is also obligated to make contributions for certain early retirement benefits after 29 years of service and some temporary supplements.

Benefits

Pensions are payable from the Plan based primarily on years of credited service and members' highest four-year career average pensionable earnings up to the current base period-end date December 31, 2010 (2012 - December 31, 2008). The benefits provided are those that can be actuarially supported by the Plan's assets and the contributions to the Plan based on funding requirements specified in the PBA and priorities outlined in the bylaws. Death benefits and lump sum payments on termination before eligibility for retirement are also available from the Plan.

2 Summary of significant accounting policies

Basis of accounting and adoption of Canadian accounting standards for pension plans

The Plan follows the requirements of The Canadian Institute of Chartered Accountants (CICA) Handbook - Section 4600, Pension Plans. The financial statements also include new disclosure expectations published by the Financial Securities Commission of Ontario (FSCO), under Index No. FSGN-100. The Guidance Note, which was published by FSCO in February 2013, and revised on March 21, 2014, provided new disclosures for plans whose fiscal year ended on or after July 1, 2013. The requirements included additional note disclosure for 2013, most of which had already been added in 2012. The 2013 audited financial statements comply with the new requirements.

These financial statements are prepared on a going concern basis and present the information of the Plan as a separate financial reporting entity independent of the Sponsors and members.

Investment assets and investment liabilities

Investment assets and investment liabilities are recorded at fair value in accordance with International Financial Reporting Standard (IFRS) 13, Fair Value Measurement. Purchases and sales of investments are recorded as of the trade date (the date on which the substantial risks and rewards have been transferred). Transactions that have not been settled are reflected in the statement of financial position as investment-related receivables/liabilities.

Policy for items not related to investment portfolio or pension obligation

The Plan's accounting policies not related to the investment portfolio or pension obligation are based on Canadian accounting standards for private enterprises in Part II of the CICA Handbook - Accounting.

(tabular amounts in thousands of Canadian dollars)

Fair values

The fair values of the investments are determined as follows:

- short-term investments are valued at cost, which together with accrued income, approximates fair value;
- bonds are valued based on quoted market prices obtained from independent third party pricing sources; where quoted market prices are not available, estimated values are calculated using discounted cash flows based on current market yields for comparable securities;
- publicly traded Canadian and non-Canadian stocks are valued at the bid price on the applicable stock exchange;
- real estate property values are generally based on the most recent annual independent appraisal of the property; the associated mortgages payable are measured at amortized cost, which approximates fair value;
- infrastructure, private equity and hedge fund secondary investments, held through a limited partnership arrangement, are valued by the general partner based on the most appropriate industry valuation models applied on an investment by investment basis;
- the investment values of pooled funds and funds of hedge funds are supplied by the fund administrators based on fair value quotations or appraisals, as appropriate; and
- exchange traded derivatives, such as futures, are valued at quoted market prices; for other derivative financial instruments, where market prices are not available, appropriate valuation techniques are used to estimate fair values.

Investment income

Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned.

Net realized gain (loss) on sale and settlement of investment assets and investment liabilities during the year represents the difference between sale or settlement proceeds and cost. The net change in unrealized gains (losses) on investment assets and investment liabilities represents the change in the difference between the fair value and cost of investment assets and investment liabilities at the beginning and end of the year. All realized and net changes in unrealized gains and losses on investment assets and investment liabilities are recorded in the statement of changes in net assets available for benefits in the year in which they occur.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the rates in effect at year-end. The resulting realized and unrealized gains or losses are included in net investment income.

(tabular amounts in thousands of Canadian dollars)

Pension benefit obligation

Valuation of the pension benefit obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is based on data as at the beginning of the year extrapolated to the year-end. It uses the projected benefit method pro-rated on service and the Board's best estimate of various economic and non-economic assumptions.

Contributions

Contributions from members and employers due to the Plan at year-end are recorded on an accrual basis. Contributions for past service purchases are recorded when received.

Benefits

Benefits paid to pensioners are recorded in the year in which they are due. Refunds to former members and the estates of deceased members are recorded in the year in which they are paid. Refunds attributable to the current year but paid after year-end are reflected in accrued pension benefits.

Cash

Cash includes short-term investments with a term to maturity of 90 days or less on issuance.

Administrative expenses

Administrative expenses incurred are paid directly from the Plan and are treated as expenses in these financial statements. Expenses include, but are not limited to, actuarial fees, special legal fees, special expenses approved by the Board, trust fees, fiduciary insurance, custody fees, investment management and investment consulting charges. Other administration expenses, including office expenses, are borne by the TTC.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets available for benefits during the reporting period. Significant estimates are used, primarily in the determination of the pension obligation and the fair value of certain investments. Actual results could materially differ from those estimates.

(tabular amounts in thousands of Canadian dollars)

3 Investments

The following schedule summarizes the Plan's investments and investment-related receivables and liabilities before allocating the effect of derivative financial instruments:

	2013		2012	
	Fair value $	Cost $	Fair value $	Cost $
Investments (note 3(a))				
Fixed income				
Invested cash	50,903	50,903	64,967	64,967
Short-term money market securities	95,573	95,257	100,776	100,650
Canadian bonds	1,625,552	1,603,345	1,652,172	1,517,710
Non-Canadian bonds	90,942	88,705	73,356	70,099
Funds of hedge funds	188,229	168,807	163,328	168,807
	2,051,199	2,007,017	2,054,599	1,922,233
Equities				
Canadian	982,861	701,123	859,566	711,078
Non-Canadian	1,529,850	1,101,107	1,180,636	1,100,302
	2,512,711	1,802,230	2,040,202	1,811,380
Alternative investments				
Real estate	281,861	218,105	240,273	189,175
Infrastructure (note 3(b))	92,489	66,500	75,900	67,700
Hedge fund secondaries (note 3(b))	105,045	52,100	61,400	41,400
Private equity (note 3(b))	83,015	65,800		
	562,410	402,505	377,573	298,275
	5,126,320	4,211,752	4,472,375	4,031,888
Investment-related receivables				
Derivative financial instruments receivable (note 5(b))	20,857	-	265,345	-
Pending trades	11,265	11,265	1,623	1,623
Accrued investment income	8,430	8,430	8,089	8,090
	40,552	19,695	275,057	9,713
Investment-related liabilities				
Bonds sold under repurchase agreements	227,556	227,556	210,722	210,722
Derivative financial instruments payable (note 5(b))	38,789	-	275,909	-
Pending trades	9,630	9,630	3,819	3,819
	275,975	237,186	490,450	214,541
	4,890,897	3,994,261	4,256,982	3,827,060

(tabular amounts in thousands of Canadian dollars)

a) Includes investments in pooled funds, details of which are provided in note 11(c).

b) The Plan is committed to investing up to an additional US$6.25 million (2012 - US$7.3 million) into an existing infrastructure fund by September 2014, up to an additional US$50 million (2012 - US$33.6 million) into the hedge fund secondaries and an additional $122.6 million in private equities by the end of 2015.

4 Financial risk management

Capital management

The capital of the Plan is represented by the net assets available for benefits less the statutory actuarial valuation referred to in note 7. The objective of managing the Plan's capital is to ensure it is fully funded and sufficient assets are available to pay for the benefit obligations over the long term. The Board manages the Plan's capital by mandating an annual actuarial valuation on both the going concern and solvency bases to determine the Plan's funded status. Based on the results of this valuation and the priorities set out in the Plan's bylaws and the funding policy, the Board makes decisions with respect to pension formula updates, pension indexing and Plan improvements. Investments and the use of derivatives are based on an asset mix that is projected to enable the Plan to meet or exceed its long-term funding requirements, within an acceptable level of risk, consistent with the Plan's Statement of Investment Policies and Procedures (SIPP) approved by the Board.

The Plan's administrator has adopted a SIPP which states investment objectives, guidelines and benchmarks used in investing the capital of the Plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIPP is reviewed and approved at least annually and was last amended effective December 18, 2013. The significant amendments include changes made to define further responsibilities of the Investment Sub-Committee, expand on fund diversification policies and to modify the long-term target asset mix, to better match the Plan's funding liability.

The Plan's absolute return expectation over a long-term investment horizon has been set in the SIPP at 5.25% annualized rate of return, before investment management fees. The Plan's annualized five-year average rate of investment return, after investment management fees, as of December 31, 2013 was 10.3% (3.9% as of December 31, 2012).

The Plan's investment portfolio is subject to various risks, which may adversely affect its income, cash flows and net assets available for benefits. These risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Plan manages investment-related risks through the SIPP, which establishes long-term asset mix policies for the investment portfolio as a whole. This promotes investment diversification and limits exposure to individual investments, major asset classes, geographic markets and currencies. The long-term policy also specifies a target weighting for matching assets, which are expected to have a relatively high correlation to the fund liability benchmark. It also establishes mandate-specific policies for each investment manager of the Plan. The investment managers' compliance with the policies is confirmed quarterly.

(tabular amounts in thousands of Canadian dollars)

Asset categories	Index/Benchmark	2013 Asset mix policy weight %	2013 Benchmark return %	2012 Benchmark return %
Fixed income	Composite	44	(2.9)	4.7
Cash and overlay	FTSE TMX 91-day T-Bill	3	1.0	1.0
Long-term bonds	FTSE TMX long-term	17	(6.2)	5.2
Universe bonds	FTSE TMX Universe	17	(1.2)	3.6
Credit bonds	FTSE TMX Universe Corporate	7	0.8	6.2
Equities	Composite	48	25.2	12.5
Canadian	S&P/TSX Composite	18	13.0	7.2
U.S.[1]	S&P 500	13	41.4	13.4
Non-North American [1]	MSCI Europe, Australia, Far East	10	31.0	14.7
Emerging markets	MSCI Emerging Markets	5	(0.5)	-
Private equity	Russell 2000	2	12.4	-
Real estate	FTSE TMX Long Term Bonds + 3%	7	(3.2)	8.2
Infrastructure	FTSE TMX Long Term Bonds + 3%	1	(3.2)	8.2
Total portfolio	Composite	100	10.3	8.8

1) Index expressed in CAD used as basis for manager evaluation. Index half-hedged into CAD in total portfolio and total equities benchmarks.

Asset category*	2013 Portfolio weight year-end %	2013 Post-fee return %	2013 Post-fee return vs. benchmark %	2012 Post-fee return %	2012 Post-fee return vs. benchmark %
Fixed income	42.1	(1.3)	1.6	5.7	1.0
Equities					
Canadian	17.5	26.8	13.8	14.4	7.2
U.S.	12.7	42.3	0.9	14.8	1.4
Non-North American	12.8	28.0	(3.0)	13.6	(1.1)
Emerging markets	3.6	3.2	3.7	-	-
Private equity	1.7	7.1	(5.3)	-	-
Real estate	5.8	4.7	7.9	12.4	4.2
Infrastructure	1.8	13.8	17.0	5.7	(2.5)
Hedge fund secondaries	2.1	47.0	5.6	65.6	52.2
	100.0	14.2	3.9	11.4	2.6

* Note that the Pension Plan returns noted above are after management fees, whereas the benchmark returns do not include any management fee provision. Private equity category excludes purchase price adjustment.

a) Market risk

Market risk is the risk the value of an investment will be adversely affected by changes in market prices, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

(tabular amounts in thousands of Canadian dollars)

The Plan mitigates market risk through diversification of its investment portfolio, based on asset and risk limits established in the SIPP and through the use of derivative financial instruments.

- Currency risk

The Plan invests in assets denominated in currencies other than the Canadian dollar in order to improve its risk and return profile. Exposure to these assets creates currency risk, which may significantly increase or decrease the fair value and returns due to fluctuations in the value of the Canadian dollar relative to foreign currencies. The Plan's currency hedging policies are designed to limit the overall impact of long-term currency fluctuations.

The Plan's currency managers passively hedge 25% of US dollar denominated equity, 50% of other foreign equity currency exposures, 75% of funds of hedge funds and 100% of the non-Canadian bond investments. Through a separately managed active currency hedging program, the foreign currency exposure on some or all foreign equity holdings may be fully hedged or unhedged on a tactical basis, subject to risk constraints based on the Plan's SIPP.

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits, following a reasonably possible 5% change in foreign currency exchange rates, for each currency to which the Plan has a significant exposure.

	Changes in net assets available for benefits	
	2013 $	**2012** $
United States dollar	34,459	31,029
Hong Kong dollar	3,793	667
British pound sterling	1,728	3,492
Swiss franc	924	2,733
Swedish krona	473	1,363
Euro	239	1,688
Japanese yen	(50)	4,891
Australian dollar	(121)	(2,167)
Chinese yuan renminbi	-	1,996
Other	6,593	5,306
	48,038	50,998

(tabular amounts in thousands of Canadian dollars)

The following schedule summarizes the Plan's currency exposure, net of foreign exchange forward contracts used in the passive and active currency programs:

	Net currency exposure	
	2013 **$**	**2012** **$**
United States dollar	689,173	620,576
Hong Kong dollar	75,855	13,344
British pound sterling	34,536	69,845
Swiss franc	18,486	54,660
Swedish krona	9,456	27,268
Euro	4,789	33,757
Japanese yen	(993)	97,813
Australian dollar	(2,413)	(43,346)
Chinese yuan renminbi	-	39,928
Other	131,865	106,126
	960,754	1,019,971

- Interest rate risk

The Plan holds interest bearing financial instruments. The Plan is therefore exposed to interest rate risk, as the value of interest-bearing financial instruments will fluctuate with changes in interest rates. The Plan administrator views interest rate risk on interest bearing financial instruments as a hedge that offsets the larger interest rate risk on pension benefit liabilities. In order for this offset to significantly reduce the overall level (on assets and pension benefit liabilities) of the Plan's interest rate risk, the SIPP has a target of 17% of its holdings to be held in interest bearing financial instruments with long maturities.

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits following a reasonably possible change in interest rates for all maturities (a parallel shift in the yield curve).

		Change in net assets available for benefits	
	Interest rates	**2013** **$**	**2012** **$**
Interest bearing financial instruments	+ / -1%	152,450	160,200

- Equity prices risk

The Plan holds equity financial instruments. The Plan is therefore exposed to equity price risk as the value of equity financial instruments will fluctuate due to changes in equity prices.

(tabular amounts in thousands of Canadian dollars)

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits, following reasonably possible changes in equity prices for each stock market benchmark to which the Plan has a significant exposure.

	Stock benchmark	Change in index value	2013 $
Canadian equities	S&P/TSX Comp	+ / - 10%	86,645
Non-Canadian equities	various	+ / - 10%	149,063
			235,708

b) Credit risk

The Plan is subject to indirect exposure to credit risk, which is the risk a counterparty will be unable to pay amounts in full when they are due.

Credit risk is mitigated by adherence to investment policies that require:

- having a minimum rating of R1 "low" by DBRS or equivalent for all cash and short-term investments;
- limiting the maximum exposure to bonds issued or guaranteed by any one non-governmental entity or group of affiliated entities to 3% of the fair value of the Plan;
- limiting the maximum exposure to non-investment grade bonds (defined as below BBB - or equivalent) to 3% of the fair value of the Plan;
- dealing with counterparties to derivative transactions that have credit quality of no less than an A rating;
- entering into International Swaps and Derivative Association Inc. agreements with over-the-counter derivative counterparties to limit the Plan's exposure to credit losses;
- entering into derivative financial instruments only on an unlevered basis; and
- where feasible, directing managers to enter into master netting arrangements.

Credit risk on equity and bond futures is minimal as the counterparty to every futures trade is a clearing corporation, which acts as a third party that matches trades and collects and maintains margins. These contracts are marked-to-market and margin receivables and payables are settled in cash daily.

The following are the interest bearing financial instruments, the exposure to credit risk and the Plan's share of it.

	AAA* $	AA $	A $	BBB $	R1 or Equiv $	Non-inv. grade / unrated $	Total $
December 31, 2013	438,656	430,937	498,983	191,805	21,643	138,987	1,721,011
December 31, 2012	488,590	388,316	570,362	153,567	36,721	92,074	1,729,630

*Includes cash balances from fixed income accounts and accrued interest.

(tabular amounts in thousands of Canadian dollars)

c) Liquidity risk

Liquidity risk is the risk the Plan may be unable to meet pension payment obligations in a timely manner and at a reasonable cost.

Management of liquidity seeks to ensure that even under adverse conditions, the Plan has access to immediate cash that is necessary to cover benefits payable, withdrawals and other liabilities. The SIPP requires a significant portion of the Plan's investments to be highly liquid so they can be converted into cash on short notice. Typically, the employee and employer contributions will cover the benefit payment requirements. Therefore, the Plan's exposure to liquidity risk is considered negligible.

In order to meet short-term liquidity requirements, cash and short-term investments are available for $158,512 (2012 - $179,218).

In addition to cash and short-term investments, the bond holdings held also aid in managing liquidity risk and have the following maturities:

	1 year $	1 - 5 years $	5 - 10 years $	10 - 20 years $	20 years $	Total $
December 31, 2013	67,266	458,057	298,647	295,743	601,298	1,721,011
December 31, 2012	47,674	451,998	264,149	326,201	639,608	1,729,630

Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, requires disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of a financial asset or financial liability as at the financial statement date. The three levels are defined as follows:

- Level 1 - fair value is based on quoted market prices in markets for identical financial assets or financial liabilities. Level 1 financial assets generally include equity investments traded in an active market.

- Level 2 - fair value is based on observable inputs, other than quoted prices included within Level 1, such as quoted market prices for identical financial assets or financial liabilities in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities. Level 2 financial assets and financial liabilities generally include pooled funds, short-term money market securities, Government of Canada, provincial and other government bonds, Canadian corporate bonds and certain derivative financial instruments.

(tabular amounts in thousands of Canadian dollars)

- Level 3 - fair value is based on non-observable inputs that are supported by little or no market activity and are based on valuation methodologies deemed appropriate by the fund administrators and independent appraisers. Level 3 financial assets and financial liabilities include the funds of hedge funds, real estate, infrastructure, hedge fund secondaries and private equity investments.

The following table presents the level within the fair value hierarchy for each of the financial assets and financial liabilities measured at fair value. The table excludes other financial assets and financial liabilities that are valued at their carrying amount, which represents a reasonable approximation of fair value due to their short-term nature.

				2013
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Invested cash and short-term money market securities	50,903	95,573	-	146,476
Bonds*	-	1,488,938	-	1,488,938
Funds of hedge funds	-	-	188,229	188,229
Equities	2,512,711	-	-	2,512,711
Real estate	-	-	281,861	281,861
Infrastructure	-	-	92,489	92,489
Hedge fund secondaries	-	-	105,045	105,045
Private equity	-	-	83,015	83,015
Derivative financial instruments	-	(17,932)	-	(17,932)
Other investment-related assets and liabilities	-	10,065	-	10,065
	2,563,614	1,576,644	750,639	4,890,897

*Bonds total is net of bonds sold under repurchase agreements of $227,556.

				2012
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Invested cash and short-term money market securities	64,967	100,776	-	165,743
Bonds	-	1,514,805	-	1,514,805
Funds of hedge funds	-	-	163,328	163,328
Equities	1,901,463	138,739	-	2,040,203
Real estate	-	-	240,273	240,273
Infrastructure	-	-	75,900	75,900
Hedge fund secondaries	-	-	61,400	61,400
Derivative financial instruments	-	(10,564)	-	(10,564)
Other investment-related assets and liabilities	-	5,894	-	5,894
	1,966,430	1,749,650	540,901	4,256,982

There have been no transfers between Levels 1 and 2 in the reporting period.

(tabular amounts in thousands of Canadian dollars)

The following table summarizes the changes in the fair values of financial instruments classified in Level 3. The Plan classifies financial instruments in this level when the valuation technique is based on at least one significant input that is not observable in the markets or due to a lack of liquidity in certain markets. The valuation technique may also be based in part on observable market inputs. The gains and losses presented hereafter may, therefore, include changes in fair values based on observable and unobservable inputs.

	Funds of hedge funds $	Real estate $	Infrastructure $	Hedge fund secondaries $	Private equity $	Total $
Fair value - December 31, 2011	146,425	188,392	27,650	15,000	-	377,467
Total unrealized gains	4,935	24,281	5,150	20,000	-	54,366
Purchases	11,968	27,600	43,100	26,400	-	109,068
Fair value - December 31, 2012	163,328	240,273	75,900	61,400	-	540,901
Total unrealized gains	24,901	12,658	17,789	32,945	17,215	105,508
Purchases (dispositions)	-	28,930	(1,200)	10,700	65,800	104,230
Fair value - December 31, 2013	188,229	281,861	92,489	105,045	83,015	750,639

5 Derivative financial instruments

Derivative financial instruments are financial contracts, the value of which is derived from the value of the underlying assets, interest rates, indices or foreign currency exchange rates.

a) Derivative products and investment objectives

The Plan enters into the following types of derivative financial instruments:

- Equity and bond futures

  Futures contracts involve an agreement to buy or sell standardized amounts of equity or bond indices at a predetermined future date and price in accordance with the terms specified by a regulated futures exchange and are subject to daily cash margining. These contracts are purchased and/or sold with the primary objective of rebalancing the Plan's actual asset mix to closely align with that specified in the SIPP.

- Foreign exchange forward contracts

  A foreign exchange forward contract is a customized agreement negotiated between two parties to buy or sell a specific amount of a foreign currency at a price specified at the origination of the contract, with settlement at a specified future date. Foreign exchange forward contracts are used to hedge the Plan's foreign currency risk.

(tabular amounts in thousands of Canadian dollars)

- Bond index swaps

  A bond index swap is a contractual agreement between two parties to exchange a series of cash flows based on a bond index return. Bond index swaps were used during 2012 in conjunction with the funds of hedge funds for yield enhancement purposes.

b) Notional amounts

Notional amounts of derivative financial instruments represent the dollar value of the market exposure gained through the purchase/sale of a contract. Notional amounts are not recorded as financial assets or financial liabilities on the annual statements of financial position and accrued pension benefits and surplus.

The following is a schedule of notional amounts and fair values of derivative financial instruments:

	2013		2012	
	Notional amount $	Fair value receivable/ (payable) $	Notional amount $	Fair value receivable $
Fixed income futures	436,518	-	32,549	-
Canadian equity futures	(128,068)	-	18,354	-
Non-Canadian equity futures	(113,792)	-	129,641	-
Foreign exchange forward contracts	5,348,154	(17,932)	31,360,186	(10,564)

Derivative financial instruments held by the Plan generally have at least quarterly resets and all settle within one year.

c) Net investments after allocating market exposure of derivative financial instruments

The following table summarizes the effective fair value of the Plan's investments after the allocation of market exposure of derivative financial instruments and investment-related receivables and liabilities:

	2013		2012	
	Effective net investments at fair value $	Effective asset mix %	Effective net investments at fair value $	Effective asset mix %
Fixed income				
Invested cash and short-term money market securities	(61,727)	(1.3)	(34,769)	(0.8)
Canadian bonds	1,840,191	37.6	1,489,295	35.0
Non-Canadian bonds	90,942	1.9	73,356	1.7
Funds of hedge funds	188,229	3.8	163,329	3.8
	2,057,635	42.0	1,691,211	39.7

(tabular amounts in thousands of Canadian dollars)

	2013		2012	
	Effective net investments at fair value $	Effective asset mix %	Effective net investments at fair value $	Effective asset mix %
Equities				
Canadian	854,793	17.5	877,921	20.6
Non-Canadian	1,416,059	29.0	1,310,277	30.8
	2,270,852	46.5	2,188,198	51.4
Real estate	281,861	5.8	240,273	5.6
Infrastructure	92,489	1.9	75,900	1.8
Hedge fund secondaries	105,045	2.1	61,400	1.5
Private equity	83,015	1.7		
	4,890,897	100.0	4,256,982	100.0

6 Other liabilities

Other liabilities consist of the following:

	2013 $	2012 $
Accrued pension payroll	7,833	7,263
Fees payable to custodian, investment consultants and other advisers	4,768	4,081
Other accounts payable	1,214	955
	13,815	12,299

7 Pension benefit obligation

An estimate of the Plan's obligation for pension benefits has been made as at December 31, 2013 for inclusion in the Plan's financial statements by Mercer (Canada) Limited, a firm of consulting actuaries. The estimate is an extrapolation of the January 1, 2013 actuarial valuation based on membership data on that date, using the methods and assumptions summarized below. This note to the financial statements should be read in conjunction with the actuaries' opinion found in the annual general meeting newsletter.

Methods and assumptions

The valuation is based on the requirements outlined in CICA Handbook Section 4600, Pension Plans. The estimated actuarial present value of accrued pension benefits is determined using the projected benefit method, pro-rated on service. The pension formula in effect in the Plan's bylaws, including the current base period (average of the four calendar years before 2010 with the highest average pensionable earnings) for credited service before 2010, is used to project the pension at retirement, without provision for future updates in the base period or other changes in the bylaws. The pro rata portion of the projected pension, which relates to past service, is then valued as the accrued pension.

(tabular amounts in thousands of Canadian dollars)

Assets were valued at fair value as at December 31, 2013.

The major assumptions used as best estimates of the Plan's future experience for calculating the actuarial present value of accrued pension benefits are summarized as follows:

	2013 %	**2012** %
Discount rate - net of expenses	6.25	5.75
Rate of inflation	2.00	2.00
Weighted average rate of salary increase*	3.25	3.50

*Assumed salary increases from April 1, 2011 through March 30, 2014 are based on wage increases as per the June 4, 2012 arbitration award with an additional 0.5% provision for individual factors. The assumed salary increase on and after April 1, 2014 is 3.25% per annum.

Statutory actuarial valuations

In accordance with the PBA and the Income Tax Act (Canada), an actuarial valuation is required to be filed at least every three years to report the Plan's surplus or deficit, and to determine the Plan's funding requirements. The most recent actuarial valuation for funding purposes was conducted as at January 1, 2013 and filed with regulators on September 25, 2013. The next required funding valuation filing with the regulators will be as at January 1, 2016. The two valuations required by the PBA, the going concern basis and the solvency basis, are determined using different valuation methods and assumptions and yield different surplus or deficit amounts than those disclosed in these financial statements. A solvency (hypothetical windup) valuation must be performed on the Plan, even though the risk of its being wound up, in management's view, is remote. As a JSPP, the Plan is permitted and has elected an exemption from solvency funding requirements. As a result of converting to a JSPP in 2011, only going concern deficits incurred after January 1, 2011 are to be funded. Funding is also required for previously established solvency deficits, which were determined prior to January 1, 2011.

8 Related party transactions and balances

Related parties include the Plan's Sponsors and the Plan's subsidiaries. Expenses borne by the Sponsor are listed under note 2, administrative expenses. These costs are not charged back to the Plan.

Alternative investments held in subsidiary corporations are managed on behalf of the Plan by external advisers through investment management agreements. The Plan has nine wholly owned subsidiary corporations, namely:

- 5160 Orbitor Drive Ltd. - incorporated on April 19, 1999 to hold the Plan's 100% interest in an office building located in Mississauga, Ontario;

- PFS Exchange Inc. - incorporated on January 16, 2002 and commenced operations on March 12, 2002 by acquiring the Plan's 25% interest in the Exchange Tower in Toronto, Ontario;

(tabular amounts in thousands of Canadian dollars)

- PFS Industrial One Inc. - incorporated on September 8, 2004 and commenced operations on October 1, 2004 by acquiring the Plan's 100% interest in an industrial building located in Calgary, Alberta, known as Calgary Business Park;

- PFS Retail One Inc. - incorporated on January 18, 2005 and commenced operations on January 31, 2005 by acquiring the Plan's 100% interest in a shopping centre located in Calgary, Alberta, known as Country Hills Village;

- PFS GTA Industrial Inc. - incorporated on November 25, 2005 and commenced operations on December 22, 2005 by acquiring the Plan's 100% interest in a portfolio of eight industrial properties located in the Greater Toronto Area of Ontario, known as GTA Industrial;

- PFS Retail Two Inc. - incorporated on February 28, 2008 and commenced operations on March 13, 2008 by acquiring the Plan's 100% interest in a shopping centre located in Lloydminster, Alberta, known as Lloyd Mall. It purchased Milliken Crossing, a retail shopping plaza located in Toronto, Ontario on August 30, 2013, which is included in this incorporated operation;

- 1793177 Ontario Inc. - incorporated on March 13, 2009 and commenced operations on March 17, 2009 by subscription in a limited partnership interest in the Brookfield Americas Infrastructure Fund L.P.;

- TTC PFS Secondaries Inc. - incorporated on July 8, 2011 and commenced operations on July 15, 2011 by subscription in a limited partnership interest in the Crestline Offshore Recovery Fund II L.P. Included in the limited partnership is the Crestline Offshore Recovery Fund III L.P., subscribed to on December 20, 2013; and

- TTC PFS Private Equities Inc. - incorporated on September 12, 2013 and commenced operations on September 30, 2013 by subscription through a limited partnership, in the Global Private Equity Portfolio, Northleaf Secondaries Partners and the Northleaf Private Equity Fund VI investments.

The following schedule summarizes the Plan's net alternative investments:

	2013		2012	
	Fair value $	Cost $	Fair value $	Cost $
PFS Exchange Inc.	137,030	77,100	137,658	77,100
PFS GTA Industrial Inc.	108,790	142,600	106,003	142,600
PFS Retail Two Inc.	99,854	84,782	50,617	40,100
PFS Retail One Inc.	32,048	15,980	27,300	16,172
PFS Industrial One Inc.	9,518	6,322	8,799	6,417
5160 Orbitor Drive Ltd.	7,000	3,700	6,810	3,700
Debt on real estate properties	(112,379)	(112,379)	(96,914)	(96,914)
Net investment in real estate	281,861	218,105	240,273	189,175
TTC PFS Secondaries Inc.	105,045	52,100	61,400	41,400
1793177 Ontario Inc.	92,489	66,500	75,900	67,700
TTC PFS Private Equities Inc.	83,015	65,800	-	-
Net alternative investments	562,410	402,505	377,573	298,275

(tabular amounts in thousands of Canadian dollars)

The debt on real estate properties consists of the following mortgages payable, which are collateralized by the specific real estate properties:

	2013			2012		
	$	Interest rate %	Maturity date	$	Interest rate %	Maturity date
PFS GTA Industrial Inc.	88,000	5.19	May 2016	88,000	5.19	May 2016
PFS Retail Two Inc.	21,782	5.10	September 2015	-	-	-
PFS Industrial One Inc.	2,597	6.05	November 2014	2,692	6.05	November 2014
PFS Retail One Inc.	-	-		6,222	5.24	June 2013
	112,379			96,914		

The annual principal repayments due within the next five years and thereafter are as follows:

	$
2013	-
2014	3,162
2015	21,217
2016	88,000
2017 and thereafter	-
	112,379

Dividend income from real estate subsidiaries totalled $9.915 million (2012 - $7.38 million).

9 Net investment income

The following schedule summarizes investment income (loss) before and after allocation of net realized and unrealized gains (losses) on investments to asset classes:

	2013		2012	
	Before allocation $	After allocation $	Before allocation $	After allocation $
Fixed income				
Invested cash	459	459	443	443
Short-term money market securities	810	1,127	939	1,076
Canadian bonds	63,197	(60,112)	76,278	82,015
Non-Canadian bonds	4,667	2,563	4,745	10,807
Funds of hedge funds	-	24,821	-	4,935
	69,133	(31,142)	82,405	99,276

(tabular amounts in thousands of Canadian dollars)

	2013		2012	
	Before allocation $	After allocation $	Before allocation $	After allocation $
Equities				
Canadian	26,742	219,114	23,683	118,480
Non-Canadian	28,979	368,335	29,032	181,970
	55,721	587,449	52,715	300,450
Alternative investments				
Real estate	9,915	22,573	7,380	31,661
Infrastructure	-	17,789	-	5,150
Hedge fund secondaries	-	32,945	-	20,000
Private equity	-	17,215		
Investment income	134,769	646,829	142,500	456,537
Net realized gains on investments	45,347	-	106,251	-
Net change in unrealized gains (losses) on investments	466,713	-	207,786	-
Net increase in fair values of investments	512,060	-	314,037	-
	646,829	646,829	456,537	456,537

10 Investment and Plan administration expenses

Administration expenses, such as salaries and benefits, furniture and equipment, materials and supplies, accommodation and audit fees, are borne by the TTC and are, therefore, not included in these financial statements. The following summarizes the expenses paid by the Plan:

	2013 $	2012 $
Investment managers' fees	13,964	12,715
Custodial fees	561	494
Investment consultants' fees	535	738
Actuarial fees	460	640
Other plan administration expenses	434	307
Legal fees	410	310
	16,364	15,204

(tabular amounts in thousands of Canadian dollars)

11 Significant investments

a) Significant individual securities*

As at December 31, 2013, the Plan held no individual investments with fair value or cost exceeding 1% of the fair value or cost of the Plan's net assets (excludes pooled fund investments (note 11(c)) and alternative investments (note 8)).

b) Significant issuers*

The Plan has invested in the following issuers of fixed income and equity securities an amount that exceeds 1% of the fair value or cost of the Plan's net assets:

	2013		2012	
	Fair value $	Cost $	Fair value $	Cost $
Province of Ontario	59,040	60,846	54,938	51,014

*Excludes pooled fund investments (note 11(c)) and alternative investments (note 8).

c) Pooled fund investments

The Plan owns the following pooled fund investments as at December 31. The fair value of these pooled fund investments is included in the statement of financial position under the investment type to which they relate.

	2013		2012	
	Fair value $	Cost $	Fair value $	Cost $
Short-term money market securities				
PHN Institution Short-term Investment Fund	10,509	10,509	16,969	16,969
TDAM TD Emerald Canada Treasury	1,790	1,790	9,963	9,963
	12,299	12,299	26,932	26,932
Fixed income				
Canso Corp. & Infrastructure Debt	17,607	17,713	17,229	16,629
Canso Private Loan Fund	26,114	26,074	25,130	25,136
PHN Foreign Bond Fund, Series O	2,187	2,274	1,494	1,831
BlackRock Universe Bond Fund	237,469	237,496	250,564	238,031
BlackRock Long Bond Index Fund	418,518	400,870	448,339	383,053
PHN Long Bond Pension Trust	235,217	225,573	243,088	206,327

(tabular amounts in thousands of Canadian dollars)

	2013		2012	
	Fair value $	**Cost $**	**Fair value $**	**Cost $**
PHN Investment Grade Corp. Bond Trust	115,464	117,625	116,539	115,441
PHN Mortgage Pension Trust Fund	15,950	15,667	14,856	14,320
Crestline Offshore Fund, Ltd.	88,801	84,404	78,336	84,404
Mesirow Absolute Return Fund (Institutional)	99,428	84,404	84,992	84,404
PHN High Yield Bond Fund, Series O	9,252	9,145	7,995	7,825
	1,266,007	1,221,245	1,288,562	1,177,401
Non-Canadian equities				
Brandes International Equity Unit Trust	-		138,739	215,524
Harding Loevner Emerging Market Equity	119,770	115,943	-	-
Oaktree Capital Emerging Market Equity	54,187	52,454	-	-
	173,957	168,397	138,739	215,524
	1,452,263	1,401,941	1,454,233	1,419,857

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PFS BYLAW AMENDMENTS

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The following Bylaw amendments were approved by the Board since the last Annual General Meeting. For your reference any changes to the wording is shown with tracked changes which have been highlighted. These amendments have been filed with the Regulators and TTC Board sanction will be requested prior to the AGM. Membership approval of these Bylaws will be requested at the AGM.

The following Bylaw amendments were approved by the Board of Directors at their meeting of May 5, 2014. These Bylaw amendments are to implement the plan improvements effective January 1, 2014 for a three year update to the base period, a three year update to the Survivor Benefit Date and a 2% ad hoc indexing increase for pensioners.

6.02 PENSIONABLE EARNINGS

1) Average Base Period Earnings

Effective January 1, 201~~3~~4 for Members retiring on or after January 1, 201~~3~~4 pursuant to Bylaw 8 and effective May ~~8~~5, 201~~3~~4, for Members terminating on or after May ~~8~~5, 201~~3~~4 for the purposes of calculating the amount of Regular Member's pension for Credited Service accrued to December 31, 201~~0~~3, Average Base Period Earnings shall be the greater of:

(a) the average of the highest consecutive four calendar year's Pensionable Earnings prior to 201~~1~~4 and for this purpose two calendar years will be considered consecutive even if they include a temporary break in service; and

(b) the average of the highest four calendar year's Pensionable Earnings after December 31, 1985 and prior to 201~~1~~4.

A Member's Base Period shall mean the four years used for computing his or her Average Base Period Earnings. For a Member who does not have four calendar years of Pensionable Earnings prior to 201~~1~~4, the Member's Base Period shall be his or her total number of calendar years, including fractional years, of Pensionable Earnings prior to 201~~1~~4.

The YMPE used in the calculation of pension entitlements for the Base Period pursuant to Bylaw 9.01 and 9.04 shall be the YMPE under the Canada Pension Plan for each of the corresponding calendar years used in determining the Member's Average Base Period Earnings**,** or if the Member's Pensionable Earnings are less than the YMPE in a corresponding calendar year, the Member's Pensionable Earnings in that year.

9.01 NORMAL OR POSTPONED RETIREMENT PENSION

1) A Regular Member who retires pursuant to Bylaw 8.01 or 8.02 on or after January 1, 201~~3~~4, shall receive an annual amount of pension determined as the sum of:

(a) 1.6% of the Member's Average Base Period Earnings Below YMPE plus 2% of the Average Base Period Earnings Above YMPE,

multiplied by

the number of calendar years in the Member's Base Period divided by the number of years of Credited Service in the Member's Base Period,

multiplied by

the years of Credited Service accrued to December 31, 201~~0~~3; plus

(b) 1.6% of Pensionable Earnings Below the YMPE plus 2% of Pensionable Earnings above the YMPE for the period of Credited Service after December 31, 201–_; plus

(c) 0.4% of the Member's Average Base Period Earnings Below YMPE multiplied by the number of calendar years of Credited Service before 1987 during which the Member:

(i) was at least age 65 for the entire year; and

(ii) did not contribute any amount to the Canada pension Plan during the calendar year.

2) The total amount of pension payable to any Member under this Subsection shall not be less than the total amount of accrued pension payable to such Member in respect of years of service up to December 31, 201–_, determined in accordance with the Bylaws of the Society in effect as at December 31, 201–_.

3) Notwithstanding Bylaw 9.01(1), for each calendar year in which a Member is sick or injured and is credited with Pensionable Earnings pursuant to Bylaw 6.02 but not Contributory Earnings, the level of YMPE for purposes of Bylaw 9.01(1) shall be based on the YMPE in the year such sickness or injury was incurred or, if later, the year in which the Member's Pensionable Earnings ceased to be adjusted for general increases that are granted to all other employees in the Member's job class.

4) The annual pension of a Member who retires in accordance with Bylaw 8.01(2) and who:

(a) has Credited Service and Continuous Service which are each less than 30 years, and

(b) has age plus Continuous Service which equal less than 80 years

shall be multiplied by the early retirement factor applicable to the Member as of his or her pension commencement date shown in the Table of Early Retirement Factors adopted by the Board, and shall be further reduced if necessary so that the total reduction is at least that required under Bylaw 9.02(2).

13.02 AD HOC ADJUSTMENTS

1) Notwithstanding Bylaw 13.01, and subject to Bylaw 16.13 and Bylaw 13.02(2) and (3), pensions in the course of payment to Associate Members may be increased in accordance with this Bylaw 13.02. Increases approved by the Board shall be set out in Bylaw 13.02 and shall specify the effective date, the pensions to which the increase is applicable and the amount of the increase.

2) An increase under Bylaw 13.02(1) that applies to a pension which first becomes payable in the year prior to the effective date of the increase shall be the full increase multiplied by the ratio of the number of days for which the pension was payable to the total number of days in the corresponding calendar year.

3) Increases under Bylaw 13.02(1) shall be applied equally to pensions in the normal form or optional forms available to Members under Bylaw 10.

4) Effective January 1, 2011, pensions in the course of payment shall be increased by 2.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

5) Effective January 1, 2012, pensions in the course of payment shall be increased by 1.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

6) Effective January 1, 2013, pensions in the course of payment shall be increased by 2.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

7) Effective January 1, 2014, pensions in the course of payment shall be increased by 2%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

2 DEFINITIONS

(31) “Survivor Benefit Date” shall mean January 1, 201~~1~~4.

PENSION OFFICE CONTACTS

Mary Darakjian	Head of Pensions	416-393-3610	Email: mary.darakjian@ttc.ca
Cheryl Uroda	Director – Pension Administration	416-393-6816	Email: cheryl.uroda@ttc.ca
Jane Lee	Administrative Assistant	416-393-4372	Email: jane.lee@ttc.ca
Susan Munshaw	Pension Fund Administrator	416-393-2810	Email: susan.munshaw@ttc.ca
Helen Redmond	Supervisor – Pension Benefits	416-393-3685	Email: helen.redmond@ttc.ca
Andrea Ho Shue	Pension Benefits Specialist	416-393-3684	Email: andrea.hoshue@ttc.ca
Katelyn Steadman	Pension Estates & Estimates Assistant	416-393-4521	Email: katelyn.steadman@ttc.ca
Victoria Roger	Pension Payroll Clerk	416-393-2603	Email: TBD
Anna Puccia	Pension Officer – Retirees	416-393-4368	Email: anna.puccia@ttc.ca
Rita Monaco	Pension Estimates Assistant	416-393-4367	Email: rita.monaco@ttc.ca
James Clarkson	Director – Pension Accounting	416-393-6781	Email: james.clarkson@ttc.ca
Nicole Carrington	Senior Investment Analyst	416-393-4992	Email: nicole.carrington@ttc.ca
Johana Vigneswaran	Pension Investment Accounting Analyst	416-393-3260	Email: johana.vigneswaran@ttc.ca
Xiaofang (April) Liu	Pension Fund Accounting Analyst	416-393-6574	Email: xiaofang.liu@ttc.ca

Toll Free #: 1-800-663-6820

Fax #: 416-338-0122

E-mail: PFS@ttc.ca

While this Newsletter and Financial Statements are intended to provide information about your Pension Plan, they do not change or replace any of the provisions governing the Plan as stated in the Pension Fund Society Bylaws and Regulations.

A copy of the Pension Fund Society Bylaws is available for your information in the Supervisor's office at each work location, on the TTC intranet or by calling the Pension Office at 416-393-4372.

<u>Mailing Address:</u>

TORONTO TRANSIT COMMISSION
PENSION FUND SOCIETY
1920 Yonge Street
6th Floor (use north elevators)
Toronto, Ontario
M4S 3E2

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TORONTO TRANSIT COMMISSION

SICK BENEFIT ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013

TORONTO TRANSIT COMMISSION
SICK BENEFIT ASSOCIATION
SIXTY-EIGHTH ANNUAL REPORT - YEAR OF 2013

Board of Directors:

G. Piemontese - President
B. Kinnear - Vice-President
M. Darakjian - Treasurer
M. Sforza
P. Daniels
F. Grimaldi
S. Gordon
O. Kobylansky

J. Iorio - Secretary

To the Members of the Toronto Transit Commission Sick Benefit Association

Your Board of Directors is pleased to report to you on the affairs of the Association for the fiscal year ended December 31, 2013.

By-Law Amendments

Since the last Annual General Meeting By-law 1 Section 14(2) and Section 15(6) was amended.

Membership

At the beginning of 2013, membership for those eligible for sick benefits totaled 10,145. By the end of the year, membership had increased to 10,422.

Benefits and Claims

Benefit claims expenses (excluding payroll taxes) paid by the Toronto Transit Commission amounted to approximately \$25,800,000 in 2013 compared to \$26,300,000 in 2012. A total of 138,193 sick days were paid during 2013, compared to 140,976 in 2012 or decrease of 2,783 days from 2012.

The average cost to the Commission for providing Sick Benefit Association benefits (excluding payroll taxes) was approximately \$209 per Member per month in 2013, as compared to the average cost of approximately \$219 per Member per month in 2012.

During 2013, Members appealed a total of 164 claims to the Board.

Acknowledgements

The Board of Directors appreciates the co-operation and support of the Members and the Commission during the year of 2013.

G. Piemontese

Gemma Piemontese – President

May 5, 2014

Independent Auditor's Report

To the Board of Directors of the Toronto Transit Commission Sick Benefit Association

We have audited the accompanying financial statements of Toronto Transit Commission Sick Benefit Association, which comprise the statement of financial position as at December 31, 2013 and the statement of operations and accumulated surplus for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

pwc

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Transit Commission Sick Benefit Association as at December 31, 2013 and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

TORONTO TRANSIT COMMISSION
SICK BENEFIT ASSOCIATION
(incorporated under the laws of the Province of Ontario)

Statement of Financial Position
As at December 31, 2013, with comparative figures
(in Canadian dollars)

	December 31, 2013	December 31, 2012
FINANCIAL ASSETS		
Cash	65,420	-
Accounts receivable	56	11,298
Amount due from the Toronto Transit Commission (note 3)	2,501,656	3,264,193
Total Financial Assets	2,567,132	3,275,491
LIABILITIES AND ACCUMULATED SURPLUS		
Bank Overdraft	-	136,958
Accounts payable and accrued liabilities	-	421,401
Provision for outstanding claims (note 4)	-	275,000
Provision for payroll taxes (note 4)	2,475,000	2,350,000
Total Liabilities	2,475,000	
Net Assets	92,132	92,132
Accumulated Surplus	92,132	92,132

The accompanying notes are an integral part of these financial statements

On behalf of the Board:

G. Piemontese
Director

M. Darakjian
Director

TORONTO TRANSIT COMMISSION
SICK BENEFIT ASSOCIATION
(incorporated under the laws of the Province of Ontario)

Statement of Operations and Accumulated Surplus
For the year ended December 31, 2013, with comparative figures
(in Canadian dollars)

	2013 Budget	2013 Actual	2012 Actual
REVENUE			
Contributions from the Toronto Transit Commission		-	29,408,026
Interest income		486	17,636
Assumption of outstanding claims by TTC		275,000	-
Total Revenue	-	275,486	29,425,662
EXPENSES			
Sick benefit claims		6,622	29,421,918
Interest on payroll tax provision		125,000	-
Refund of contributions to TTC		142,192	-
Bank Fees		1,672	3,744
Total Expenses	-	275,486	29,425,662
Surplus for the year	-	-	-
Accumulated surplus, beginning of year	92,132	92,132	92,132
Accumulated Surplus, end of year	92,132	92,132	92,132

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

The Sick Benefit Association (the "Association") was incorporated in Ontario by Letters Patent dated December 29, 1960. The Association was established to adjudicate and pay benefit claims to eligible Members of the Association unable to work due to illness or disability, as defined in the By-Laws. Effective, January 1, 2013, in accordance with the Association's By-laws, the Toronto Transit Commission (the "TTC") elected to pay benefits directly to the Members. The Association continues to adjudicate benefit claims.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are prepared in accordance with Public Sector Accounting Standards.

A Statement of Change in Net Debt has not been presented as the Association does not have any non-financial assets and does not generate a surplus or deficit. Therefore, the presentation of a Statement of Change in Net Debt would not provide any information that could not be obtained from the Statement of Financial Position or the Statement of Operations and Accumulated Surplus.

(b) Measurement Uncertainty

The preparation of financial statements, in conformity with Public Sector Accounting Standards, requires management to make estimates and assumptions that affect the reported amounts. In particular the provision for outstanding claims is based on the best information available at the time of financial statement presentation, including trends from past experience. Actual amounts could differ from those estimates.

(c) Financial Instruments

The main categories of financial instruments held by the Association are cash and accounts receivable. Due to their short term nature, the fair values of these financial assets approximate their recorded carrying values.

(d) Cash

Cash consists of funds on deposit with a chartered bank, which are accessible at any time and are unrestricted.

(e) Revenue Recognition

Contributions from the TTC are recognized as revenue when the benefits are accrued by eligible members.

(f) Income Taxes

The Association is an employee mutual benefit society and as such is exempt from income tax under the *Income Tax Act* (Canada).

3. AMOUNT DUE FROM THE TORONTO TRANSIT COMMISSION

The amount due from the TTC is non-interest bearing and due on demand.

4. PROVISION FOR PAYROLL TAXES AND OUTSTANDING CLAIMS

The Association has recorded an amount payable to the Canada Revenue Agency based on Management's assessment of the outcome of a retrospective legal obligation to pay payroll taxes on claim payments for the period January 1 to July 21, 2012.

The Association recognizes claims expenses as incurred and has recorded an estimate of claims paid after the year-end for absences occurring prior to year-end. As most claims are submitted shortly after the related absence, management derives this estimate by analyzing actual claims paid after year-end and estimating an amount for late claims based on historical experience. However, effective, January 1, 2013, in accordance with the Association's By-laws, the TTC elected to pay benefits directly to the Members. Accordingly, the TTC assumed the obligation for outstanding claims and no provision for outstanding claims was made in the accounts for the Association in 2013.

5. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented as the related information is readily apparent from the other financial statements. All cash flows are classified as operating in nature.

SBA BYLAW AMENDMENTS

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The following Bylaw amendments were approved by the SBA Board since the last Annual General Meeting. For your reference any changes to the wording is shown with track changes which have been highlighted. These amendments have been sanctioned by the TTC Board on March 26, 2014. Membership approval of the Bylaw will be requested at the AGM.

By-law 1, Section 14 (2) was amended to stipulate audited financial statements will be prepared if required by law as this change will result in more simplified SBA financial reporting.

SECTION 14 - FINANCIAL YEAR AND AUDIT

(1) The financial year end of the Association shall be December 31st. of each year, or any other date from time to time adopted by the Board.

(2) If required by law, at the end of each year and at such other times as the Board or the Commission may determine, the books and accounts of the Association shall be audited by an independent firm of Chartered Accountants, to be recommended by the Board and appointed at the Annual General Meeting, subject to the approval of the Commission. An annual statement of the fund, with the Auditor's report thereon, shall be prepared by the officers of the Association and shall be sent to each Member and the Commission, or published in the Coupler.

(3) Notwithstanding By-law No.1, Section 14(1) (2), the Board may, in the event of resignation of the incumbent auditors, appoint an alternate auditor on an interim basis, subject to ratification by the Membership at the next special or Annual General Meeting and approval by the Commission.

By-law 1 Section, 15 (6) was added to allow the TTC to pay benefits and/or claims directly to SBA members; and

Section 15 -PAYMENT OF CLAIMS

(1) All applications for payment of benefits provided by the by-laws of the Association shall be made by the Members on the proper forms of the Association and forwarded to the Secretary.

(2) All applications to the Association for payment of benefits shall be made within 60 calendar days of the date when the event giving rise to the claim first occurred. Failure to file an application within the required time shall not be a bar to payment by the Association, if in the opinion of the Board, the delay was beyond the control of the Member.

Subject to By-Law 4, Section 1 (1) where the Workplace Safety and Insurance Board does not render a decision within 60 calendar days from the date of an application with respect to payment of an occupational injury or an award for compensation, the Member may make an application for payment of benefits from the Association in the form of advances.

Effective April 15, 2005

(3) Where a Member desires payment of the amount of any benefit or benefits to some person other than the Member, the Member must provide the Association with written authority to make such payment or payments.

(4) Where a certificate of disability is required by the Association, such certificate shall be signed by the attending physician and shall be forwarded by the Member to the Secretary. In the case of application for sick benefits, such will be paid automatically every two weeks, during the period that the Member's physician estimates disability, provided disability continues and until it is apparent that a further medical certificate is required to prove continuing disability.

(5) No payment of any benefit provided for under the By-laws of the Association will be made where the event giving rise to the claim for such benefit occurred prior to the effective date of the By-Law under which such claim is made.

(6) Notwithstanding anything to the contrary in the By-laws of the Association, the Commission may elect to pay benefits and/or claims directly to Members in which case the Association shall not be responsible for payments to Members and the Commission shall not be responsible to contribute to the Fund.

Toronto Transit Commission

FROM THE COUPLER

TheCoupler.ca

2013 IN REVIEW

January 1: New fare rates take effect.

January 13: A new suite of customer information tools for bus stop and shelters was rolled out as a trial on the 94 Wellesley route.

January 21: Commissioners voted to rename the future streetcar maintenance and storage facility, being built at Leslie Street and Lake Shore Boulevard, to *The Leslie Barns*.

February 1: Luggage racks debut on all buses operating on the 192 Airport Rocket.

February 25: TTC Chair Karen Stintz congratulated the TTC, and the City of Toronto, on receiving a Sustainable Communities Award from the Federation of Canadian Municipalities for the Victoria Park Station modernization project.

February 28: TTC Chair Karen Stintz and CEO Andy Byford officially launched the TTC's first-ever Customer Charter at Bloor-Yonge Station. Its focus: cleanliness, better information, improved responsiveness, more accessible and modern, and the renewal of vehicles; in total, 31 time-bound commitments for 2013.

March 5: TBM Moley breaks through Allen Road extraction shaft marking the completion of the southern tunnels.

March 15: The first time the TTC's new accessible streetcar appeared on Bathurst was a test run of #4400 in the early morning hours.

March 27: Commissioners approved a contract amendment worth $119.4 million to Nova Bus for the purchase of an additional 126 articulated, low-floor, clean-diesel buses for delivery starting in 2014.

March 31: The TTC's vintage PCC and Peter Witt streetcars made their annual appearance in the Toronto Beaches Lions Easter Parade.

April 1: The TTC announced via You Tube a new customer service initiative called the personal car. April Fool's!

April 18: TTC Chair Karen Stintz and CEO Andy Byford officially introduce the TTC's six new Group Station Managers at Victoria Park Station: Bo Koch, Cameron Penman, Shelley Pickford, Michael Sosedov, Ellen Stassen and Eve Wiggins.

May 2: Five TTC employees received awards from EMS for providing CPR and life-saving medical care: Eglinton Operators Justin Irving, Bernhard Derksen and Romani Bolis and Transit Enforcement Officers Max Axmith and Trevor Timbrell.

May 29: CEO Andy Byford unveiled the Five-Year Corporate Plan to transforms and modernizes the TTC to become a transit system that makes Toronto proud. Its strategic objectives: safety, customer, people, assets, growth, financial sustainability and reputation.

June 5: The TTC and Corby Distilleries Ltd. announced a new, three-year partnership to sponsor free New Year's Eve rides in 2013, 2014 and 2015.

June 13: TBM *Torkie* breaks through Steeles Avenue West extraction shaft on the Spadina Subway Extension.

June 14: TBM *Yorkie* breaks through Steeles Avenue West extraction shaft on the Spadina Subway Extension.

June 18: The TTC and Distress Centres extended an agreement that will see the Crisis Link suicide prevention program continue through to July 31, 2018.

July 7: Major flooding hit Toronto, closing portions of the subway. Full service was restored to Kipling Station on July 10.

July 17: After two days of debate, Toronto City Council voted 28-16 to replace the Scarborough RT conversion and extension to LRT with a subway extension from Kennedy Station to Scarborough Centre.

July 18: The TTC's first low-floor, articulated bus #9000 arrived on property at Wilson Garage from Nova Bus in St. Eustache, Quebec.

July 23: Test car #4401 was taken out for a daytime, media-preview ride on Bathurst Street.

July 24: Commissioners approved the New Streetcar Implementation Plan, and life-extension of 105 CLRV streetcars.

July 24: Commissioners approved the renaming of the subway station under construction at Steeles Avenue West and Northwest Gate to Pioneer Village Station.

August 7: CEO Andy Byford kicks off his Employee Town Halls, starting at Danforth Division, to promote the TTC Five-Year Corporate Plan.

August 10-11: The TTC executed its largest-ever subway closure as crews conducted major work to upgrade the signal system on the entire "U" portion of the Yonge-University-Spadina Subway, from Bloor through to St George.

August 19-30: Pape Station was closed for 12 consecutive days, as favoured by the surrounding community, in order to speed up construction and modernization work.

September 11: The TTC won an Urban Design Award from the City of Toronto for its work on the Victoria Park Bus Terminal Replacement.

September 25: The Board approved the TTC's business plan for Special Constable status for Transit Enforcement Officers.

September 25: The Board voted to support the Scarborough subway alignment along the McCowan Road corridor, through Scarborough City Centre and north to Sheppard Avenue East.

October 7: TBM *Yorkie* broke through Highway 7 extraction shaft on the Spadina Subway Extension.

October 3: TTC Chair Karen Stintz and CEO Andy Byford and Deputy Mayor Norm Kelly officially introduced the TTC's first new low-floor, clean-diesel articulated bus #9000.

October 21: The TTC released its report on the tragic workplace death of Roadmaster Peter Pavlovski near Yorkdale Station.

October 31: Pape Station elevators enter service, making the station the TTC's 32nd accessible subway/rt station.

November 8: TBM *Torkie* broke through Highway 7 extraction shaft, marking the completion of all tunneling required the extension of the Spadina Subway Extension.

November 11: CEO Andy Byford and Local 113 Executive Board Member Phil Horgan laid a wreath in front of the Old City Hall Cenotaph during Remembrance Day ceremonies.

November 21: The TTC held a Customer Town Hall at Toronto City Hall.

December 31/January 1, 2014: The TTC offered free New Year's Eve rides and extended service in the subway and on most service routes, courtesy of Corby Distilleries Ltd.

Please visit the TheCoupler.ca for ongoing TTC news and information. Employees and pensioners can also sign

IN MEMORIAM

The TTC Board and management extend its deepest sympathies to the families of pensioners and active employees who passed away in 2013.

OKTAY AKSAN
RIAN ANDERSON
NATALE ANGIULLI
PHIL ASTBURY
ROBERT AYERS
LAWRENCE BABINEAU
ALEXSANDER BARTOSZKO
MICHELLE BEDWARD
JOAN BELL
IVO BISCHOF
CHARLIE BLACK
RENATO BOCCITTO
FRANCIS BOSSENCE
JOHN BRADLEY
MICHAEL BRIDGEMAN
JOSEPH BROWN
DONATO BURDO
ANTHONY CAPPUCCIO
ARMANDO DIBELLO
JOHN DIBIASE
IVAN DINGLE
NICOLA DI RENZO
WILMER DUECK
RENE DUMAS
FRANK DVORAK
LAMBERT EATON
DONALD ELLIOTT
MARION EROS
JOHN ETHIER
RUSSELL EWLES
DAVID FAIRWEATHER
ALEX FEDOROWYCZ
ANTONIO FERRONE
GERALD FICE
DAVID FLEWELLING
ROBERT FOUNTAIN
JOSEPH FROST
HERMINIO GALEZ
ALEX GARDEN
JOHN KEARNEY
THOMAS KELSIE
NAZZARENO LACARIA
GEORGE LAIRD
MATHEW LAMONT
EDWARD LANSDOWN
JACK LAVERY
ANTHONY LOCILENTO

THEODORE CARLISLE
JASON CATE
DONATO CELLUCCI
JOHN CERNOWSKI
TIBERIO CERQUA
KELLY CHEUNG
FRANK CHIRCOP
IRENO CIANFARANI
GERALD CLAYSON
JOHN COCHRANE
DARRELL COLLETT
THOMAS CONNOLLY
JOSEPH CORBEIL
ROCCO CORNACCHIA
LAWRENCE COX
PATRICK CRONIN
NICOLA CUIURI
VITTORIO D’ANGELO
GEORGE GASTON
LOUIS GEORGIADIS
GEORGE GEORGIEFF
ANGEL GOMEZ
VINCENZO GRILLONE
WILLIAM GRINNELL
WILLIAM HASLER
LEE HEYWOOD
LOUIS HICKEY
DON HILL
FREEMAN HOLMES
JENS HOLST
KENDALL HYDE
NICOLA IANNELLI
NAZIR JAMAL
ROBERT JENSEN
SHIRAZ JIWA
RONALD JOHNSON
BRUCE JOHNSTONE
ALLAN JONES
CHESTER KASSALIK
PATRICK MCCANN
JAMES MCGRATH
JAMES MCGUFFIN
ALAN MCLELLAN
GORDON MCPHIE
JOHN MENDONCA
DONALD MERRIMEN
CLIFFORD MEVAL

FRANK LOCK
LESLIE LOGAN
BERNARD LONGSWORTH
GUY LOVEYS
JOHN MACDONALD
ANGUS MACFARLANE
KENNETH MACLEOD
CHARLES MACMILLAN
JOHN MAGEE
MAUREEN MAGEE
JAMES MASSON
THOMAS MCCABE
JAMES MCCAFFREY
GRAHAM PAGE
ROBERT PALMER
GEORGE PARSONS
JOHN PARSONS
ALVIN PAUL
RAYMOND PEDDLE
ELGIN PEPPIN
DOUGLAS PERKINS
ARTHUR PERRY
JOSEPH PERRY
GERALD PETERS
ROBERT PICARAZZI
ALAUDIN PIRANI
MICHAEL PLESE
STANLEY PORTLOCK
KENNETH POSTLES
DAVID PRESLEY
CHARLES PRICE
WALTER PYLYP
ALEC RALPH
JOHN RISSIS
GEORGE SPICER
FRANK STABILE
STAN STANLEY
ROBERT STEWART
LUIS TAIPE
MICHAEL TAKOFF
ALBERT TAYLOR
KENT TAYLOR
ALBERT TILL
JOHN TRESCAK
GEORGE TRIPP
NORMAN TUCKER
ROBERT TUCKER
SEBASTIAN VALVO
FRANK VANVUGT
GIUSEPPE VETRO
GEORGE MICHALITSIANOS
ROBERT MILLIKEN
JOSEPH MIKLOSI
BOYD MILBURY
GORDON MILLER
LIVINGSTON MITCHELL
BARBARA MORROW
ARMAND MOUSSEAU
GEORGE NEILL
WILLIAM O'BRIEN
BRIAN O'NEILL
GERALD O'REILLY
WILLIAM OSTER
WILLIAM ROBINSON
COLBURN ROSARIO
ELEANOR RUELENS
SHANTHY RUPASINGHA
RICHARD RUTH
FRANCES SAITO
LISA SAGE
HAROLD SANDERSON
WERNER SCHAIBLE
JOHN SCHMUCK
WALTER SCHULZ
WARREN SCOTTWOOD
JOHN SEMBRAT
SHIRLEY SILLS
FRANK SIMEONE
JOHN SIMPSON
CHRIS SIOPIS
MYKOLA SKYBA
JOHN SMITH
WILLIAM SMITH
JOHN SPEARS
WALTER VINCE
GOWER WALLBANK
HANS WERDEKKER
RAYMOND WHISTON
CLAYTON WHITE
GORDON WILCOX
ALBERT WILLIAMS
NORMAN WILSON
KURT WITT
NORMAN WRIGHT
JOHN YORK
GEORGE YOUNG
JOSEPH ZAHRA
JOE ZERAFA
HENDRIK ZWAAN