STAFF REPORT
INFORMATION ONLY

TTC Pension Fund Society 2016 Annual General Meeting Newsletter

Date:	May 31, 2016
To:	TTC Board
From:	Chief Executive Officer

Summary

The attached 2016 Annual General Meeting Newsletter is submitted for the information of the TTC Board, as the TTC sanctions the Pension Fund Society (PFS) and Sick Benefit Association (SBA) Bylaw amendments contained therein.

Financial Summary

There are no financial implications resulting from the adoption of this report.

Accessibility/Equity Matters

This report has no accessibility or equity issues.

Decision History

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.

Issue Background

The PFS was established through collective bargaining and incorporated on January 3, 1940 to provide retirement benefits for Toronto's transit employees. The PFS pension plan is administered by a Board, consisting of five Directors appointed by the Toronto Transit Commission and five Directors who are ex officio members of the Amalgamated Transit Union Local 113 executive. The Directors are also contributing members of the plan, which promotes a strong alignment of interest with the plan members. The PFS Board of Directors review, monitor and make decisions on the administration of the plan benefits and investments within tolerable risk parameters. To fulfill this responsibility, the Board delegates the day-to-day management of operations to the PFS Officers and Staff and hires professional investment managers, consultants, actuarial and legal counsel to advise them.

Effective January 1, 2011, pursuant to the Memorandum of Agreement between the Toronto Transit Commission and the Amalgamated Transit Union Local 113, 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 (OP Trust) and Colleges of Applied Arts and Technology Pension Plan.

The PFS is a defined benefit, multi-employer pension plan. It covers substantially all employees of the TTC and ATU (the employers) who have completed six months of continuous service. Contributions are made into the plan by members and matched dollar for dollar by their employer. The Contribution rate is 9.25% up to the Yearly Maximum Pensionable Earnings (YMPE) and 10.85% above YMPE. The YMPE for 2015 was $53,600. It is worth noting that the PFS contribution rates have remained at this level since 2011 and is among the lowest of other Ontario JSPPs.

The plan is registered with the Financial Services Commission of Ontario and is subject to regulation under the Ontario Pension Benefits Act and the Income Tax Act (registration number 0317586).

As at December 31, 2015, the PFS had approximately 13,686 active members and 7,699 pensioners and net assets of $5.8 billion. The PFS plan design supports equal cost and risk sharing between employees and employers. Unlike typical final average earnings 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 only when, and to the degree that, they are deemed actuarially affordable. Each year the PFS Actuary prepares very detailed analyses of the plan's funded status which guides the Directors in their decisions regarding the affordability of indexing of pensions in payment, providing updates to the base period and other plan improvements. This model has allowed the plan administrator to contain costs during unfavourable market conditions by foregoing base period updates and indexing, as was the case during the period between 2008 and 2010. The funded status of the plan on a going concern basis has always been strong and stable. On May 6, 2016, the PFS Board of Directors approved certain Bylaw amendments to effect Plan improvements. These Bylaw amendments are included in the appended Newsletter.

The TTC Sick Benefit Association was incorporated in 1960 and provides benefits to approximately 10,800 unionized members each year.

Contact

Sean Hewitt
TTC PFS Chief Executive Officer
416-393-3610
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Attachments

2016 Annual General Meeting Newsletter

TORONTO
TRANSIT COMMISSION
PENSION
FUND SOCIETY

2016 Annual General Meeting Newsletter

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ABOUT THE TTC PENSION FUND SOCIETY LOGO

Our logo depicts a tree rooted in the word PENSION symbolizing 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 18, 2016
Manulife Financial, 200 Bloor Street East, South Tower Main,
Conference Centre, International Room A/B/C

Directions to 200 Bloor Street East:

via TTC: located between Yonge/Bloor and Sherbourne stations on the Bloor/Danforth line, the Manulife Financial building is on the north side of Bloor Street between Church Street and Jarvis Street/Ted Rogers Way.

Driving/Parking: from DVP, take the Bayview/Bloor St East exit to Jarvis Street; from Gardiner, take the Jarvis Street exit to Bloor Street. There is paid parking available underground at the building at Bloor St and Jarvis Street/Ted Rogers Way.

The main entrance to 200 Bloor Street East will be locked; the entrance to the building for the Annual Meetings is located at the west side of the building, accessed on St. Paul's Square.

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, will be in attendance to answer any questions that Members and Associate Members may have.

Please bring your TTC transportation pass for access to the building, as well as for distribution of voting cards.

PFS Board of Directors:

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

PFS Board Observers:

Megan MacRae
Frank Malta

PFS CEO:

Sean Hewitt – Chief Executive Officer

PFS Officers:

James Clarkson – Treasurer
Cheryl Uroda – Corporate Secretary

PFS Advisors:

Actuary: Mercer (Canada) Limited, represented by Scott Clausen
Auditor: PricewaterhouseCoopers, represented by Steven M. Wilson
Financial Advisor: James A. Knowles Inc., represented by Jim Knowles

SBA Board of Directors:

Gemma Piemontese – President
Bob Kinnear – Vice-President
James Clarkson – Treasurer
Bill Chrisp
Pat Daniels
Scott Gordon
Frank Grimaldi
Orest Kobylansky

SBA Officer:

John Iorio – Secretary

TO THE MEMBERS OF THE TTC PENSION FUND SOCIETY

Your Board of Directors is pleased to report to you the results of the Toronto Transit Commission Pension Fund Society (PFS) for the year ending December 31, 2015. It is indeed an exciting time for the PFS, which enjoyed another year of positive financial performance in this, the 76th year of operations.

The Society represents over 21,000 Members across active employees and pensioners. The Pension Fund continues to be in a robust financial position with a record $5.8 billion which has been built with strong investment returns based on a thoughtful and prudent long-term approach. Our Mission is to fulfil our pension promise to you, which is to provide a secure lifetime retirement benefit.

We encourage you to join us at the Annual General Meeting on Saturday, June 18th when we present the 2015 Audited Financial Statements and other important information. The Annual General Meeting is an excellent opportunity to ask questions or voice concerns with the PFS Board of Directors, Staff, and Advisors. We greatly value the feedback that we receive from our Members and strive to serve you better each and every day.

INTRODUCING THE PENSION FUND SOCIETY CHIEF EXECUTIVE OFFICER

With the strong growth in Plan assets and continued rise in Plan Membership, the Board of Directors sought to hire an independent Chief Executive Officer (CEO). The CEO reports directly to the PFS Board of Directors and will be responsible for the day-to-day management of the PFS's operations. This is a prudent step that further strengthens our already strong governance structure which will serve our Members long into the future. After a rigorous search for suitable candidates, the Board of Directors is pleased to introduce our new CEO, Sean Hewitt, who started at the Pension Fund Society on April 15, 2016. Previously Sean worked as Director, Pension Assets, at Canadian Pacific Railway based in Calgary, where he was responsible for investment strategy for Canadian Pacific's $12 billion pension plan.

YEAR IN REVIEW

Investments returned 5.8% after fees in 2015, resulting in a $311 million increase in net assets. Over the past five years the investment portfolio has returned over 9% per annum after fees.

On April 8, 2015, our on-line pension estimator tool was successfully launched. The tool, which allows Members to calculate and project retirement benefits, has had nearly 6,000 log-ins since it has been implemented. Feedback on the tool has been positive from Members.

During the year, an independent review of our internal controls was performed by PricewaterhouseCoopers LLP. The review concluded that the PFS had a robust set of internal controls over financial reporting and that there were no significant gaps in existing business processes. PFS staff will continue to review our internal processes throughout 2016 and will report back to the Board of Directors on any areas for improvement.

PLAN IMPROVEMENTS

We are very pleased to advise that, after careful consideration, the Board was able to approve a one year base period update and our pensioners will receive an increase of 1.28% in their pensions effective January 1, 2016. Active Members, and 2016 retirees, will now have their pensionable earnings and credited service up to December 31, 2015 included in the base period for calculation of the pension benefit. Since 2011, the Plan has been able to afford steady increases to the base period which has been fully up-to-date for three consecutive years. This is a noteworthy accomplishment, however, as a reminder, there is no contractual obligation to provide benefit improvements. As you know, on an annual basis, the Board assesses affordability of benefit improvements, including pension indexing, and grants them at their discretion. Future enhancements are not guaranteed.

ACKNOWLEDGEMENT

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

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

Seated, L-R: Michael Roche, Kevin Morton, Sean Hewitt, Bob Kinnear, Gemma Piemontese, Bill Chrisp

Standing, L-R: Vincent Rodo, James Clarkson, Orest Kobylansky, Frank Grimaldi, Frank Malta, Brian Leck, Cheryl Uroda, Scott Gordon

Absent: Megan MacRae

Financial Highlights and Key Statistics

Net assets available for benefits was $5.8 billion at year end, an increase of $311 million from December 31, 2014. The Plan's asset value has been trending upward since 2008 despite ongoing volatility in the investment markets. Since 2008, plan assets have nearly doubled from $3.0 billion to $5.8 billion.

Change in Net Assets Available for Benefits	**2015**	2014
Net Assets – beginning of the year	**5,498**	4,904
Investment income	**351**	621
Contributions received	**216**	207
Benefits paid	**(239)**	(216)
Expenses paid	**(17)**	(18)
Net Assets – end of the year	**5,809**	5,498

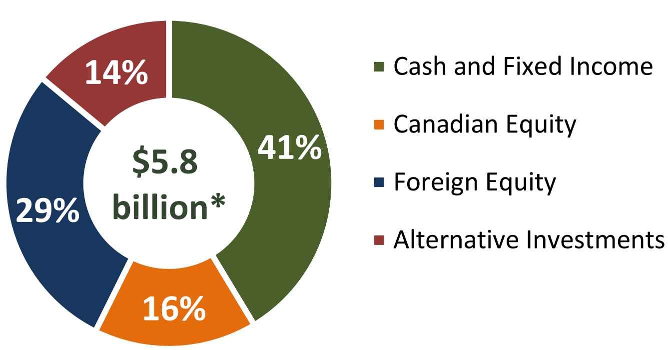
In 2015, contributions received from employers and employees totalled $216 million, nearly covering the benefits paid out of the Plan. Over the next several years, we expect that the benefits paid will continue to exceed the contributions received, which is typical of a mature plan. The Board pays careful attention to the relationship between contributions received and the benefits paid when developing the long-term strategy of the fund as reflected in the Statement of Investment Policies and Procedures discussed below.

The investment and plan administration expenses are very reasonable. Total expenses decreased by $1 million in 2015 relative to the previous year, and has decreased when expressed as a percentage of the Plan's net asset value from 0.34% in 2014 to 0.30% in 2015. Efficiency, cost effectiveness, and prudence are core values of the Plan.

Management of Investments

The investments are managed in accordance with the Statement of Investment Policies and Procedures (the Investment Policy). The Investment Policy is reviewed, updated and approved by the Board annually. It sets objectives, guidelines and standards to assist the Plan's staff, investment managers and advisors to carry out the directives set by the Board.

Investment Portfolio



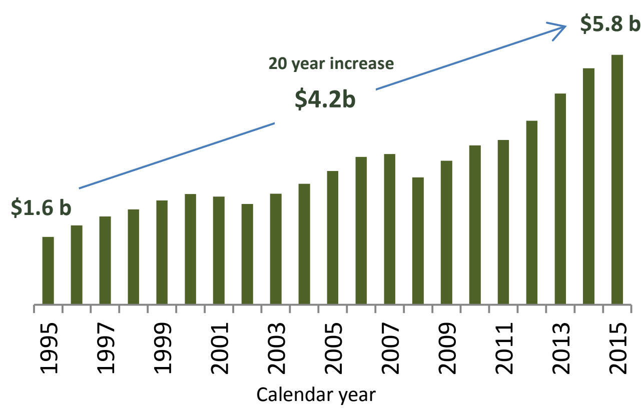
*As of December 31, 2015

The Investment Policy provides a framework for managing the Plan's assets in relation to its pension liability, within a tolerable level of risk. The investment portfolio, constructed in accordance with the investment policy is diversified across cash and fixed income investments, equity investments, and alternative investments including real estate, infrastructure, hedge funds, private debt and private equity.

The Policy also provides a long-term asset mix, that is expected to achieve the Plan's investment objectives, while maintaining an acceptable degree of risk. The transition to the long-term asset mix will take a strategic and methodical approach spread over many years. The Plan took several steps to move closer to the long-term mix in 2015 and 2016, which included material additions to its real estate and infrastructure exposure, and a reduction in equity investments held. It is expected that these changes will reduce asset volatility, reduce risk and ensure that long-term growth is achieved in a stable, consistent manner.

The primary investment objective is to grow the assets more than the pension liability. This improves the Plan's overall financial condition as measured by the Plan's funded status. When the funded status improves, the ability to provide a base period update and pension indexing also improves. These improvements are not guaranteed and are only granted if affordable, which is determined based on the Plan's funded status.

INVESTMENT PORTFOLIO HISTORY & PERFORMANCE



Pension Fund Growth over 20 years

January 1996 Value	**$1.6b**
20 year Contributions	+$2.3b
20 year Payments to pensioners	($2.8b)
20 year Investment Return (net of fees)	+$4.7b
December 2015 Value	**$5.8b**

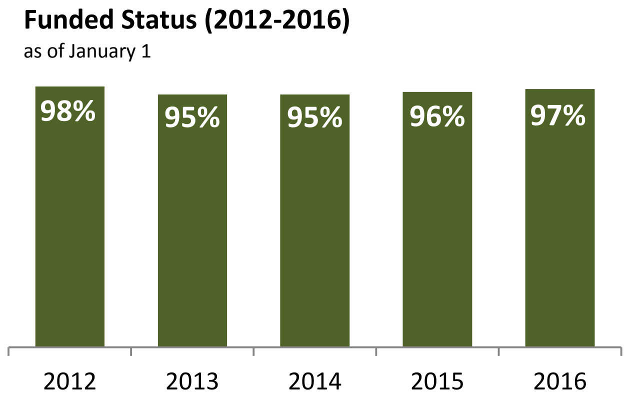
	1 years	5 years	10 Years	20 years
Annualized Investment Return (After Fees)	5.8%	9.3%	6.7%	7.9%

Since 2008, Plan assets have nearly doubled from $3.0 billion to $5.8 billion, and have grown by over $4 billion over the last 20 years. The growth in Plan assets have been driven by positive investment returns, which have earned 7.9% per annum after fees per year over the last 20 years. This reflects the value of adopting a long-term approach to managing the Plan.

FUNDED STATUS

The strength of the PFS plan design hinges on equal risk sharing by employers and employees. This has proven to work reliably. 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.

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 element to the very important annual decision regarding plan improvements. The affordability of Plan improvements cannot reliably be predicted based solely on prevailing investment market conditions or other simplified considerations. 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 funded status at January 1, 2016 is estimated to be 97% and has remained strong over the past several years. This funded status reflects the costs of the Plan improvements approved by the PFS Board of Directors each year including the benefit changes approved in 2016.

In determining the level of benefits and contribution rates, the Board is bound by the PFS Bylaws and the Sponsors' Agreement.

The PFS Bylaws and Sponsors' Agreement prescribe contribution rate limits. Board approval of contribution rates outside the prescribed limits would require the Plan Sponsors' prior agreement. There are no anticipated contribution rate changes at this time.

The Board is also guided by a formal Funding Policy which helps to establish certain assumptions, methods and objectives that the Plan Actuary uses to prepare the annual valuation.

BENEFIT CHANGES APPROVED BY THE BOARD

Benefit changes are approved by the PFS Board of Directors only when and to the degree that they are deemed actuarially affordable after consultation with the Plan's Actuary and careful consideration of long-term pension benefit affordability.

In May 2016, the Board concluded its final meeting of the year with the Plan Actuary and after extensive analysis and discussions was able to approve the following changes in Plan benefits:

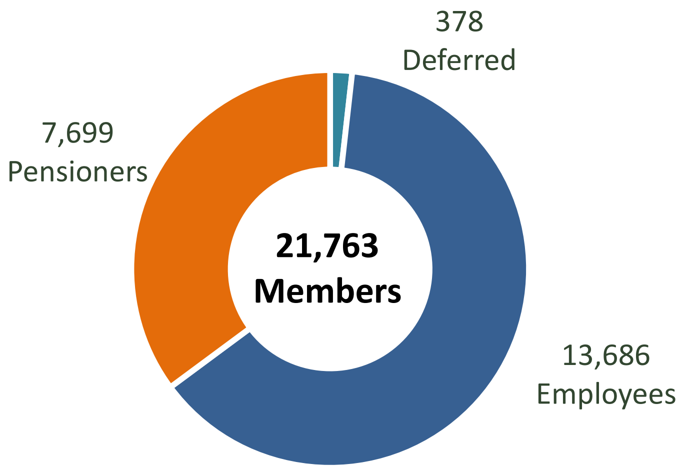
- Pensioners will receive an ad hoc cost of living increase of 1.28% effective January 1, 2016;
- Effective January 1, 2016, the base period formula for calculating pension benefits will be the average of employees' best four years of pensionable earnings up to December 31, 2015; and
- In lock-step with this formula update, the survivor benefit date will be January 1, 2016.

For those who retired after January 1, 2016, a retroactive lump-sum payment reflecting the updated base year period will be made in the third quarter of 2016. In addition, for those that retired prior to 2016, a lump sum payment for the ad-hoc cost of living increase will also be provided to those that are eligible.

Under the PFS Plan design, the resulting January 1, 2016 actuarial valuation will have to be filed with regulators by September 30, 2016.

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.

MEMBERSHIP STATISTICS AS OF DECEMBER 31, 2015



Average Age at Retirement

60.2

Average Age of Pensioners

71.0

Ratio of Employees/Pensioners

1.8

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Employees	13,686	13,237	13,013	12,767	12,690	12,572	12,400	11,681	11,241	10,896
Pensioners	7,699	7,375	7,092	6,824	6,562	6,300	6,134	6,018	5,863	5,722
Deferred vested	378	374	354	339	301	289	276	266	278	257
Total Membership	**21,763**	**20,986**	**20,459**	**19,930**	**19,553**	**19,161**	**18,810**	**17,965**	**17,382**	**16,875**

PENSION ADMINISTRATION STATISTICS AND TRENDS AT A GLANCE

	2015	2014	2013	2012	2011	2010
Pre-Retirement Seminar Attendees	465	293	436	0	379	448
Pension Estimates	1,610	1,872	1,942	1,513	1,992	1,653
Refunds Processed	92	83	95	109	81	74
Retirements	431	443	409	384	377	299

2016 PRE-RETIREMENT SEMINARS

If you have never applied to attend a pre-retirement seminar and you would like to add your name to the waiting list, the qualification to do so is either 40 years of age *or* 10 years of service. All we need to register you is your name, employee number, work location and whether your spouse/partner is interested in attending the seminar with you.

This year, the seminars will be held at the Radisson Hotel Toronto East, 55 Hallcrown Place. The seminars are two full days with lunch included and they provide information regarding your TTC pension Plan, health benefits and life insurance available upon retirement, financial planning, budget and debt management, RRSP information, tax planning and estate planning. Attendance is limited to one time only and we believe the information provided is most beneficial to those employees who are approximately 10-15 years away from their retirement. The fall 2016 seminar dates are: October 13 & 14 and October 27 & 28.

To apply to attend a seminar, you can complete an application form #803970 at your work location or on the intranet, email us at PFS@ttc.ca or call us at 416-393-4367 or 416-393-4368.

Please be advised your name must be on the master waiting list to be eligible to attend. Your work location selects who attends based on date of application and availability. Once selected, the Pension Office will forward a confirmation letter to you indicating the date of your attendance including location and other details.

PENSION ESTIMATOR

The PFS provides an online tool that allows Members to prepare their own pension estimates in the comfort of their home any time, any day.

TTC employees can calculate their estimates by accessing the Pension Estimator through the PFS Intranet (internal website) or via TheCoupler.ca that appears at the bottom of the home page.

The Pension Estimator lets you calculate as many estimates as you wish. Try out different scenarios to see the changes in your results. We recommend that you use the information provided to you in your most recent Annual Entitlement Statement to simplify your data entry and increase your accuracy. The Statement provides a comprehensive summary of your Membership, including annual earnings and pensionable service – two important factors that form the basis of your pension entitlement.

We encourage you to first watch the estimator tutorial to help you navigate through the process.

As always, the Pension Office is here to assist you with any questions you have. If you can't find your most recent Annual Entitlement Statement, just e-mail us at pfs@ttc.ca.

It's as easy as **1, 2, 3** - or should we say **INPUT, OUTLOOK, RESULTS**!

AGE 71 MEMBERS

If you are a Member of the TTC Pension Fund Society (PFS) and you are approaching age 71, you should be aware that the Income Tax Act and the Bylaws of the PFS requires that your pension entitlement commence no later than the end of the calendar year in which you achieve your 71st birthday. This means that your benefit accrual must cease, i.e. you can no longer make contributions to the PFS. You will then become an Associate Member (pensioner) of the PFS and start receiving your pension entitlement. You should also be aware that in the Province of Ontario there is no mandatory retirement; therefore, you can choose to continue working beyond age 71. The pension office will communicate this information to you at the beginning of the year in which your 71st birthday falls.

TORONTO TRANSIT COMMISSION - PENSION FUND SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND DECEMBER 31, 2014

(IN THOUSANDS OF CANADIAN DOLLARS)

MERCER
MAKE TOMORROW, TODAY

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, 2015, 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, 2015, supplied by the Society and used to extrapolate valuation results to December 31, 2015,
- 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, 2015, 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 2015, 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.

Scott Clausen

Scott Clausen
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
May 6, 2016

Karen E. Koop

Karen E. Koop
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
May 6, 2016

May 6, 2016

Independent Auditor's Report

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

We have audited the accompanying financial statements of Toronto Transit Commission Pension Fund Society, which comprise the statement of financial position as at December 31, 2015 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 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

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2015 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 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, 2015

(in thousands of Canadian dollars)

	2015 $	2014 $
Assets		
Cash	4,375	3,996
Investments (note 3)	6,131,298	5,737,256
Investment-related receivables (note 3)	17,734	40,845
Contributions receivable		
Members	15,101	13,982
Employers	2,002	1,232
Other assets	1,092	1,127
	6,171,602	5,798,438
Liabilities		
Investment-related liabilities (note 3)	346,453	286,198
Other liabilities (note 6)	15,236	13,705
	361,689	299,903
Net Assets Available for Benefits	5,809,913	5,498,535
Pension benefit obligation (note 7)	5,024,589	4,595,935
Surplus	785,324	902,600

B. Kinnear

Bob Kinnear, President

Vincent Rodo

Vincent Rodo, Vice President

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, 2015

(in thousands of Canadian dollars)

	2015 $	2014 $
Increase in net assets available for benefits		
Investment income (note 9)	203,314	171,838
Net increase in fair values of investments (note 9)	148,548	448,761
Contributions		
Members	107,422	103,386
Employers	108,396	104,305
	567,680	828,290
Decrease in net assets available for benefits		
Pension benefits	221,633	202,305
Investment and Plan administration expenses (note 10)	17,197	17,694
Death benefits	10,797	9,121
Termination refunds	5,516	4,144
Marriage breakdown	1,159	602
	256,302	233,866
Increase in net assets available for benefits during the year	311,378	594,424
Net assets available for benefits - Beginning of year	5,498,535	4,904,111
Net assets available for benefits - End of year	5,809,913	5,498,535

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

Toronto Transit Commission Pension Fund Society

Statement of Changes in Pension Benefit Obligations

For the year ended December 31, 2015

(in thousands of Canadian dollars)

	2015 $	2014 $
Pension benefit obligation - Beginning of year	4,595,935	3,996,993
Benefits accrued	145,846	128,332
Benefits paid	(239,105)	(216,173)
Interest accrued on benefits	271,247	260,374
Changes in actuarial assumptions	149,673	259,675
Experience losses (gains)	5,888	17,984
Plan amendments	95,105	148,750
Net increase in pension benefit obligation	428,654	598,942
Pension benefit obligation - End of year (note 7)	5,024,589	4,595,935

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 with the Financial Services Commission of Ontario (FSCO), 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 may be liable for taxes in other jurisdictions where full tax exemptions are not available.

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. Improvements may be granted if affordable, taking into account 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 2015, each member employed by the TTC and ATU contributed 9.25% (2014 - 9.25%) of their earnings to the Plan up to the year's maximum pensionable earnings (YMPE) of $53,600 (2014 - $52,500) and 10.85% (2014 - 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 Board or the Sponsors, establish and maintain a contribution rate for members. The Board establishes and maintains the contribution rate for members, within an upper and lower limit. The limits are defined in the Memorandum of Agreement, dated May 27, 2011, which established the Plan as a JSPP. A contribution rate outside of this corridor must be approved by the Sponsors.

The TTC is also obligated to make contributions for certain early retirement benefits after 29 years of service and some temporary supplements. These payments are indefinite and are adjusted based on the most recent actuarial valuation filed.

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, 2014 (2014 - December 31, 2013). 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, marriage breakdown and lump sum payments on termination before eligibility for retirement are also available from the Plan. Death benefits may take the form of a survivor pension or lump-sum payments.

2 Summary of significant accounting policies

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

These financial statements are prepared in Canadian dollars, the Plan's functional currency, in accordance with the accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Handbook (Section 4600) and the relevant sections of the Canadian accounting standards for private enterprises (ASPE) in the CPA Canada Handbook. The financial statements also include current disclosure requirements outlined by FSCO, under Index No. FSGN-100.

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.

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 ASPE.

(Tabular amounts in thousands of Canadian dollars)

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.

Subsidiaries and affiliates

The Plan does not consolidate investment related subsidiaries and affiliates, all investment related units are recorded at fair value.

Fair values

The fair values of the investments are determined as follows:

- cash includes short-term investments with a term to maturity of 90 days or less on issuance;
- 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;
- securities sold under agreements to repurchase are valued using discounted cash flows based on current market yields;
- publicly traded Canadian and non-Canadian stocks are valued at the closing bid price on the applicable stock exchange;
- real estate property values are generally based on estimated fair values determined through independent annual appraisals of the property or the adjusted acquisition price in the year of purchase; the associated mortgages payable are measured at amortized cost, which approximates fair value;
- infrastructure, private equity and opportunistic 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.

(Tabular amounts in thousands of Canadian dollars)

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.

Pension benefit obligation

Valuation of the pension benefit obligation and changes therein during the year are based on an actuarial valuation prepared by Mercer (Canada) Limited, 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. Cash transfers from other pension plans are not permitted.

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.

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, legal fees, special expenses approved by the Board, trust fees, fiduciary insurance, custody fees, investment management and investment consulting charges. Other administration expenses, including salaries, office expenses, and other overhead are borne by the TTC.

(Tabular amounts in thousands of Canadian dollars)

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. Estimates and assumptions are evaluated on an ongoing basis and take into account historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances. Significant estimates are used, primarily in the determination of the pension obligation and the fair value of certain investments. Note 7 explains how estimates and assumptions are used in determining accrued pension benefits. Actual results could materially differ from those estimates.

3 Investments

The Plan invests, directly or through derivatives, in fixed income, equities or alternative investments in accordance with the Statement of Investment Policies and Procedures (SIPP).

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

	2015		2014	
	Fair value $	Cost $	Fair value $	Cost $
Investments				
Fixed income				
Invested cash	73,875	73,875	50,653	50,653
Short-term money market securities	69,527	68,969	87,214	87,037
Canadian bonds	2,290,481	2,186,602	2,168,796	2,017,011
Non-Canadian bonds	95,654	74,089	92,071	85,243
Funds of hedge funds	256,128	182,652	213,857	176,389
	2,785,665	2,586,187	2,612,591	2,416,333
Equities				
Canadian	868,156	703,128	936,477	655,893
Non-Canadian	1,658,476	1,216,000	1,478,522	1,116,682
	2,526,632	1,919,128	2,414,999	1,772,575
Alternative investments				
Real estate	446,462	362,775	397,924	322,955
Infrastructure (note 12)	125,936	70,633	96,035	66,500
Opportunistic (note 12)	120,811	63,498	107,342	62,100
Private equity (note 12)	125,792	66,431	108,365	74,000
	819,001	563,337	709,666	525,555
	6,131,298	5,068,652	5,737,256	4,714,463

(Tabular amounts in thousands of Canadian dollars)

	2015		2014	
	Fair value $	**Cost $**	**Fair value $**	**Cost $**
Investment-related receivables				
Derivative financial instruments receivable (note 5(b))	3,838	-	28,215	-
Pending trades	2,844	2,844	2,974	2,974
Accrued investment income	11,052	11,052	9,656	9,656
	17,734	13,896	40,845	12,630
Investment-related liabilities				
Bonds sold under repurchase agreements	309,299	309,299	259,124	259,124
Derivative financial instruments payable (note 5(b))	33,756	-	24,703	-
Pending trades	3,398	3,398	2,371	2,371
	346,453	312,697	286,198	261,495
	5,802,579	4,769,851	5,491,903	4,465,598

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

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 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 by the Board at least annually and the last amendment which was effective December 31, 2015, was approved by the Board on January 28, 2016. The significant amendments include changes made to disclose the Board's views on environmental, social and governance factors in order to comply with the requirement of Section 78 of the Ontario Pension Benefits Act, and to refine both the Fund's interim target asset mix and long-term target asset mix.

(Tabular amounts in thousands of Canadian dollars)

The Plan's investment objective, outlined in the SIPP, is to achieve a long term rate of return that equals or exceeds the Plan's going concern liability growth rate, consistent with available market opportunities, and at acceptable levels of expected investment risk. The current estimated current growth rate, inherent in the CICA Section 4600 valuation is 5.5% (2014 - 5.75%) The Plan's annualized five-year average rate of investment return, after investment management fees, as of December 31, 2015 was 9.3% (10.2% as of December 31, 2014).

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 equity 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 with the Plan's actuarial liability. It also establishes mandate-specific policies for each investment manager of the Plan. The investment managers' compliance with the policies is confirmed quarterly.

		2015		2014	
Asset categories	**Index Benchmark**	**Portfolio weight year-end %**	**Asset mix policy target weight %**	**Portfolio weight year-end %**	**Asset mix policy target weight %**
Fixed income	Composite	41.4	44.0	40.8	44.0
Cash and overlay	FTSE TMX 91-day T-Bill	(1.2)	3.0	(1.2)	3.0
Long-term bonds	FTSE TMX long-term	17.7	20.0	18.6	20.0
Universe bonds	FTSE TMX Universe	18.1	11.0	16.5	11.0
Credit bonds	FTSE TMX Universe Corporate	6.8	10.0	6.9	10.0
Equities	Composite	44.6	37.0	46.5	39.0
Canadian	S&P/TSX Composite	15.9	12.0	17.0	14.0
U.S.[1]	S&P 500	12.6	10.0	13.8	10.0
Non-North American [1]	MSCI Europe, Australia, Far East	12.0	10.0	10.6	10.0
Emerging markets	MSCI Emerging Markets	4.1	5.0	5.1	5.0
Private equity	Russell 2000	2.1	3.0	1.9	3.0
Real estate	FTSE TMX Long Term Bonds + 3%	7.7	9.0	7.3	8.0
Infrastructure	FTSE TMX Long Term Bonds + 3%	2.1	5.0	1.6	3.0
Opportunistic	FTSE TMX Long Term Bonds + 3%	2.1	2.0	1.9	3.0
Total portfolio	Composite	100.0	100.0	100.0	100.0

(Tabular amounts in thousands of Canadian dollars)

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

	2015			2014		
Asset Categories*	Post-fee return %	Benchmark return %	Post-fee vs. benchmark excess (shortfall) %	Post-fee Return %	Benchmark return %	Post-fee vs. Benchmark excess (shortfall) %
Fixed income	3.6	3.5	0.1	13.0	12.7	0.3
Long-term bonds	3.8	3.8	0.0	17.9	17.5	0.4
Universe bonds	3.9	3.5	0.4	10.6	8.8	1.8
Credit bonds	2.5	2.7	(0.2)	8.0	7.6	0.4
Equities	8.9	4.0	4.9	13.7	11.8	1.9
Canadian	(6.1)	(8.3)	2.2	13.2	10.6	2.6
U.S.	23.0	21.1	1.9	24.5	24.1	0.4
Non-North American	19.3	18.5	0.8	6.6	3.7	2.9
Emerging markets	1.2	1.7	(0.5)	6.5	6.6	(0.1)
Private equity	28.3	14.2	14.1	23.4	14.4	9.0
Real estate	2.0	6.8	(4.8)	2.8	20.5	(17.7)
Infrastructure	39.2	6.8	32.4	6.5	20.5	(14.0)
Opportunistic	9.8	6.8	3.0	9.1	20.5	(11.4)
	5.8	4.5	1.3	12.2	13.0	(0.8)

* Note that the Pension Plan returns noted above are after management fees, whereas the benchmark returns do not include any management fee provision.

a) Market risk

Market risk is the risk of loss from changes in equity, interest and foreign exchange rates, and credit spreads. Changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

The Plan mitigates market risk through diversification of its investment portfolio, across industry sectors, investment strategies and on a geographic basis, based on asset and risk limits established in the SIPP and through the use of derivative financial instruments.

- Currency risk

Currency risk arises from the Plan’s exposure to foreign currency-denominated assets. Fluctuations in the value of the Canadian dollar relative to foreign currencies may significantly increase or decrease the Plan’s fair value and returns.

(Tabular amounts in thousands of Canadian dollars)

The Plan invests in assets denominated in foreign currencies other than the Canadian dollar in order to improve its risk and return profile. The Plan's currency hedging policies are designed to limit the overall impact of currency fluctuations on Plan returns.

The Plan's currency managers passively hedge 25% of US dollar denominated equity, 50% of other developed market foreign equity currency exposures and 75% of funds of hedge funds. 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 schedule summarizes the Plan's currency exposure, net of foreign exchange forward contracts used in the passive and active currency programs:

	Net currency exposure	
	2015 **$**	**2014** **$**
United States dollar	1,304,240	1,251,972
Hong Kong dollar	69,188	69,669
British pound sterling	57,633	28,574
Swiss franc	23,519	23,237
Euro	32,966	21,113
Japanese yen	3,337	13,879
Australian dollar	4,771	7,945
Swedish krona	7,735	5,802
Other	143,212	188,227
	1,646,601	1,610,418

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, with all other variables and underlying values held constant, for each currency to which the Plan has a significant exposure.

	Changes in net assets available for benefits	
	2015 **$**	**2014** **$**
United States dollar	65,212	62,599
Hong Kong dollar	3,459	3,483
British pound sterling	2,881	1,429
Swiss franc	1,176	1,162
Euro	1,648	1,056
Japanese yen	167	694
Australian dollar	239	397
Swedish krona	387	290

(Tabular amounts in thousands of Canadian dollars)

	Changes in net assets available for benefits	
	2015 $	2014 $
Other	7,161	9,411
	82,330	80,521

- Interest rate risk

Interest rate risk is the effect that changing interest rates have on both the market value of the Plan's assets and liabilities. The value of the Plan's net assets available for benefits, are affected by short-term changes in nominal interest rates. The pension benefit obligation is impacted by fluctuations in long-term nominal and real 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 20% 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	2015 $	2014 $
Interest bearing financial instruments	+ / -1%	240,560	222,583

As at December 31, 2015, assuming all other factors remain constant, a 1% decrease in the assumed long-term rate of return on assets would result in the pension benefit obligation increasing by 14.1% (2014 - 13.8%) or $709.2 million (2014 - $634.1 million).

- Equity prices risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes to their related indices.

(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	2015 $	2014 $
Canadian equities	S&P/TSX Comp	+ / - 10%	72,196	79,763
Non-Canadian equities	various	+ / - 10%	158,700	124,048
			230,896	203,811

b) Credit risk

Credit risk is the loss potential associated with a counterparty's inability or unwillingness to fulfill its contractual obligations.

In order to mitigate against losses associated with credit risk, the Plan adheres 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 5% of the fair value of the total fixed income portfolio held by the Plan;
- limiting the maximum exposure to non-investment grade bonds (defined as below BBB - or equivalent) to 10% of the fixed income portfolio held by the Plan;
- dealing with counterparties to derivative transactions that have credit quality of no less than an A rating;
- securities lent will be secured by initial collateral of no less than 102%;
- 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.

(Tabular amounts in thousands of Canadian dollars)

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, 2015	710,147	606,785	563,835	250,866	15,971	243,747	2,391,351
December 31, 2014	649,684	532,646	611,740	205,534	17,208	249,040	2,265,852

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

c) Liquidity risk

Liquidity risk is the risk the Plan may be unable to meet obligations associated with pension payments and/or financial liabilities that are settled by delivering cash or another financial asset.

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 $147,777 (2014 - $141,863). With the exception of the pension benefit obligation, all liabilities are current and due within one year.

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, 2015	81,626	547,135	391,361	486,295	884,934	2,391,351
December 31, 2014	67,144	519,970	362,962	470,674	845,102	2,265,852

Fair value hierarchy

Financial assets and liabilities are measured at fair value and can be classified based on the method used to determine their valuation. The fair value hierarchy has the following three levels:

- 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.

(Tabular amounts in thousands of Canadian dollars)

- 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.

- Level 3 - fair value is based on inputs that are not supported by observable market data. Valuation methodologies are determined by the fund administrators and independent appraisers. Level 3 financial assets and financial liabilities include the funds of hedge funds, real estate, infrastructure, opportunistic investments 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.

				2015
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Invested cash and short-term money market securities	73,875	69,527	-	143,402
Bonds*	-	2,076,837		2,076,837
Funds of hedge funds	-	-	256,128	256,128
Equities	2,526,632	-	-	2,526,632
Real estate	-	-	446,462	446,462
Infrastructure	-	-	125,936	125,936
Opportunistic	-	-	120,811	120,811
Private equity	-	-	125,792	125,792
Derivative financial instruments	-	(29,918)	-	(29,918)
Other investment-related assets and liabilities	-	10,497	-	10,497
	2,600,507	2,126,943	1,075,129	5,802,579

(Tabular amounts in thousands of Canadian dollars)

				2014
	Level 1 $	**Level 2** $	**Level 3** $	**Total** $
Invested cash and short-term money market securities	50,653	87,214	-	137,867
Bonds*	-	2,001,742	-	2,001,742
Funds of hedge funds	-	-	213,857	213,857
Equities	2,415,000	-	-	2,415,000
Real estate	-	-	397,924	397,924
Infrastructure	-	-	96,035	96,035
Opportunistic	-	-	107,342	107,342
Private equity	-	-	108,365	108,365
Derivative financial instruments	-	3,512	-	3,512
Other investment-related assets and liabilities	-	10,259	-	10,259
	2,465,653	2,102,727	923,523	5,491,903

*Bonds total is net of bonds sold under repurchase agreements of $309,298 (2014 - $259,124).

The following table summarizes the changes in the fair values of financial instruments classified in Level 3.

	Funds of hedge funds $	**Real estate** $	**Infrastructure** $	**Opportunistic** $	**Private equity** $	**Total** $
Fair value - December 31, 2013	188,229	281,861	92,489	105,045	83,015	750,639
Total unrealized gains	18,046	11,213	3,546	(7,703)	17,150	42,252
Purchases (dispositions)	7,582	104,850	-	10,000	8,200	130,632
Fair value - December 31, 2014	213,857	397,924	96,035	107,342	108,365	923,523
Total unrealized gains	36,008	8,718	25,768	12,071	24,996	107,561
Purchases (dispositions)	6,263	39,820	4,133	1,398	(7,569)	44,045
Fair value - December 31, 2015	256,128	446,462	125,936	120,811	125,792	1,075,129

(Tabular amounts in thousands of Canadian dollars)

Financial values for investments that are classified as level 3, have their fair values derived using valuation techniques. The values are provided by the general partner or other external manager and therefore, in the asbesnce of specific information to support deviating from this value, no other reasonably possible alternative assumptions can be applied.

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. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges.

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.

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 aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

(Tabular amounts in thousands of Canadian dollars)

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

	2015		2014	
	Notional amount $	Fair value receivable/ (payable) $	Notional amount $	Fair value receivable $
Fixed income futures	103,628		72,446	-
Canadian equity futures	53,263		(5,450)	-
Non-Canadian equity futures	10,043		151,814	-
Foreign exchange forward contracts	2,271,996	(29,918)	6,140,689	3,512

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:

	2015		2014	
	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	(42,951)	(0.7)	(67,171)	(1.2)
Canadian bonds	2,084,810	35.9	1,982,117	36.0
Non-Canadian bonds	95,654	1.6	92,071	1.7
Funds of hedge funds	256,128	4.4	213,857	3.9
	2,393,641	41.2	2,220,874	40.4
Equities				
Canadian	921,419	15.9	931,027	17.0
Non-Canadian	1,668,518	28.8	1,630,336	29.7
	2,589,937	44.7	2,561,363	46.7
Real estate	446,462	7.7	397,924	7.2
Infrastructure	125,936	2.2	96,035	1.7
Opportunistic	120,811	2.1	107,342	2.0
Private equity	125,792	2.1	108,365	2.0
	5,802,579	100.0	5,491,903	100.0

(Tabular amounts in thousands of Canadian dollars)

6 Other liabilities

Other liabilities consist of the following:

	2015 $	2014 $
Accrued pension payroll	9,330	8,582
Fees payable to custodian, investment consultants and other advisers	5,238	4,171
Other accounts payable	668	952
	15,236	13,705

7 Pension benefit obligation

An estimate of the Plan's obligation for pension benefits has been made as at December 31, 2015 for inclusion in the Plan's financial statements by Mercer (Canada) Limited. The estimate is an extrapolation of the January 1, 2015 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 2014 with the highest average pensionable earnings) for credited service before 2014, 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.

Assets were valued at fair value as at December 31, 2015.

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:

	2015 %	2014 %
Discount rate - net of expenses	5.50	5.75
Rate of inflation	2.00	2.00
Weighted average rate of salary increase*	3.25	3.25

*Assumed salary increases from April 1, 2014 through March 30, 2018 are based on wage increases as per the May 17, 2014 collective agreement with an additional 0.5% provision for individual factors. The assumed salary increase on and after April 1, 2018 is 3.25% per annum.

(Tabular amounts in thousands of Canadian dollars)

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, 2015 and filed with regulators on August 28, 2015. The next required funding valuation filing with the regulators will be as at January 1, 2018. 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 twelve 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;

- 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;

(Tabular amounts in thousands of Canadian dollars)

- PFS Office One Inc. – incorporated on November 4, 2014 and commenced operations on November 28, 2014 by acquiring the Plan's 100% interest in an office building located in Edmonton, Alberta, known as Twin Atria;

- PFS The Hudson Inc. – incorporated on June 25, 2015 and commenced operations on July 6, 2015 by acquiring the Plan's 50% interest in a retail shopping centre located in Vancouver, British Columbia, known as The Hudson;

- 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;

- 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; and

- PFS Taurus Inc. - incorporated on July 13, 2015 and commenced operations on November 6, 2015 by subscription through an infrastructure co-investment in ExteNet Systems Ltd., a telecommunications company based in the United States.

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

	2015		2014	
	Fair value $	**Cost $**	**Fair value $**	**Cost $**
PFS Exchange Inc.	140,759	77,100	137,173	77,100
PFS GTA Industrial Inc.	119,179	142,600	113,667	142,600
PFS Retail Two Inc.	115,212	95,170	111,073	91,747
PFS Office One Inc.	91,146	95,000	95,000	95,000
PFS Retail One Inc.	35,831	15,980	32,803	15,980
PFS Industrial One Inc.	9,054	6,225	9,507	6,225
5160 Orbitor Drive Ltd.	8,241	3,700	8,098	3,700
PFS The Hudson	30,000	30,000	-	-
Debt on real estate properties	(103,000)	(103,000)	(109,397)	(109,397)
Net investment in real estate	446,462	362,775	397,924	322,955
1793177 Ontario Inc.	117,734	62,875	96,035	66,500
TTC PFS Secondaries Inc.	120,811	63,498	107,342	62,100
TTC PFS Private Equities Inc.	125,792	66,431	108,365	74,000
PFS Taurus Inc.	8,202	7,758	-	-
Net alternative investments	819,001	563,337	709,666	525,555

(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:

	2015			2014		
	$	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.	-			21,397	5.10	September 2015
PFS The Hudson Inc.	15,000	3.94	August 2025	-		
	103,000			109,397		

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

	$
2016	88,000
2017	-
2018	15,000
2019	-
2020 and thereafter	-
	103,000

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:

	2015		2014	
	Before allocation $	After allocation $	Before allocation $	After allocation $
Fixed income				
Invested cash	(883)	(883)	625	625
Short-term money market securities	891	1,250	1,011	906
Canadian bonds	106,600	33,041	79,106	227,752
Non-Canadian bonds	4,104	12,058	4,947	11,981
Funds of hedge funds	-	2,949	-	27,274
	110,712	48,415	85,689	268,538
Equities				
Canadian	27,113	(82,463)	28,332	116,436
Non-Canadian	32,065	280,934	28,515	182,117

(Tabular amounts in thousands of Canadian dollars)

	2015		2014	
	Before allocation $	After allocation $	Before allocation $	After allocation $
	59,178	198,471	56,847	298,553
Alternative investments				
Real estate	16,320	25,038	10,335	21,548
Infrastructure	8,904	34,672	2,250	5,796
Opportunistic	-	12,071	13,717	6,014
Private equity	8,200	33,195	3,000	20,150
	33,424	104,976	29,302	53,508
Investment income	203,314	351,862	171,838	620,599
Net realized gains on investments	142,125	-	319,092	-
Net change in unrealized gains (losses) on investments	6,423	-	129,669	-
Net increase in fair values of investments	148,548	-	448,761	-
	351,862	351,862	620,599	620,599

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:

	2015 $	2014 $
Investment managers' fees	14,499	15,391
Custodial fees	567	635
Investment consultants' fees	789	555
Actuarial fees	396	535
Other plan administration expenses	440	398
Legal fees	506	180
	17,197	17,694

11 Significant investments

a) Significant individual securities*

As at December 31, 2015, 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 currency (note 4(a)), derivatives (note 5(b)), pooled fund investments (note 11(c)) and alternative investments (note 8).

(Tabular amounts in thousands of Canadian dollars)

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:

	2015		2014	
	Fair value $	Cost $	Fair value $	Cost $
Province of Ontario	74,135	72,467	75,975	72,054
Government of Canada	51,451	51,105	55,060	54,512
Royal Bank of Canada	57,577	43,906	48,860	32,429

*Excludes currency (note 4(a)), derivatives (note 5(b)), 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.

	2015		2014	
	Fair value $	Cost $	Fair value $	Cost $
Short-term money market securities				
PHN Institution Short-term Investment Fund	6	6	6,132	6,132
TDAM TD Emerald Canada Treasury	1,061	1,061	1,562	1,562
	1,067	1,067	7,694	7,694
Fixed income				
Canso Corp. & Infrastructure Debt	22,018	20,616	20,585	19,533
Canso Private Loan Fund	29,964	29,824	27,440	27,351
BlackRock Universe Bond Fund	406,317	395,443	392,574	380,621
BlackRock Long Bond Index Fund	697,081	629,684	672,338	595,857
PHN Long Bond Pension Trust	278,918	257,258	268,943	231,226
PHN Investment Grade Corp. Bond Trust	118,543	120,402	114,748	114,679
PHN Mortgage Pension Trust Fund	21,047	20,340	20,022	19,366
RBC High Yield Bond Fund	1,307	1,380	718	723
Crestline Offshore Fund, Ltd.	116,095	91,985	99,727	91,985
Mesirow Absolute Return Fund (Institutional)	140,033	90,667	114,130	84,403
PHN High Yield Bond Fund, Series O	3,166	3,475	2,949	2,975

(Tabular amounts in thousands of Canadian dollars)

	Fair value $	Cost $	Fair value $	Cost $
	1,834,489	1,661,074	1,734,174	1,568,719
Non-Canadian equities				
Daiwa Nikkei 225 Exchange Traded Fund	1,363	1,247	-	-
Nomura Topix Exchange Traded Fund	7,302	6,564	-	-
MFC Japan Exchange Traded Fund	16,301	15,132	-	-
SPDR S&P 500 Exchange Traded Fund	7,750	7,371	-	-
Harding Loevner Emerging Market Equity	134,263	113,707	129,857	115,944
Oaktree Capital Emerging Market Equity	53,089	51,340	55,331	52,454
	220,068	195,361	185,188	168,398
	2,055,624	1,857,502	1,927,056	1,744,811

12 Commitments

As part of normal business operations, the Plan enters into commitments to the funding of investments. Future commitments to fund investments include investment in infrastructure, opportunistic funds and private equity. The future commitments are generally payable on demand based on the capital needs of the investment.

In particular, the Plan is committed to investing up to an additional US$9.09 million (2014 - US$5.975 million) into an existing infrastructure fund, up to an additional US$18.1 million (2014 – US$38.4 million) into opportunistic funds and an additional US$87.8 million in private equities (2014 – US$99.5 million).

TORONTO TRANSIT COMMISSION - PENSION FUND SOCIETY

PFS BYLAW AMENDMENTS

The following Bylaw amendments were approved by the Board since the last Annual General Meeting. For your reference, any new wording has been underlined and any wording that has been removed is indicated with a strikethrough. 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 Bylaws on pages 44-54 were approved at the April 8, 2016 Board meeting. The purpose of these changes is to reflect the addition of the new independent CEO of the TTC Pension Fund Society, to align the language in the Bylaws with the Jointly Sponsored Pension Plan (JSPP) Agreement, along with some minor housekeeping issues.

Pages 54-57 reflect changes to Bylaws 6.02, 9.01, 13.02 and 2 Definitions. On May 6, 2016 the Board approved several Fund improvements including a one year update to the base period, a one year update to the Survivor Benefit Date and a 1.28% ad hoc indexing increase for pensioners. These Bylaw changes reflect those improvements.

The change to Bylaw 3.12 which is on page 57 was approved on April 28, 2016. This change was made after the Board considered several issues, including the increased cost for postage, the ecological footprint created by producing over 20,000 newsletters and reviewing the industry standard amongst similar pension plans. This Bylaw change still requires the Board to make available the financial statement/auditors report to all members of the Fund but it does remove the obligation to "send" a copy of this document to all Members.

The change to Bylaw 11.08 is effective June 18, 2016. The Board determined that due to the addition of the special life insurance provision for on duty accident there was no longer a need for the PFS benefit which increases a member's normal form of pension under these specific circumstances. This Bylaw is on pages 57-58 of the Newsletter.

Bylaw 2.01 is amended by adding the following Subsections following Subsection (4):

(4.1) "Board" means the Board of Directors of the Society.

(4.2) "CEO" means the Chief Executive Officer of the Society.

Bylaw 2.01 is amended by adding the following Subsection following Subsection (11):

(11.1) "Director" means a member of the Board.

Bylaw 2.01 is amended by adding the following underlined words in Subsection (12):

(12) "Full-Time Employee" shall mean an employee of the Commission, of the Society, or of Local 113 of the Amalgamated Transit Union whose normal weekly hours are equal to or greater than 28 and whose employment is for an indefinite term.

Bylaw 2.01 is amended by adding the following underlined words in Subsection (17):

(17) "Long Term Disability Plan" shall mean an arrangement sponsored by the Commission or the Society to provide income replacement benefits to employees who become disabled and whose disability is expected to continue indefinitely.

Bylaw 2.01 is amended by adding the following underlined words in Subsection (20):

(20) "Part-Time Employee" shall mean an employee of the Commission, of the Society, or of Local 113 of the Amalgamated Transit Union whose normal weekly hours are less than 28.

Bylaw 2.01 is amended by adding the following Subsection (29.1) following Subsection (29):

(29.1) "Sponsors" means the Commission and Local 113 of the Amalgamated Transit Union.

Bylaw 2.01 is amended by adding the following underlined words in Subsection (32):

(32) "Temporary Employee" shall mean an employee of the Commission, of the Society, or of Local 113 of the Amalgamated Transit Union whose normal weekly hours are equal to or greater than 28 and whose employment is for a defined term.

Bylaw 2.01 is amended by adding the following underlined words in Subsection (33):

(33) "Totally and Permanently Disabled" shall mean a condition of disablement of a Member which can reasonably be expected to wholly and permanently incapacitate the Member for the remainder of the Member's lifetime and which prevents the Member from performing any work for compensation or profit, as certified by the medical examiner of the Commission or the Society on the basis of the written report of a medical doctor licensed to practice in a province of Canada or where the Member resides.

Bylaw 3.02 is amended by adding new Subsection (5) at the end:

(5) To hire an independent CEO, who shall be an employee of the Society, to assist in the day-to-day administration of the Society, and to pay his salary, benefits, and related expenses from the Fund.

Bylaw 3.04 is amended by adding the underlined words and deleting the struck-out words, as follows:

3.04 OFFICERS

(1) The officers of the Board shall be a President~~,~~ and a Vice-President. The Board shall also appoint~~,~~ a Secretary and a Treasurer, who shall be employees of the Commission. No remuneration shall be paid to any such individual ~~officer~~ by the Society.

(2) The President and Vice-President shall be Directors, and shall be elected by the Board and shall hold office as long as they continue to be Directors or until successors are appointed. The President, and in his or her absence the Vice-President, shall convene and preside over all meetings of the Board. In the absence of both the President and the Vice-President, the Board shall select a Director from among its number to preside.

(3) The Secretary shall be a Regular Member of the Society but ~~may or may~~ shall not be a Director ~~Member of the Board~~. He or she shall be appointed by the Board on recommendation of the President with the approval of the Commission and shall be paid by the Commission. As an employee of the Commission the Secretary shall be subject to all rules for Commission employees and may be partially employed upon Commission work. The Secretary shall receive and deal with all applications for benefits and when they have been found to be in order shall submit them to the Board for approval. The Secretary shall submit at meetings of the Board any records which the Secretary shall be notified by the Board to produce. The Secretary shall keep such statistical records as may be required by the Board.

The Secretary shall be ex-officio Clerk of the Board and shall attend all the sessions of the Board and meetings of the Members and record all facts and minutes of all proceedings in the books kept for that purpose. The Secretary shall give all notices required to be given to Members and to Directors; shall keep such individual records of Members as may be required by the Board, and shall keep in accessible form all Board decisions which might be used as precedents for future action. The Secretary shall give such security as may be decided by the Board, the cost of which shall be approved and paid by the Commission. The Secretary shall also see that the provisions of Sections 299 and 300 of the Corporations Act of Ontario, as amended from time to time, are duly complied with.

(4) The Treasurer of the Society shall be a Regular Member and shall be appointed by the Chief General Manager of the Commission, or if the Chief General Manager is not a Member of the Society, by the Commission appointed Directors.

The Treasurer of the Society shall not be a Director ~~may or may not be a Member of the Board~~. He or she shall pay the invoices related to the operation of the Fund, as approved by the Board, along with all benefits provided by the Bylaws. Claims to such benefits shall be approved by the Board. The Treasurer shall submit to the Board regular statements of the current financial position of the Society and such other statements or records which the Treasurer shall be notified by the Board to produce.

The Treasurer shall collect all monies due to the Society. All payments out of the Fund shall be made by cheque signed by the Treasurer and the President or their duly authorized deputies, or by electronic transfer authorized in writing by the Treasurer and President or their duly authorized deputies. The Treasurer shall keep the general books of account of the Fund and shall be responsible for safeguarding the assets of the Society. The Treasurer shall also see that provisions of Section 302 of the Corporations Act of Ontario, as amended from time to time, are duly complied with. The Treasurer shall give such security as may be decided by the Board, the cost of which shall be approved and paid by the Commission.

(5) The CEO shall be hired by the Board and shall be an employee of the Society. The CEO shall perform such duties in respect of the day-to-day administration of the Society as directed by the Board, and shall provide such reports and information to the Board regarding such duties as the Board may request from time to time. The salary, benefits, and related expenses of the CEO shall be paid by the Society from the Pension Fund. The Commission shall at its own expense provide all necessary support services to the CEO including office space, administrative resources, and information technology support.

Bylaw 3.07 is amended by adding the following underlined words in Subsection (1):

(1) There shall be a pension fund which shall consist of amounts remaining after payment of benefits and expenses, including:

(a) The amounts from time to time contributed by the Members of the Society.

(b) The amounts from time to time contributed by the Commission, The Society in its capacity as a participating employer, and Local 113 of the Amalgamated Transit Union.

(c) Contributions that may at any time be received from any lawful source.

(d) Accumulations of interest and other income.

(e) Investments from time to time made with monies of the fund and the proceeds of any such investment.

Bylaw 3.10 is amended by adding the following underlined words in Subsection (2) and Subsection (7):

(2) Notice of the time and place of the Annual General Meeting shall be given individually to Members and shall be posted on the bulletin board at all work locations of the ~~Commission~~ employers participating in the Society, at least ten days before the time for the holding of such meeting. The notice shall state the business to be conducted at the meeting and no business other than that so stated in the notice, including business proposed under Bylaw 3.10(3), shall be brought before the meeting.

(7) Notice of the time of any Special General Meeting shall be given individually to Members and shall be posted up on the bulletin boards at all work locations of the ~~Commission~~ employers participating in the Society at least ten days before the time for holding such meeting. Such notice shall state the business for which the said meeting is being called and no business other than that so stated in the said notice shall be brought before such meeting.

Bylaw 3.16 is amended by adding the following underlined words:

3.16 RECIPROCAL TRANSFER AGREEMENTS

The Board may, in its discretion enter into a reciprocal transfer agreement with an employer to which the provisions of these Bylaws do not apply relating to the transfer of pension entitlements and supporting assets for an employee who transfers to or from the Commission or the Society provided that such agreement does not result in an actuarial loss to the Society. The parties to such an agreement shall have the right to set out such terms and conditions as may be acceptable to them, subject to applicable laws, regulations and administrative rules.

Bylaw 4.01 is amended by adding the following underlined words in Subsection (1):

(1)

(a) Every Full-Time Employee of the Commission or the Society shall become a Regular Member on the first day of the pay period during which he or she completes six months of Continuous Service and shall remain a Regular Member while employed by the Commission, the Society, or by Local 113 of the Amalgamated Transit Union, or until employment is deemed to have been terminated pursuant to Bylaw 8.05 or 15.06(2).

(b) Every Full-time Employee of Local 113 of the Amalgamated Transit Union who is not represented by a union may elect to become a Regular Member on the first day of the pay period occurring after completion of six months of Continuous Service and upon doing so shall remain a Regular Member while employed by Local 113 of the Amalgamated Transit Union, the Society, or the Commission, or until employment is deemed to have been terminated pursuant to Bylaw 8.05 or 15.06(2).

Bylaw 5.01 is amended by adding the following underlined words to and deleting the struck-out words from Subsection (1):

(1) A Regular Member shall have his or her period of Continuous Service calculated from his or her date of employment entry with the Commission, the Society, or Local 113 of the Amalgamated Transit Union. Continuous Service is not broken when a period of employment with any of the Commission, the Society, or Local 113 of the Amalgamated Transit Union is immediately followed by a period of employment with another of them. ~~Local 113 of the Amalgamated Transit Union or when a period of employment with Local 113 of the Amalgamated Transit Union is immediately followed by a period of employment with the Commission.~~ Continuous Service ceases as of the date officially recorded as the last day of employment when a Regular Member is no longer employed by ~~either~~ the Commission, the Society or Local 113 of the Amalgamated Transit Union. Where a break in Continuous Service has occurred, upon subsequent hire a new period of Continuous Service shall be calculated from that subsequent date of hire and it shall not include the prior period of Continuous Service subject to any previous service credits repurchased pursuant to Bylaw 5.03.

Bylaw 5.01 is amended by adding the following underlined words in Subsection (2):

(2) Continuous Service shall include any period of sick leave or other approved leave of absence that is required to be included by applicable legislation and includes leave of absence granted by the Commission or the Society for the purpose of service with the Armed Forces of Canada.

Bylaw 5.01 is amended by adding the following underlined words in the opening phrase in Subsection (4):

(4) A Regular Member who is an employee of the Commission or the Society and:

Bylaw 5.01 is amended by adding the following underlined words in Subsection (6):

(6) Notwithstanding Bylaw 5.01(1), a furlough driver shall have his or her period of Continuous Service calculated to include all former periods of Continuous Service with the Commission or the Society.

Bylaw 5.02 is amended by adding the following underlined words in Subsection (2):

(2) For purposes of calculating Credited Service, Regular Members granted leave of absence by the Commission or the Society for the purpose of serving with the Armed Forces of Canada or other national service, who were assigned by the Commission or its predecessors or by the Society to duties other than with their then employer, and who have returned directly to the employ of the Commission or its predecessors or the Society shall have their Credited Service decided by the Board, having regard to the circumstances of the particular case. In no event will Credited Service be granted under this Bylaw 5.02(2) that would not qualify as eligible service under the Income Tax Act.

Bylaw 5.03 is amended by adding the underlined words and deleting the struck-out words as follows, in the first paragraph of Subsection (1) and in Subsection (2):

5.03 PREVIOUS SERVICE CREDIT

(1) A Regular Member who ceases to be a Regular Member in accordance with Bylaw 4.01(4) and who later returns to ~~Commission~~ employment with an employer participating in the Society, upon becoming a Regular Member may within 90 days elect to repurchase his or her previous periods of Continuous Service and Credited Service provided that:

(2) Temporary and furlough employees will be given 90 days from the time they are given status as Regular Members to determine if they wish to elect to purchase eligible pre-1988 Continuous Service. A furlough driver who becomes employed with ~~the Commission~~ an employer participating in the Society and who has a deferred pension with the Society, shall have his or her deferred pension cancelled and shall receive credit for the periods of Continuous Service and Credited Service upon which the calculation of this deferred pension was based.

Bylaw 5.05 is amended by adding the underlined words and deleting the struck-out words as follows, in Subsection (1):

5.05 PURCHASE OF INTERRUPTION IN SERVICE

(1) Notwithstanding Bylaw 5.02(4), a Member ~~who is employed by the Commission and~~ who has an ~~a~~ Interruption in Service may elect to purchase this period of Credited Service by contributing to the Society an amount equal to the sum of:

(a) what the Member would have been required to contribute under Bylaw 7.01; and,

(b) except in the case of family medical leave under Bylaw 5.02(5)(c), what the employer ~~Commission~~ would have been required to contribute under Bylaw 7.01.

Bylaw 5.06 is amended by deleting the struck-out words from Subsection (1), as follows:

5.06 OTHER PURCHASES OF PREVIOUS SERVICE CREDIT

(1) A Regular Member who has a previous period of Continuous Service ~~with the Commission~~ during which he or she was a Regular Member of the Society that is not already included in the Member's Credited Service, and excluding any period of service that is eligible for purchase under Bylaw 5.03, within 180 days from the date on which the Member became re-enrolled as a Regular Member, may elect to purchase all or part of that service as Credited Service under this Bylaw 5.06.

Bylaw 6.01 is amended by adding the following underlined words in paragraph (a) of Subsection (1):

(1) The Contributory Earnings of a Regular Member is the sum of the following amounts:

(a) his or her wages or salary paid to him or her by the Commission, the Society, or by Local 113 of the Amalgamated Transit Union when the Regular Member is not on leave from the Commission or the Society to fill a salaried position with Local 113 of the Amalgamated Transit Union, plus

Bylaw 6.01 is amended by adding the following underlined words in Subsection (2):

(2) A Regular Member who is an employee of the Commission or the Society who suffers a reduction in his or her rate of earnings as a result of a change in job status because of a reduction in manpower, ill health, or changes in job evaluation may, at his or her option, elect to include the amount of his or her reduction in earnings in his or her Contributory Earnings, provided that the Member meets all of the following conditions:

Bylaw 7.01 is amended by adding the underlined words and deleting the struck-out words in Subsection (3), as follows:

(3) ~~The Commission shall contribute~~ Contributions shall be made to the Fund:

(a) ~~An~~ By the Commission, in an amount equal to the temporary additional pension and supplemental disability pension set out in Bylaw 9.05 and any adjustments thereon pursuant to Bylaw 13, and

(b) By the applicable employer, each ~~Each~~ year in equal monthly instalments the amount determined by the Actuary to be required to cover the amortization of the additional unfunded actuarial liability effective January 1, 1999 and the ongoing additional normal cost resulting from unreduced pensions after 29 years of service pursuant to Bylaw 8.01(2).

Bylaw 7.02 is amended by adding the following underlined words in Subsection (1):

(1) A Member's contributions to the Fund shall be in addition to any contributions that the Member will be required to make under the Canada Pension Plan. Such contributions will be deducted by the Commission or the Society, as applicable, from the salary or wages from time to time payable to each Regular Member, and shall commence from the beginning of the pay-period in which the Regular Member completes six months of Continuous Service with the Commission or the Society, and shall continue as long as he or she remains a Regular Member.

Bylaw 7.02 is amended by adding the following underlined words in Subsection (3):

(3) The Society shall maintain a record of each Regular Member's Required Contributions made annually, plus Credited Interest thereon. Credited Interest shall be determined at a rate of interest to be calculated on the basis of the 12 month average of the yields of five year personal fixed term chartered bank deposit rates, averaged over a reasonably recent period, credited from the end of the month in which the Contribution is made, and compounded yearly, to the date on which the Member dies or otherwise terminates employment with the Commission <u>or the Society</u>.

The amount of interest to be calculated on contributions made for period that is part of a calendar year shall be determined as one-half the contributions made by the Member during that period multiplied by the product of the applicable annual rate of interest and the fraction that period is of a whole year.

Bylaw 7.02 is amended by adding the underlined words and deleting the struck-out words as follows, in Subsection (5):

(5) The ~~Commission~~ <u>applicable employer participating in the Society</u> may contribute additional amounts provided that each such amount is all or part of the amount of Member contributions under Bylaw 5.03, 5.05 or 5.06 in relation to service purchase, excluding those related to previously credited pre-1990 service, pursuant to an agreement between the ~~Commission~~ <u>employer</u> and the Member or Members, or the Union representing them. Where this applies, Bylaw 5.03, 5.05, and 5.06 are modified as necessary to permit contributions by the ~~Commission~~ <u>employer</u> in lieu of Member contributions.

Bylaw 7.02 is amended by deleting Subsection (6) and replacing it with the following:

(6) The Commission shall, in addition, bear all administration and office expenses of the Society, with the exception of the following (which shall be paid by the Society from the Fund): any actuarial and special legal fees incurred by the Society; the salary, benefits, and related expenses of the CEO; such other special expenses specifically approved by the Board; and the fees of the trust and insurance companies and investment counsellors for custody and investment of the Fund.

Bylaw 7.03 is amended by adding the following underlined words in paragraph (c) of Subsection (3):

(c) An amendment to the Bylaws is adopted pursuant to decisions made under Bylaw 7.03(1) under which the contribution rates of the Members and/or the Commission <u>or Society</u> are increased, and that as the result of such increase, the Board is reasonably satisfied, based on the advice of the Actuary and other considerations as appropriate, that there has been no material net adverse impact on the long-term ability to support the existing benefits and the availability of future benefits under Bylaw 7.03(2)(a), (b) and (c).

Bylaw 8.04 is amended by adding the following underlined words in Subsection (3):

(3) A Regular Member's disability retirement date under this section may not occur prior to the expiry of his or her weekly indemnity benefits, if any, provided under arrangements sponsored by the Commission or the Society, as applicable, nor before the expiry of the period during which the Member is receiving EI Sick Pay benefits.

Bylaw 8.06 is amended by adding the following underlined words:

8.06 APPLICATION FOR RETIREMENT

To receive a pension from the Fund, a Member must have ceased to be employed by the Commission, the Society, and by Local 113 of the Amalgamated Transit Union, or be deemed to have ceased employment and must apply for retirement on his or her normal, early, postponed, or disability retirement date or before his or her pension commencement date if he or she has elected to postpone pension commencement under Bylaw 8.07(2).

Bylaw 10.01 is amended by adding the following underlined words in Subsection (1):

(2) Pension benefits payable to the Member and survivor benefits payable to the Member's Spouse shall be payable under Bylaw 10.01(3) in respect of a Member who satisfies the following conditions:

(a) the Member becomes entitled to an early or normal pension pursuant to Bylaws 9.01 or 9.02;

(b) the Member ceases to be employed by the employers participating in the Society ~~Commission~~;

(c) the Member has a Spouse at the time when payment of the pension commences; and

(d) the Member and the Spouse have not waived the survivor pension in accordance with Bylaw 10.01(7).

Bylaw 15.06 is amended by adding the following underlined words in the first paragraph of Subsection (2):

(2) Subject to the approval of the Board, a Regular Member who has a Shortened Life Expectancy, and is not eligible for retirement, may elect to terminate membership with the Society without terminating employment with the Commission or the Society, as applicable, as of the effective date of the election unless a date is otherwise specified by the Board.

Bylaw 15.10 is amended by adding the following underlined words in Subsection (1):

(1) A Member entitled to a deferred pension under Bylaw 12.01(1) or the Designated Beneficiary of a Member entitled to a benefit under Bylaw 11.01(3) or under Bylaw 11.07, is entitled to a further refund of the amount, if any, by which the Member's Required Contributions with Credited Interest from the period from January 1, 1987, to the date on which the Member dies or otherwise terminates employment with the Commission or Society, as applicable, exceeds one-half of the Commuted Value of the benefit otherwise payable to the Member, or his or her Designated Beneficiary if applicable, in respect of the Member's Post-1986 Pension.

Subsection (1) of Bylaw 15.11 is amended by deleting "JSPP" at the end and replacing it with "jointly sponsored pension plan".

Bylaw 15.11 is amended by adding the following underlined words in Subsection (3):

(3) Notwithstanding the foregoing, one half (50%) of any surplus assets which would otherwise result in benefits to the Members being in excess of the maximum limits set out from time to time by the Canada Revenue Agency are to be refunded to the employers (except the Society) in proportion to the wind up liabilities in respect of each employer, and one half (50%) are to be refunded to the Members and Associate Members of the Society.

6.02 Pensionable Earnings

Average Base Period Earnings

Effective January 1, 2016 for Regular Members retiring on or after January 1, 2016 pursuant to Bylaw 8 and for Regular Members whose death occurs on or after January 1, 2016 for purposes of Bylaw 11, and effective May 5, 2016, for Regular Members terminating on or after May 6, 2016, for the purposes of calculating the amount of Regular Member's pension for Credited Service accrued to December 31, 2015, Average Base Period Earnings shall be the greater of:

(a) the average of the highest consecutive four calendar year's Pensionable Earnings prior to 2016 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 2016.

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 2016, the Member's Base Period shall be his or her total number of calendar years, including fractional years, of Pensionable Earnings prior to 2016.

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) For a Regular Member who retires pursuant to Bylaw 8.01 or 8.02 on or after January 1, 2016 and for a Regular Member whose death occurs on or after January 1, 2016 for purposes of Bylaw 11, the annual amount of pension shall be 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, 2015; 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, 2015; 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, 2015, determined in accordance with the Bylaws of the Society in effect as at December 31, 2015.

(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 2.0%. The pensions to which the increase is applicable shall be determined in the same manner as provided under Bylaw 13.01.

8) Effective January 1, 2015, 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.

9) Effective January 1, 2016, pensions in the course of payment shall be increased by 1.0% or 1.28% or 2.0%. 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, 2016.

3.12 Financial Year End Audit

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

2) At the end of each year and at such other times as the Board or Commission may determine, the books and accounts of the Society 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 Auditors' report thereon, shall be prepared by the Officers of the Society and shall be sent made available to each Member and to the Commission.

3) Notwithstanding Bylaw 3.12(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.

~~11.08 Special Death Benefit For On Duty Accident~~

~~(1) In lieu of the death benefit payable under Bylaws 11.01, 11.02, 11.03, 11.04 or 11.05, the death benefit described in Bylaw 11.08(2) is payable upon the death of a Regular Member if:~~

~~(a) the death benefit is greater than the death benefit that would otherwise be payable;~~

~~(b) the Board is satisfied that the death was wholly or partially caused because the Member was performing the duties of employment; and~~

~~(c) the Board is satisfied that the death was caused by circumstances occurring suddenly and unexpectedly, and without willful intention by the Member to take his or her own life.~~

~~(2) Where the criteria in Bylaw 11.08(1) is met, the death benefit is:~~

~~(a) for a Member who does not have a Spouse at the time of death, the death benefit that would be payable under Bylaw 11.03 if an election for a 15 year guarantee had been made; and~~

~~(a) for a Member who has a Spouse at the time of death, the death benefit that would be payable under Bylaw 11.04 if an election for a 100% joint and survivor pension had been made.~~

PENSION OFFICE CONTACTS

Sean Hewitt	Chief Executive Officer	416-393-3610	sean.hewitt@ttc.ca
Cheryl Uroda	Director - Pension Administration	416-393-6816	cheryl.uroda@ttc.ca
Jane Lee	Administrative Assistant	416-393-4372	jane.lee@ttc.ca
Susan Munshaw	Pension Fund Administrator	416-393-2810	susan.munshaw@ttc.ca
Helen Redmond	Supervisor - Pension Benefits	416-393-3685	helen.redmond@ttc.ca
Andrea Ho Shue	Pension Benefits Specialist	416-393-3684	andrea.hoshue@ttc.ca
Katelyn Steadman	Pension Estates & Estimates Assistant	416-393-4521	katelyn.steadman@ttc.ca
Michelle Nandlall	Pension Payroll Clerk	416-393-2603	michelle.nandlall@ttc.ca
Anna Puccia	Pension Officer - Retirees	416-393-4368	anna.puccia@ttc.ca
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James Clarkson	Director - Pension Accounting	416-393-6781	james.clarkson@ttc.ca
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Johana Vigneswaran	Pension Investment Accounting Analyst	416-393-3260	johana.vigneswaran@ttc.ca
Xiaofang (April) Liu/ Jamaal Piper	Pension Fund Accounting Analyst	416-393-6574	xiaofang.liu@ttc.ca jamaal.piper@ttc.ca

Toll Free #: 1-800-663-6820

Fax #: 416-338-0122

Email: 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.

Mailing Address:

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

TORONTO TRANSIT COMMISSION

SICK BENEFIT ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015

TORONTO TRANSIT COMMISSION
SICK BENEFIT ASSOCIATION
SEVENTIETH ANNUAL REPORT - YEAR OF 2015

Board of Directors:

G. Piemontese	-	President
B. Kinnear	-	Vice-President
J. Clarkson	-	Treasurer
B. Chrisp		
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, 2015.

Items of Special Note

Since the last Annual General Meeting, Mr. M. Sforza resigned from the Board of Directors. Mr. B. Chrisp was appointed to fill the resulting vacancy.

By-Law Amendments

Since the last Annual General Meeting By-law 4 Section 1(4)(a) was amended.

Membership

At the beginning of 2015 membership for those eligible for sick benefits totaled 10,596. By the end of the year, membership had increased to 10,776.

Benefits and Claims

Benefit claims expenses were approximately $26,500,000 in 2015, paid by TTC, compared to $27,500,000 in 2014. A total of 143,921 sick days were paid during 2015, compared to 142,223 in 2014 or an increase of 1,698 days from 2014

The average cost to the Commission for providing Sick Benefit Association benefits was approximately $206 per Member per month in 2015, as compared to the average cost of approximately $218 per Member per month in 2014.

During 2015, Members appealed a total of 134 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 2015.

GMPiemontese

Gemma Piemontese – President

May 6, 2016

Independent Auditor's Report

To the Board of Directors of
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, 2015 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 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

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2015 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, 2015, with comparative figures
(in Canadian dollars)

	December 31, 2015	December 31, 2014
FINANCIAL ASSETS		
Cash	66,609	66,033
Accounts receivable	48	56
Amount due from the Toronto Transit Commission (note 3)	2,766,475	2,636,043
Total Financial Assets	2,833,132	2,702,132
LIABILITIES AND ACCUMULATED SURPLUS		
Provision for payroll taxes (note 4)	2,741,000	2,610,000
Total Liabilities	2,741,000	2,610,000
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

J. Clarkson
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, 2015, with comparative figures
(in Canadian dollars)

	2015 Budget	2015 Actual	2014 Actual
REVENUE			
Contributions from the Toronto Transit Commission		130,432	134,387
Interest income		568	651
Total Revenue	-	131,000	135,038
EXPENSES			
Sick benefit claims		-	38
Interest on payroll tax provision		131,000	135,000
Total Expenses	-	131,000	135,038
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 or when expenses are incurred by the Association.

(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 PROVISION

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.

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.

TORONTO TRANSIT COMMISSION - SICK BENEFIT ASSOCIATION

SBA BYLAW AMENDMENTS

Current By-law

By-law 4, Section 1(4)(a) states in part:

“A Member to qualify for sick benefits, must be under the care of and follow the instructions of a licensed medical practitioner during the period for which application for benefits is made.

To qualify for benefits from the first day of disability, a Member must be under the care of i.e. seen, clinically assessed and treated within three days (72 hours) following the first date of disability claimed by a licensed medical practitioner.”

New By-law

By-law 4, Section 1(4)(a) states in part:

“A Member to qualify for sick benefits, must be under the care of and follow the instructions of a licensed medical practitioner during the period for which application for benefits is made.

To qualify for benefits from the first day of disability, a Member must be under the care of i.e. seen, clinically assessed and treated within five days (120 hours) following the first date of disability claimed by a licensed medical practitioner.”

TORONTO TRANSIT COMMISSION

FROM THE COUPLER

THECOUPLER.CA

2015 IN REVIEW

January 19: Toronto Mayor John Tory and TTC Chair Josh Colle announced a $95-million investment to significantly expand and enhance transit service, reduce wait times and crowding and reverse the service cuts that were imposed on the TTC in 2011. The Mayor and Chair also announced that children 12 and under will ride the TTC for free starting on March 1.

February 2: The TTC Board approved the 2015 Operating Budget with $95-million worth of new and enhanced service priorities to meet ridership demand across the city, such as: more bus and streetcar service at off-peak periods to reduce crowding and benefit 55 million customer trips and add 1.8 million new customer trips; a city-wide network of 10-minutes or better service frequency to benefit 48 million customer trips and add 1.8 million new customer trips; new express bus services at off-peak periods; phased-in restoration of all-day, every day service on the vast majority of bus and streetcar routes; and expand the overnight Blue Night Network with 12 additional bus and streetcar routes and add 300,000 new customer trips.

February 9: Mayor John Tory toured Harvey Shop and answered questions from workers on a variety of topics in a half-hour open microphone session.

March 1: New fare rates in line with the rate of inflation took effect. The pricing change saw a 10-cent increase in the price of a single Adult token ($2.80 from $2.70) and a proportionate increase to all other fares, plus a one-trip increase in the price of the Adult Metropass. Cash fares remained unchanged while the Child fare was eliminated.

April 13: The TTC announced a new agreement with Bechtel Canada Co. for the project management of the Toronto-York Spadina Subway Extension, which reset the opening of the subway line into York Region to the end of 2017.

May 24: Standing at a bus stop in Scarborough, Mayor John Tory and TTC Chair Josh Colle announced that the TTC will be ready to roll out new and improved services (all-day-every-day and overnight) on 61 bus and streetcar routes across the city, starting in the fall.

June: The TTC's Employee Support and Court Advocate Program won the Canadian Urban Transit Association's Leadership Award for Safety and Security.

June 7: 2015 Roadeo champions: Bus Roadeo: Grand Champion John Bome; 2nd Kevin Chan; 3rd Ed Mernagh. Wheel-Trans Roadeo: Grand Champion Donald MacLeod; 2nd Rick Rideout; 3rd Stephen Brumpton.

June 7: The TTC removed its 41 remaining Sunday-only streetcar stops that had been in place since the 1920s.

June 17: St George, Bay and Bloor-Yonge and the entire 'U' on Line 1 became the first stations to provide customers with cellular phone service as WIND Mobile signed on to the TTC's cellular network. TTC riders with WIND had access to unlimited talk, text and data service underground.

July 2: Federal Finance Minister Joe Oliver, Provincial Tourism, Culture and Sport Minister Michael Coteau, TTC Chair Josh Colle and TTC CEO Andy Byford officially marked the completion of major renovations at Union Station.

July 8: TTC riders and Pan Am spectators were able to purchase a Day or Group Pass using their iOS and Android devices. The e-Ticketing option was introduced in advance of the Pan Am/Parapan Am Games.

July 9: The TTC's massive and highly successful Pan Am/Parapan Am Games transit service got underway. Frequent and convenient transit service was provided to all Games venues in Toronto. The TTC enlisted more than 1,600 employees as customer ambassadors. Pan Am service ran until July 27. Parapan Am service operated from Aug. 6-15.

July 19 & July 26: Sunday subway service started at 6 a.m. as part of the TTC's commitment to keep the city moving during Pan Am Games.

August 3: The TTC carried its 30 billionth customer. To mark the ridership milestone, longtime MDP subscriber, Grant Scott of Toronto, was selected to receive a free Metropasses for a year. It was presented to him by TTC Chair Josh Colle and CEO Andy Byford at Davisville Station on Aug. 24.

August 21: Subway Musicians' Auditions kicked off at the CNE. The three-day event to award 74 licences takes place every three years.

September: The installation of PRESTO smart card readers began in mid-September on the legacy CLRV and ALRV streetcar fleet. The entire fleet was PRESTO-enabled by the end of the year.

September 28: The 10th new low-floor streetcar (#4411) entered service on the 509 Harbourfront route.

September 29: TTC Chair Josh Colle and Deputy CEO Chris Upfold introduced the first bike repair stop outside Davisville Station. The bike stands were installed at 10 stations.

October: The TTC's focus on continuous improvement began to show dividends as customer satisfaction rose to an all-time high of 81 per cent, according to the Q3 Customer Satisfaction Survey.

October 5: The Tunnelling Association of Canada presented the TTC with the Canadian Project of the Year Award for the Toronto-York Spadina Subway Extension's Twin Tunnels Project.

October 15: The first rebuilt ALRV (#4217) re-entered service on the 501 Queen route. In total, 30 ALRVs will undergo a major life-extension overhaul to improve reliability and ensure continuous and safe operation.

October 18: Route Supervisor Richard Lee signed copies of his new book, *Get OnBoard: Walk in the Shoes of a Transit Operator*, at a book launch event at Spadina Station.

NOVEMBER 22: New streetcar #4405, operated by Russell's Joseph Martinez, became the first vehicle to run out of Leslie Barns, the newest carhouse at the corner of Leslie Street and Lake Shore Boulevard East. The Barns, still under construction, is expected to be fully occupied in early 2016.

NOVEMBER 25: Chris Upfold, Deputy CEO and Chief Customer Officer, received an Individual Leadership Award of Excellence from the Canadian Urban Transit Association at the 2015 Fall Conference and Trans-Expo in Montreal.

DECEMBER 14: Proof of payment (POP) and all-door boarding went into effect on all 11 streetcar routes. TTC riders with POP could board any streetcar through any door.

DECEMBER 31 / JANUARY 1, 2016: For the third consecutive year, the TTC will be offering free New Year's Eve rides courtesy of Corby Spirit and Wine.

COUPLER WANTS TO KEEP YOU CONNECTED

The Coupler invites all pensioners and employees to sign up for TTC news and headlines via our mailbox at coupler@ttc.ca. Simply send us an e-mail request from your personal e-mail address and include your full name, pension or badge number and home address or work location.

Note: personal information is for verification purposes only.

If you know a pensioner who is not connected electronically, but would like to continue receiving The Coupler news, please call Senior Communications Advisor/Coupler Editor Mike DeToma at 416-393-3793, or e-mail mike.detoma@ttc.ca, for more information.

IN MEMORIAM

The TTC Board and management extend its deepest sympathies to the families of pensioners and active employees who passed away in 2015.

To view the In Memoriam archive, please visit TheCoupler.ca.

RONALD AMIEL
LLOYD APPIAH
CRAIG ANDERSON
ANTHONY AQUILINA
CLIFFORD ASH
FRANK BATHIE
JOSEPH BERGIN
NAZZARENO BERLINGIERI
RYAN BETHUNE
STEPHEN BINNS
AUGUSTUS BISHOP
MALCOLM BLAKE
ANTHONY BOME
THOMAS BOWERS
THOMAS BRASSEUR
RICHARD BROOKES
COLIN BROWN
JOHN BUDAY
CARMEL BUGEJA
ARTHUR BURKE
PETER BYNOE
GERALD BYRNE
GIOVANNI CALABRESE
ALBERT CALWAY
SANTE CANNITO
EDWARD CARROLL
GERRARD CARROLL
JAMES CARRUTHERS
JOEL CARTER
DOMENICO CASCONE
HAROLD CHAPMAN
RAYBURN CHAPMAN
MALBOURNE CLARKE
PETER CLEMENT
JANET CLUETT
ORESTE COCCO
ARNOLD COHOON
ANGELO CONSALES
DOMENICO CONTE
GIOVANNI CORSETTI
DORIS COVELL
DESMOND CRAFTER
GAETANO CRISTINO
MICHELE CUNSOLO
BURNILL DA COSTA
ANTONIO D'ANGELO
MICHAEL DAWYD
JOSEPH DEGUARA
PATRICK DESMARTEAU
EDWARD DEVLIN
DENNIS DEZSI
MICHAEL DODD
JOHN DOYLE
KEVIN DUHAULT
EDWARD DUNPHY
DENNIS DUNN
JOHN EASTMAN
MELTON EDWARD
JAMES ELLIOT
WILLIAM ELLIS
RODERICK ERNST
ROBERT EVANS
THOMAS EVANS
GARFIELD EWERS
MARCELLO FALLICO
TERRY FAST
JOHN HIGGINS
ROBERT FENECH
JAMES FERRIE
WALTER FILIPOWICZ
JOHN FOSTER
BARRY FRANEY
ERNEST FREDENBERG
DAVID GAUDETTE
NEIL GAYLOR
REDVERSE GEORGE
VINCENT GENTILE
JAMES GODFREY
WILLIAM GORRY
STEVE GRANCHAROFF
KENNETH GRANT
JOHN GRIER
GIACOMO GROSSI
JOSEPH GUANTI
CLIFFORD GUILLEMETTE
FRANK HALL
ANITA HAREWOOD
ALICE HARRISON
FRANCIS HARRISON
GERALDINE HARRISON
ROBERT HARVEY
ROHAN HARVEY
LESLIE HISHON
WILLIAM HOOL
RICHARD HUGHES
FRANCIS TONY HULL
PHILIP HUMPHRIES
CYRIL HUTCHINSON
LEWIS JACKSON
JOHN JOHNSTONE
MATTHEW JOHNSTONE
NEVILLE JONES
IGNACY KACZMARCZYK
DONALD KAVANAGH
NICHOLAS KELLEHER
MICHAEL KELLEN
MARK KERR
VICTOR KILMINSTER
DOMINIC KIRK
VINCENT KUBIAK
ROBERT LANG
JOHN LANGMAN
JOHN LEVITT
BARUCH LEVY
DONALD LINDSAY
QIANG CHARLIE LIU
RODNEY LORD
MARIO LUNARDO
CHARLES LURMANN
STEPHEN MACDONALD
RON MACINNIS
ARCHIE MACLACHLAN
FRANK MAHER
WILFREDO MANALO
BRUNINO MARCELLO
ORLANDO MARIANI

GORDON MARKHAM
WILLIAM MARR
CLEVELAND MARTIN
ASSUNTINO MASCITELLI
ANTONIO MASCITELLI
CORRADO MASSA
ROBERT MASSENA
MARIO MAZZEI
JOHN MCCRACKEN
HENNY MCDERMOTT
TERENCE MCDONNELL
GEORGE MCKAY
ARTHUR MIDDLETON
LEO MIELKE
STEVEN MONTFORT
PIETRO MARCHESE
WILFRED MONTGOMERY
JAMES MOORE
ISAAC MORGAN
GERD MUENZER
JAMES MUIR
IAN MURRAY
WILBUR NOLAN
KRYSTYNE NICKEL
PATRICK O'HAGAN
ROSS O'LEARY
GIUSEPPE PALMA
VITTORIO PANARO
GORDON PATERSON
CALOGERO PARISI
HENNING PEDERSEN
JULIE PENNEY
MILTON PERSRAM
JOHN PRICE
GUS PUOPOLO
SHETTY PURUSHOTHAM
ALEXANDER PUSKAS
JOSEPH RAPKE
KENNETH REED
LESLIE REEVES
PASQUALE RICCIUTI
GEORGE RICHARDS
ROBERT RITCHIE
MAISIE ROBERTSON
WILLIAM ROBERTSON
WALTER RODRIGUES
BRYAN RORKE
ROBERT ROURKE
SEVERINO SANGINESI
JAMES SANT
ALF SAVAGE
GARY SAVAGE
PASQUALE SCARFO
UDO SCHNACK
SHABBIR SHAMSHUDIN
GRAEME SIMMONDS
RUTH SIMSOVIC
DAVID SOPER
DANIELE SPINOZZI
ANTHONY SMITH
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FRANK SUKLJE
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RICK VERRIERE
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DAVID WALKER
DOUGLAS WALKER
JOERN WISCH
DONALD WOLFE
EDWARD YASNEY
JAMES YEAMAN
ERNEST YOUNG
JOHN YUILL