



TTC Sick Benefit Association Annual Report

Date: September 24, 2019

To: TTC Board

From: President – TTC Sick Benefit Association and TTC Chief People Officer

Summary

The TTC Sick Benefit Association Annual Report is distributed primarily for communication with TTC union employees. The attached covers financial and audit information and administrative matters of the Association and is submitted to the TTC Board for information.

Financial Summary

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

Equity/Accessibility Matters

No equity or accessibility impacts were identified in the preparation of this report.

Comments

The TTC Sick Benefit Association (SBA) was established on December 29, 1960. The objective of the Association was to administer and pay benefits to its members (TTC unionized employees) in accordance with the by-laws of the Association. The TTC SBA is administered by a Board of Directors, consisting of four Directors appointed by the TTC and four directors who are members of the Amalgamated Transit Union Local 113 Executive Board. Employees in other TTC bargaining units (i.e. Canadian Union of Public Employees (CUPE) and International Association of Machinists and Aerospace Workers (IAMAW)) are also members, but their unions have no representation on the TTC SBA.

At the time it was established, the TTC SBA was funded jointly by contributions from the TTC and members of the SBA. In 1971, the TTC assumed the full cost of providing sick benefits to TTC SBA members. At the same time, the TTC negotiated the right to discontinue using the TTC SBA at any time.

In 2012, the TTC began paying sick benefits directly to employees, without routing the money through the TTC SBA. A change to the TTC SBA by-laws accompanied this switch, which was prompted as a result of changes to legislation governing the

deduction of Employment Insurance and Canada Pension Plan contributions. As a result, this left the TTC SBA largely as a vehicle for appeals of denied benefit claims.

In March 2018, the TTC notified ATU Local 113 that it would exercise its right under the collective agreement to discontinue using the SBA, and proposed instead that appeals of denied benefit claims be handled through the grievance procedure. The union disputed the TTC's right to discontinue using the SBA and advanced a grievance. In July 2019, the arbitrator rendered a decision confirming the TTC had the right to discontinue using the SBA.

The TTC SBA is a separate entity from the TTC, and therefore the TTC's decision not to use the TTC SBA doesn't result in it being wound up or discontinued. The TTC SBA continues to exist, and as such all regulatory requirements must continue to be met. The TTC has advised its appointed Directors to explore the possibility of winding up the TTC SBA with their union-appointed counterparts.

Contact

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President, TTC Sick Benefit Association and TTC Chief People Officer
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Signature

Attachments

Attachment 1 – 2018 TTC Sick Benefit Association Annual Report, Auditor's Report, Financial Statement.

**TORONTO TRANSIT COMMISSION
SICK BENEFIT ASSOCIATION
SEVENTY THIRD ANNUAL REPORT - YEAR OF 2018**

Board of Directors:

G. Piemontese - President
F. Grimaldi - Vice-President
J. Clarkson - Treasurer
R. Fox
P. Daniels
C. Piggott
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, 2018.

Items of Special Note

Mssrs. Grimaldi, Clarkson and Piggott resigned from the Board of Directors in 2019. Mssrs. Santos and Malta were appointed to fill the resultant vacancies.

By-Law Amendments

No By-law Amendments were made since the last Annual General Meeting.

Membership

At the beginning of 2018 membership for those eligible for sick benefits totaled 11,247. By the end of the year, membership had increased to 11,638.

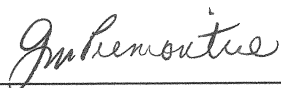
Benefits and Claims

Benefit claims expenses were approximately \$33,600,000 in 2018 compared to \$32,600,000 in 2017. A total of 165,392 sick days were paid during 2018, which compares to 160,791 in 2017 or an increase of 4,601 days from 2017.

The average cost to the Commission for providing Sick Benefit Association benefits was approximately \$245 per Member per month in 2018, as compared to the average cost of approximately \$243 per Member per month in 2017.

Acknowledgements

The Board of Directors appreciates the co-operation and support of the Members and the TTC during the year of 2018.



Gemma Piemontese – President

Toronto Transit Commission Sick Benefit Association

Financial Statements
December 31, 2018
(expressed in Canadian dollars)



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Toronto Transit Commission Sick Benefit Association (the Association) as at December 31, 2018 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at December 31, 2018;
 - the statement of operations and accumulated surplus for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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



In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
August 27, 2019

Toronto Transit Commission Sick Benefit Association

(incorporated under the laws of the Province of Ontario)

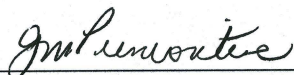
Statement of Financial Position

As at December 31, 2018

(expressed in Canadian dollars)

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash	64,956	67,873
Accounts receivable	117	79
Amount due from the Toronto Transit Commission (note 3)	3,217,991	3,046,180
Total financial assets	<u>3,283,064</u>	<u>3,114,132</u>
LIABILITIES AND ACCUMULATED SURPLUS		
Provision for payroll taxes (note 4)	3,195,000	3,022,000
Total liabilities	<u>3,195,000</u>	<u>3,022,000</u>
Net assets	<u>88,064</u>	<u>92,132</u>
Accumulated surplus	<u>88,064</u>	<u>92,132</u>

On behalf of the Board:



G. Piemontese
Director


Director

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

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, 2018

(expressed in Canadian dollars)

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
REVENUE			
Contributions from the Toronto Transit Commission	-	171,812	143,276
Interest income	-	1,188	724
Total revenue	-	173,000	144,000
EXPENSES			
Interest on payroll tax provision	-	173,000	144,000
Legal fees	-	4,068	-
Total expenses	-	177,068	144,000
Surplus (deficit) for the year	-	(4,068)	-
Accumulated surplus – Beginning of year	92,132	92,132	92,132
Accumulated surplus – End of year	92,132	88,064	92,132

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

Toronto Transit Commission Sick Benefit Association

Notes to Financial Statements

For the year ended December 31, 2018

(expressed in Canadian dollars)

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.

2 Summary of 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. 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.

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.

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 payroll taxes is based on the best information available at the time of financial statement presentation. 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.

Toronto Transit Commission Sick Benefit Association

Notes to Financial Statements

For the year ended December 31, 2018

(expressed in Canadian dollars)

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 for the contributions and is non-interest bearing and due on demand.

4 Provision for payroll taxes

The Association has recorded an amount payable to the Canada Revenue Agency based on Management's assessment of the likelihood and estimated outcome of a retrospective legal obligation to pay payroll taxes on claim payments for the period January 1 to July 21, 2012, including an accrual for penalties and interest. The timing and ultimate settlement of the obligation is unknown at this time.