CITY OF WINDSOR AGENDA 10/25/2023

Consolidated Environment, Transportation & Public Safety Meeting Agenda

Date: Wednesday, October 25, 2023
Time: 4:30 o'clock p.m.

Location: Council Chambers, 1st Floor, Windsor City Hall

All members will have the option of participating in person in Council Chambers or electronically and will be counted towards quorum in accordance with Procedure By-law 98-2011 as amended, which allows for electronic meetings. The minutes will reflect this accordingly. Any delegations have the option to participate in person or electronically.

MEMBERS:

Ward 2 – Councillor Fabio Costante (Chairperson)

Ward 3 – Councillor Renaldo Agostino

Ward 4 – Councillor Mark McKenzie

Ward 8 – Councillor Gary Kaschak

Ward 9 – Councillor Kieran McKenzie

ORDER OF BUSINESS

Item # Item Description

1. **CALL TO ORDER**

READING OF LAND ACKNOWLEDGEMENT
We [I] would like to begin by acknowledging that the land on which we gather is the traditional territory of the Three Fires Confederacy of First Nations, which includes the Ojibwa, the Odawa, and the Potawatomi. The City of Windsor honours all First Nations, Inuit and Métis peoples and their valuable past and present contributions to this land.

2. **DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**

3. **ADOPTION OF THE MINUTES OF THE ETPS STANDING COMMITTEE**

3.1. Minutes of the September 27, 2023 Environment, Transportation & Public Safety Standing Committee **(SCM 259/2023)** ***(previously distributed)***

4. **REQUEST FOR DEFERRALS, REFERRALS OR WITHDRAWALS**

5. **COMMUNICATIONS**

6. **PRESENTATIONS AND DELEGATIONS**

DELEGATIONS

8.5 Active Transportation Master Plan 2022 Update – City Wide **(S 52/2023)** ***(previously distributed)***
a) Caroline Taylor, Ward 2 resident (in person)

8.4. Follow-up to CR172/2023 – Essex Terminal Railway Whistling Cessation –Ward 4 **(S 129/2023)** ***(previously distributed)***
Clerk's Note: John West, Ward 4 resident, submits the ***attached*** letter dated October 19, 2023 as a written submission
a) John West, Ward 4 resident (in person)
b) Tony De Thomasis, President & CEO, Essex Terminal Railway, available for questions (via Zoom)
c) Jack Weston, Superintendent, Essex Terminal Railway, available for questions (via Zoom)

8.7 Response to Council Decision ETPS 942 - Options for Addressing Panhandling - City Wide **(C 119/2023) & (SCM 111/2023) & (S 31/2023)** ***(Previously Distributed)***

a) Joyce Zuk, Executive Director, Family Services Windsor-Essex, available for questions (in person)
b) Gemma Smyth, Ward 3 resident (in person)
c) Nate Hope, downtown resident and Vice-Chair of Windsor Downtown Neighbourhood Alliance (in person)

7. COMMITTEE MATTERS

8. ADMINISTRATIVE ITEMS *(previously distributed)*

8.1. Response to CQ 18-2023 – Reversing Recycling and Garbage Collection Days – City Wide **(S 125/2023)**

8.2. Response to CR57/2022 – Data Collected and Potential Strategies to Target Rodent Issues – City Wide **(S 127/2023)**

8.3. Response to CQ 19-2022 – Review of the use of Artificial Turf on the Public Right-of-way - City Wide **(S 126/2023)**

8.6 Church Street (Tecumseh Road West to Cul-de-Sac) Traffic Calming – Ward 3 **(S 128/2023)**

9. TRANSIT BOARD ITEMS

9.1 Transit Windsor Pension - Investment Plan and 2022 Valuation and Financial Statements **(C 153/2023)** ***(attached)***

10. ADOPTION OF TRANSIT BOARD MINUTES

11. QUESTION PERIOD

12. ADJOURNMENT

THE CITY OF WINDSOR ONTARIO, CANADA

Council Report: C 153/2023

Subject: Transit Windsor Pension Plan - Investment Plan and 2022 Actuarial Valuation and Audited Financial Statements - City Wide

Reference:

Date to Council: October 25, 2023
Author: Dan Seguin
Deputy Treasurer - Financial Accounting and Corporate Controls
519-255-6100 ext 1663
dseguin@citywindsor.ca
Financial Accounting
Report Date: 10/14/2023
Clerk's File #: AFB/14256 and MT2023

To: Mayor and Members of City Council

Recommendation:

THAT the Environment, Transportation & Public Safety Standing Committee sitting as the Transit Windsor Board of Directors:

I. **APPROVE** the Audited Financial Statements and Actuarial Valuation of the Contributory Pension Plan for Employees of Transit Windsor as at December 31, 2022; and further,

II. **ACKNOWLEDGE** the forwarding of the Audited Financial Statements and Actuarial Valuation as at December 31, 2022 to the Office of the Superintendent of Financial Institutions and to the Canada Revenue Agency by the Deputy Treasurer – Financial Accounting and Corporate Controls, as the Plan Administrator and as per legislation; and further,

III. **DIRECT** Administration to proceed with the termination of the Contributory Pension Plan for Employees of Transit Windsor investment management agreement with OMERS which includes but not limited to the liquidation of plan investments with OMERS, development and implementation of a temporary investment strategy with regards to the liquidated plan funds, and subject to direction of the Transit Windsor Pension Review Committee the purchase annuities to satisfy pension plan member obligations and finally wrap-up the Contributory Pension Plan for Employees of Transit Windsor.

THAT City Council:

I. **RECEIVE** the Audited Financial Statements and Actuarial Valuation for the Contributory Pension Plan as approved by the Board; and further,

II. **SUPPORT** the actions noted above with regards to the termination of the Contributory Pension Plan for Employees of Transit Windsor investment management agreement with OMERS; and further,

III. THAT the Chief Administrative Officer and the City Clerk **BE AUTHORIZED** to take any such action required to effect the recommendation noted above and sign any required documentation/agreement(s), satisfactory in legal form to the Commissioner of Legal & Legislative Services, in technical content to the Commissioner of Infrastructure Services and financial content to the Commissioner of Corporate Services, Chief Financial Officer/City Treasurer, or designates; and,

IV. THAT Council **PRE-APPROVE** and **AWARD** any procurement(s) necessary that are related to the recommendation noted above, pursuant to the Purchasing By-Law 93-2012 and amendments thereto; satisfactory in financial content to the Commissioner of Corporate Services, Chief Financial Officer/City Treasurer; and in technical content to the Commissioner of Infrastructure Services, or designates.

Executive Summary:

N/A

Background:

This report provides the information required for approval of the Audited Financial Statements and Actuarial Valuation of the Transit Windsor Contribution Pension Plan (the Plan) for eligible employees as at December 31, 2022, and further provides a recommended path to wind up the Plan which would mitigate future funding obligations to the Plan.

Pension benefits for employees of Transit Windsor are accrued under two separate and distinct pension plans: the frozen Contributory Pension Plan for Employees of Transit Windsor (the Plan) and OMERS. Benefits for service up to December 31, 1999, are frozen under the Plan, while benefits for service from January 1, 2000, are provided under OMERS. There are 223 active members in the Plan, 24 of which are still active employees.

Currently, the following are key players of the Plan:

Transit Windsor Pension Review Committee – The committee is comprised of union and non-union Transit employees and retirees. The Committee meets annually (more often as required) to review the annual performance, audited financial statements and actuarial valuation of the Plan. Any improvements recommended by the Pension Review Committee must be forwarded to the Board of Directors of Transit Windsor for approval

Plan Sponsor – Transit Windsor. Transit is ultimately responsible for the Plan and its assets and liabilities. In the event any Plan funding is required, Transit will be required to provide the funding

Plan Consultant/Actuary – Mercer (Canada) Limited. Mercer conducts an annual actuarial valuation to determine the Plan Going Concern and Wind-Up Surplus/Deficit and any funding obligations. Mercer also provides consulting support to the Transit Windsor Pension Committee and Administration relative to the Plan

Plan Administrator – Sun Life Financial. Sun Life liaises with City HR to determine changes to Plan member eligibility, receives monthly transfers from Plan investments and distributes pension payments to eligible Plan recipients.

Plan Investment Manager/Custodian – OMERS. OMERS invests the assets of the Plan commingled with the other funds that OMERS is responsible for investing. This means that based on the agreement with OMERS Transit is not able to direct the investment strategy of the Plan assets, as OMERS uses the same approach for all of their investments.

To be clear, the Plan is distinct from the OMERS Pension plan that the City is a member of. OMERS only manages the investments of the Plan. OMERS has not assumed the liabilities of the Plan and does not administer the payments to Plan members. This function is performed by Sun Life as Plan Administrator. In carrying out its responsibilities to manage the Plan, OMERS includes the Plan assets as part of its larger asset portfolio. In other words, specific attention is not made to just the Plan assets in relation to its future obligations which has resulted in fluctuations to the funding obligations and overall wind-up position.

The Plan is a defined benefit plan, which provides a defined monthly pension payment to eligible retirees or beneficiaries based on career earnings and is partially indexed to increase based on annual inflation. The Plan was originally regulated by the Province of Ontario however on January 1, 1996, the Plan was transferred to the federal jurisdiction under the authority of the Office of the Superintendent of Financial Institutions Canada (OSFI). The transfer was a direct result of a Labour Board decision that deemed Transit Windsor to be a federal employer. The transfer to federal jurisdiction triggered a requirement to provide OSFI with a valuation report and the first report was filed effective January 1, 1996. The market value of the Plan assets at December 31, 2022 is valued at approximately $33.7 million compared to $34.4 at December 31, 2021. This value is based on the audited financial statements for 2022. Conversely, the Plan solvency liabilities as at December 31, 2022 are $29.1 million compared to $36.7 million as at December 31, 2021. The decrease in the liabilities is largely a function of increased interest rates. Overall, as at December 31, 2022, the Plan is considered to be in a wind-up surplus position of $4.6 million compared to a wind-up deficit position of $2.3 million as at December 31, 2021, a swing of $6.9 million to the benefit of the Plan.

In an effort to reduce funding volatility for plan sponsors, the federal government introduced the use of properly structured Letters of Credit (LOC) to satisfy solvency payments up to a limit of 15% of the Plan liabilities. The impact of this change allowed for more flexibility in terms of meeting annual solvency deficit requirements.

LOCs provided an alternative means for plan sponsors to satisfy their funding obligations in a secure fashion that does not compromise benefit security. The value of the LOC is never put into the Plan; rather it is held by the trustee for instances such as

bankruptcy, wind-up, or other extenuating circumstances, at which time the LOC would be called and deposited into the Plan to discharge the Plan's liabilities. LOC's have been issued for the Plan by way of the City's $100 million line of credit with Scotiabank. Since the LOC is held by the City, the bank would look to the City for reimbursement of the amount of the LOC should it be required. All LOC funding must be renewed by December 31 (the fiscal year-end of the Pension Plan) with the documents in place by December 15.

As part of the LOC increase presented to City Council on March 25, 2018, authority was delegated to the CAO to approve future adjustments to the Letter of Credit, which may be required, in order to fund the Transit Windsor pension deficit up to the maximum allowable amount of 15% of plan liabilities as determined by the annual Actuarial Valuation, and in consultation with the Executive Director of Transit Windsor and the City Treasurer. Where such approval is given, City Council would be advised as part of the next annual pension report.

The Transit Windsor Pension Review Committee had asked Mercer in 2018 to provide a memo on strategic alternatives to administer the plan that would satisfy plan members but also remove the risk of volatile funding requirements that may occur when the fund is in deficit. A deficit could by caused by market yields in the Plan's investments being lower than expected or even negative, or the valuation of Plan liabilities rise due to a decrease in indicative interest rate. The two options provided to remove this risk were:

1. Merge the Plan into another public sector plan, such as OMERS. Some work was done to investigate if OMERS or other public sector pension plans would be interested in taking on (merging) the Plan. The response back was that these plans administer active ongoing membership and due to the fact that the Transit Windsor Pension Plan has been closed since 1999 with no new service being accrued as well as the complications of merging a plan that is under the jurisdiction of OSFI, OMERS and others contacted were not interested in considering a merger

2. Change investment strategy to more closely match the potential fluctuations of the Plan liabilities. The Plan is different from other OMERS managed plans in that the Plan is closed and no new eligible service is being accrued. Closed plan liabilities tend to fluctuate more closely to the bond market. As mentioned, OMERS manages the Plan investments and is only able to do so with the same approach to the rest of OMERS ongoing plans, and so their strategy more aligned to the liabilities of ongoing plans. OMERS has obtained satisfactory returns for the Plan, however the disconnect of investment strategies means that there is a greater volatility of Plan surplus/deficit balances. Changing the investment approach to reduce this volatility was not pursued in past years while the Plan was in a deficit position, however it makes sense to consider now that the Plan is in a wind-up surplus position

3. A further option, which is tied to the second option above, would be to consider winding up the plan by purchasing annuities to satisfy the obligations of the Plan. In this scenario, Plan assets would be used to purchase annuities, typically from an insurance company. The insurance company would then be responsible for

providing all on-going pension payments to eligible pension recipients until all pension entitlements are paid

.

In 2018, based on the wind-up deficit position of the plan, purchasing annuities to satisfy plan obligations would have required a significant (>$5 million) contribution from Transit. As of December 31, 2022, the plan is now in a wind-up surplus position. This means that the Plan is in a position where Transit may be able to purchase annuities to satisfy Plan obligations and wind-up the Plan with potentially no additional contribution from Transit.

Discussion:

The Independent Auditors' Report (attached) states "In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2022, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of the Federal Pension Benefits Standards Act."

The Office of the Superintendent of Financial Institutions (OSFI) requires that the attached Audited Financial Statements and Actuarial Valuation of Transit Windsor's Pension Plan be filed with OSFI no later than six months after the Plan's year-end.

Plan Position as at December 31, 2022

As noted in the audited Financial Statements of the Pension, the market value of the Plan's solvency assets as at December 31, 2022, is $33,722,000.

The Asset Value decreased from December 2021 to December 2022 primarily due to 2022 benefit payments slightly exceeding market gains for the year. At December 31, 2022, plan liabilities were $29,155,000. This amount also fluctuates annually based on a number of factors, which can include interest rates, expected future benefit costs, and changes in life expectancy calculations.

The following chart highlights the Plan balances for the most recent 3-year period:

	December 31, 2022	December 31, 2021	December 31, 2020
Market Value of Assets	$33,722,000	$34,411,000	$31,766,000
Solvency Liabilities	$29,155,000	$36,678,000	$38,229,000

Wind-up Surplus (Deficit)*	**$4,567,000**	**($2,267,000)**	**($6,463,000)**
Face Value of letter of credit	$4,890,000	$4,890,000	$4,890,000
Adjusted Solvency Ratio	131.8%	106.6%	95.4%

*employer contribution of the deficit only if the plan were to be wound up (before wind-up administration fees)

Transit Windsor's actuaries, Mercer, have now finalized the 2023 funding obligations arising from the 2022 valuation of Transit Windsor's Pension Plan. Based on this valuation, there are no special payments (Going Concern and Solvency) required in 2023.

The above chart also indicates a wind-up surplus position for the Plan in 2023. The wind-up deficits at 2021 and 2020 represent the theoretical amount that would have been required to be paid (plus $200,000-$300,000 of wind-up administration fees) if the Plan were to be wound up at that time. Given that the Plan is in a wind-up surplus position, the Transit Windsor Pension Committee requested that Mercer, as the plan consultant, work with Administration to determine if it would be both feasible and practical to purchase annuities which would satisfy the ongoing benefit payments to members and wind-up the Plan. Considerations to this approach include:

Pensioners – no effect, as they will continue to receive the same agreed to benefits

Active Members – some additional flexibility, as they can preserve their exact current entitlement, but may be able to elect a lump-sum payment from the Plan to buy back past service with OMERS (if available)

Costs to Wind up the Plan – there are expected to be costs of approximately $200,000 to $300,000 of administration costs to wind up the Plan. Costs can be paid from the Plan, and so while in a surplus position, there is no additional funding requirement

On-going Administrative Effort and Costs – currently, there are annual costs for annual and special payments, letter-of-credit fees, audit fees, valuation fees and further significant effort to administer the Plan which are funded through a Transit operating budget of $155,000. Once the Plan is wound-up, these costs would no longer be incurred.

Administration recommends that, subject to concurrence of the Transit Windsor Pension Review Committee, approval be given to commence the process which would ultimately result in a wind-up the Plan.

The high-level steps required to implement this direction are:

Nov 15, 2023 - Formal notice to be provided to OMERS of the intent to terminate the existing investment agreement on December 31, 2023. OMERS has indicated that they would be receptive to this course of action with 45 days notice.

Q4 2023 - Administration to develop a re-investment strategy to immunize assets liquidated by OMERS, and further to provide considerations for future custodial options

Dec 31, 2023 - Agreement with OMERS is terminated. Assets in the Plan are liquidated over ensuing couple of months.

Q1-Q2 2024 - Plan assets are invested following newly developed investment strategy while the Plan wind-up actions are finalized

2024 – 2026 - the Plan is formally wound-up with notices being provided to employees and annuities purchased for those that request to continue with investments (as opposed to the acceptance of a lump-sum amount)

Following the above noted actions, and until such time as the Plan assets are wound-up and distributed, the Plan assets will be held within investments more closely matched with the employee future obligations. Administration is recommending that Mercer, as plan consultant/actuary, be retained to provide advice on the investment strategy. Once a strategy is developed, the liquidated funds will need to be placed with an investment manager. Sun Life, is currently retained to receive the Plan funds and distribute the employees. Administration will need to evaluate whether to expand the services of Sun Life or to seek a different investment manager. This decision will be based upon the investment strategy designed with input from Mercer. Following full liquidation of the Plan assets, the Transit Pension Review Committee will be required to make a formal recommendation on whether to proceed with a full wind-up of the Plan. Should this course of action be taken, Administration will work with the Plan consultant on the wind-up process, including the purchase of annuities and notices to the affected Plan members would be issued.

Risk Analysis:

Actuarial Valuation

The Office of the Superintendent of Financial Institutions (OSFI) requires that the attached Audited Financial Statements and Actuarial Valuation of the Transit Windsor's Pension Plan be filed with OSFI no later than six months (June 30th) after the Plan's year-end. Failure to file the report in a timely manner would result in an audit by OFSI and any further action they deem appropriate. As a result of actions being recommended in this report, approval of the financial statements and valuation report has been delayed. To mitigate any risks associated with delayed filing, the Deputy Treasurer – Financial Accounting and Corporate Controls, as the Plan Administrator,

has filed the report to meet this deadline. Notification of the required approvals will be noted on file.

Funding Risk

As mentioned, the Plan's wind-up surplus/deficit position is affected by many factors outside of Administration's control including: investment performance, interest rates, and actuarial standards and considerations. This risk has been mitigated to a degree by utilizing a large experienced investor, OMERS, to invest plan assets.

Further, previous wind-up deficit funding requirements have been funded by way of LOC draws against the City's line of credit since 2011 which has limited direct cash outlays. Should the recommendations within this report not be accepted the risk still remains that in the future the plan could be in a deficit greater than the maximum allowed LOC limit, or new legislation regarding deficit funding requirements which may trigger a potentially significant cash outlay requirement, for which Transit has no available source to pay. Now that the Plan is in a wind-up surplus position, this risk can be mitigated by purchasing annuities which would be used to satisfy future pension obligations.

Annuities Purchase Risk

By following the path outlined above as it relates to the purchase of annuities there are a couple of risks to consider:

Timing Risks – Administration will be advised of the details on the Plan investments from OMERS once they have completed the December 31, 2023 year end, in approximately March of the 2024. There is a risk that the Plan balances could be moderately different than what has been presented as at December 31, 2022 and further slightly different again at the time investments are liquidated than at the most recent year end report date as a result of a possible decline in interest rates or market value in 2024, which will have the effect of increasing the cost to purchase annuities.

This risk can be mitigated in a couple of ways. First, in the event that direction is provided to terminate the investment agreement with OMERS and ultimately the market value of investments is lower than expected, putting the plan in a deficit position, there is no requirement to move forward with annuity purchases. Second, in the event that the cost to purchase annuities is higher than expected and would require additional funding, there is no requirement to proceed with the purchase. A new investment strategy will be developed, including the procurement of a new investment manager, and the plan would continue on in much the same fashion as today. Mercer has provided Administration with a market sensitivity analysis, included in the Financial Matters section below, which indicates a continued strong position of the plan.

Further, once OMERS liquidates the Plan investments, a temporary investment strategy will be developed to closely match the movement of the annuities market until such time as Administration is able to effect an annuities purchase. That is, as the cost of annuities may generally have significant movement up or down, so would the

investments, which should secure any surplus position while the annuities purchase is completed.

Climate Change Risks

Climate Change Mitigation:

N/A

Climate Change Adaptation:

N/A

Financial Matters:

Current Plan Contributions

As indicated in the chart above in the Discussion section, as a result of the 3-year average solvency position for the Plan, the required minimum contribution into the Plan in 2023 is $0. Due to the 2022 valuation, which had identified that the solvency ratio is over 105%, a contribution holiday has been taken be taken and accordingly $0 current service costs have been funded in 2023.

The 2022 Actuarial Valuation has resulted in a $0 special payment requirement for 2023 and therefore no additional allocation of the LOC is required and in fact based upon the recommendations being made in this report, the LOC's in the amount of $4.89 million, which have remained in place are able to be reduced to $0. Administration will proceed with actions required to recind the LOC's as part of the overall wind-up process. There is no risk to leaving in place as an interim measure.

Transit Windsor's 2023 operating budget includes an amount of $155,956 to fund plan payments as well as other LOC administrative costs. As a result of the positive position of the Plan and the recommendations in this report it is likely that this amount will no longer be required. Planned contributions for 2024 will be based upon the 2023 funding requirements (estimated $0) until such time as the valuation report for December 31, 2023 is completed. As a precautionary measure, an operating budget reduction of $100,000 is being put forward for consideration as part of the 2024 operating budget process which will leave $55,956 available for costs associated with the Plan until such time as the proposed wind-up can be finalized.

Consistent with previous years, a preliminary valuation will be received in early 2024 and later confirmed in June 2024.

Annuities

The act of purchasing annuities is an investment strategy and will likely not require any additional Transit funding. Based on the significant wind-up surplus at December 31, 2022 of approximately $4.6 million there is a strong likelihood that plan assets will be sufficient to purchase annuities for all plan obligations. There is also a possibility that,

should market conditions remain constant, that there may be excess funding available in the Plan.

The following table, based upon an analysis performed by Mercer, illustrates how various hypothetical 2023 market losses would affect the estimated December 31, 2023 Plan wind-up:

Hypothetical 2023 Investment Performance (Loss)	Estimated Dec 31, 2023 Wind-Up Surplus (Deficit)
0%	$3.9 million
(11.9%)	$0
(14.9%)	($1.0 million)
(27.2%)	($5.0 million)

In short, there would need to be a market decline in excess of 11.9% before any surplus in the plan would be reduced to zero. This illustrates that it is very unlikely that the plan will be in a significant wind-up deficit position as at December 31, 2023.

Should the Transit Windsor Pension Committee recommend to pursue winding up the plan in 2024 or at a later date, there would be approximately $200,000-$300,000 administrative costs to do so. At present, there is sufficient surplus in the plan to cover these costs without additional Transit funding requirements.

As indicated above, since the contributions to the plan were funded by Transit should there be any remaining funds after plan wind-up, this matter would be brought to the Transit Board for direction.

Consultations:

Poorvangi Raval, Financial Planning Administrator, Transit Windsor

Vince Grillo, Manager Treasury & Cash Management Taxation & Financial Projects, City of Windsor

Transit Windsor Pension Review Committee

Mercer (Canada) Limited

Conclusion:

This report transmits the actuarial valuation of the frozen Transit Windsor Pension Plan as at December 31, 2022, and provides information that no additional funding is required and that the Letter of Credit already established to cover required employer contributions can be reduced to $0.

Further, the plan's wind-up surplus position has provided the opportunity to pursue winding up the Plan and purchasing annuities to eliminate the risk of future Transit funding volatility.

Planning Act Matters:

N/A

Approvals:

Name	Title
Dan Seguin	Deputy Treasurer – Financial Accounting and Corporate Controls
Tyson Cragg	Executive Director Transit Windsor
Chris Nepszy	Commissioner of Infrastructure Services
Janice Guthrie	Commissioner of Corporate Services, CFO, City Treasurer
Joe Mancina	Chief Administrative Officer

Notifications:

Name	Address	Email

Appendices:

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2022

Transit Windsor Pension - Audited Financial Statements as at December 31, 2022

Mercer

welcome to brighter

CONTRIBUTORY PENSION PLAN FOR EMPLOYEES OF TRANSIT WINDSOR

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2022

June 2023

Office of the Superintendent of Financial Institutions Registration Number: 57108

Canada Revenue Agency Registration Number: 0353821

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future. If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date. The content of the report may not be modified, incorporated into or used in other material, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's permission. All parts of this report, including any documents incorporated by reference, are integral to understanding and explaining its contents; no part may be taken out of context, used, or relied upon without reference to the report as a whole.

To prepare the results in this report, actuarial assumptions are used to model a single scenario from a range of possibilities for each valuation basis. The results based on that single scenario are included in this report. However, the future is uncertain and the Plan's actual experience will differ from those assumptions; these differences may be significant or material. Different assumptions or scenarios within the range of possibilities may also be reasonable, and results based on those assumptions would be different. Furthermore, actuarial assumptions may be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future, and other factors.

The valuation results shown in this report also illustrate the sensitivity to one of the key actuarial assumptions, the discount rate, and the sensitivity to three adverse scenarios. We note that the results presented herein rely on many assumptions, all of which are subject to uncertainty, with a broad range of possible outcomes, and the results are sensitive to all the assumptions used in the valuation.

Should the Plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the Plan assuming it is wound up on the valuation date. Emerging experience will affect the wind-up financial position of the Plan assuming it is wound up in the future. In fact, even if the Plan were wound up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security, and/or benefit-related issues should not be made solely on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic, and societal factors, including financial scenarios that assume future sustained investment losses.

Funding calculations reflect our understanding of the requirements of the legislation, the Income Tax Act, and related regulations that are effective as of the valuation date. Mercer is not a law firm, and the analysis presented in this report is not intended to be a legal opinion. You should consider securing the advice of legal counsel with respect to any legal matters related to this report.

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Section 1

Summary of results

	31.12.2022	31.12.2021
Going Concern Financial Status		
Market value of assets	$33,722,000	$34,411,000
Going concern funding target	$24,931,000	$26,014,000
Funding excess (shortfall)	$8,791,000	$8,397,000
Funded ratio	135%	132%
Hypothetical Wind-up Financial Position		
Wind-up assets (including letter of credit)	$38,412,000	$39,101,000
Wind-up liability	$29,155,000	$36,678,000
Wind-up excess (shortfall)	$9,257,000	$2,423,000
Wind-up ratio	131.8%	106.6%
Funding Requirements in the Year Following the Valuation [1]		
Total current service cost	$0	$0
Expense allowance	$100,000	$100,000
Total	$100,000	$100,000
Minimum special payments	$0	$0
Estimated minimum employer contribution (before allowable contribution holiday)	$100,000	$100,000
Estimated minimum employer contribution (if contribution holiday taken)	$0	$0
Estimated maximum eligible employer contribution	$0	$2,567,000
Next required valuation date	31.12.2023	31.12.2022

[1] Provided for reference purposes only. Contributions must be remitted to the Plan in accordance with the Minimum Funding Requirements and Maximum Eligible Contributions sections of this report.

Section 2
Introduction

To Transit Windsor:

At the request of Transit Windsor, we have conducted an actuarial valuation of the Contributory Pension Plan for Employees of Transit Windsor (the "Plan"), sponsored by Transit Windsor, as at the valuation date, December 31, 2022. We are pleased to present the results of the valuation.

Purpose

The purpose of this valuation is to determine:

- The funded status of the Plan as at December 31, 2022 on going concern, hypothetical wind-up, and solvency bases;
- The minimum required funding contributions from 2023, in accordance with the Pension Benefits Standards Act (the "Act"); and
- The maximum permissible funding contributions from 2023, in accordance with the *Income Tax Act.*

The information contained in this report was prepared for the internal use of the Company, and for filing with the Office of the Superintendent of Financial Institutions and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with the Office of the Superintendent of Financial Institutions and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

In accordance with pension benefits legislation, the next actuarial valuation of the Plan will be required as at a date not later than December 31, 2023, or as at the date of an earlier amendment to the Plan depending on any funding implications.

Terms of Engagement

In accordance with our terms of engagement with the, our actuarial valuation of the Plan is based on the following material terms:

- It has been prepared in accordance with applicable pension legislation and actuarial standards of practice in Canada.
- As instructed by the Company, the going concern discount rate reflects a margin for adverse deviations of 0.8% per year.
- We have reflected the Company's decisions for determining the solvency funding requirements, summarized as follows:
  - The same plan wind-up scenario was hypothesized for both hypothetical wind-up and solvency valuations

- Although permissible, no benefits were excluded from the solvency liabilities.
- The solvency financial position was determined on a market value basis, adjusted in accordance with the regulations to the Pension Benefits Standards Act.

See the Valuation Results – Solvency section of the report for more information.

Events since the Last Valuation at December 31, 2021

Pension Plan

There have been no special events since the last valuation date.

This valuation reflects the provisions of the Plan as at December 31, 2022. The Plan has not been amended since the date of the previous valuation, and we are not aware of any pending definitive or virtually definitive amendments coming into effect during the period covered by this report. The Plan provisions are summarized in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation, except for the discount rate which has increased from 4.70% to 4.95%.

A summary of the going concern methods and assumptions is provided in Appendix C.

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date. A summary of the hypothetical wind-up and solvency methods and assumptions is provided in Appendix D.

Regulatory Environment and Actuarial Standards

There have been no changes to the Act or the relevant regulations that impact the funding of the Plan.

Subsequent Events

After checking with representatives of the Company, to the best of our knowledge there have been no events subsequent to the valuation date that, in our opinion, would have a material impact on the results of the valuation as at December 31, 2022.

Since the valuation date, there have been significant fluctuations in the financial markets, which may have led to a variation of the funded position of the Plan after the valuation date. Our valuation reflects the financial position of the Plan as of the valuation date and does not take into account any experience after the valuation date.

Impact of Case Law

This report has been prepared on the assumption that all claims on the Plan after the valuation date will be in respect of benefits payable to members of the Plan determined in accordance with the Plan terms and that all Plan assets are available to provide for these benefits. It is possible that court and regulatory decisions and changes in legislation could

give rise to additional entitlements to benefits under the Plan and cause the results in this report to change. By way of example, we bring your attention to the following decisions:

- The Ontario Court of Appeal's 2003 decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* restricted the use of original plan surplus where two or more pension plans were merged.

  The Supreme Court of Canada's 2004 decision in *Monsanto Canada Inc. versus Superintendent of Financial Services* upheld the requirement, with retroactive effect, to distribute surplus on partial plan wind-up under the *Pension Benefits Act (Ontario).*

Although these decisions dealt with Ontario legislation, it is possible that they could have application to other provinces where the underlying language in the Pension Benefits Act (Ontario) is similar to language in the legislation of other provinces.

We are not in a position to assess the impact that such decisions or changes could have on the assumption that all plan assets on the valuation date are available to provide for benefits determined in accordance with the Plan terms. If such a claim arises subsequent to the date of this report, the consequences will be dealt with in a subsequent report. We are making no representation as to the likelihood of such a claim.

Section 3

Valuation results – Going concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows:

	31.12.2022	31.12.2021
Assets		
Market value of assets	$33,722,000	$34,411,000
Going concern funding target		
Active members	$1,255,000	$1,405,000
Pensioners and survivors	$23,663,000	$24,597,000
Deferred pensioners	$13,000	$12,000
Total	$24,931,000	$26,014,000
Funding excess (shortfall)	$8,791,000	$8,397,000

The going concern funding target includes a provision for adverse deviations.

Reconciliation of Financial Status

Funding excess (shortfall) as at previous valuation		$8,397,000
Interest on funding excess (shortfall) at 4.70% per year		$395,000
Employer's contribution holiday		($26,000)
Expected funding excess (shortfall)		$8,766,000
Net experience gains (losses)		
• Investment return	($151,000)	
• Indexation	($799,000)	
• Mortality	$389,000	
• Retirement	$10,000	
• Termination	$1,000	
Total experience gains (losses)		($550,000)
Impact of increase in discount rate from 4.70% to 4.95%		$577,000
Net impact of other elements of gains and losses		($2,000)
Funding excess (shortfall) as at current valuation		$8,791,000

Current Service Cost

The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The Plan was frozen December 31, 1999 and effective January 1, 2000, pension benefits are earned under OMERS. Since additional benefits do not accrue under the Plan after that date, there is no current service cost for future benefits.

The current service cost during the year following the valuation date, compared with the corresponding value determined in the previous valuation, is as follows:

	2023	2022
Total current service cost excluding expense allowance	$0	$0
Expense allowance	$100,000	$100,000
Total estimated employer's current service cost	$100,000	$100,000

Discount Rate Sensitivity

The following table summarizes the effect on the going concern liabilities and current service cost shown in this report of using a discount rate that is 1% lower than that used in the valuation.

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Going concern funding liabilities	$24,931,000	$27,392,000
Current service cost		
• Total current service cost	$100,000	$100,000

Plausible Adverse Scenarios

The financial impact on the going concern results of plausible adverse scenarios that would pose threats to the Plan's future financial condition is presented in Appendix G.

Section 4
Valuation results – Hypothetical wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances consistent with the hypothesized scenario on the valuation date. More details on such scenario are provided in Appendix D.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows:

	31.12.2022	31.12.2021
Assets		
Market value of assets	$33,722,000	$34,411,000
Face value of the letter of credit	$4,890,000	$4,890,000
Termination expense provision	($200,000)	($200,000)
Wind-up assets	$38,412,000	$39,101,000
Present value of accrued benefits for:		
• Active members	$1,801,000	$2,611,000
• Pensioners and survivors	$27,339,000	$34,047,000
• Deferred pensioners	$15,000	$20,000
Total wind-up liability	$29,155,000	$36,678,000
Wind-up excess (shortfall) – including letter of credit	$9,257,000	$2,423,000
Wind-up excess (shortfall) – excluding letter of credit	$4,367,000	($2,467,000)

Wind-up Incremental Cost

The wind-up incremental cost is an estimate of the present value of the projected change in the hypothetical wind-up liabilities from the valuation date until the next scheduled valuation date, adjusted for the benefit payments expected to be made in that period.

The hypothetical wind-up incremental cost determined in this valuation, compared with the corresponding value determined in the previous valuation, is as follows:

	31.12.2022	31.12.2021
Number of years covered by report	1 year	1 year
Total hypothetical wind-up liabilities at the valuation date (A)	$29,155,000	$36,678,000
Present value at the valuation date of projected hypothetical wind-up liability at the next required valuation plus expected benefit payments until the next required valuation (B)	$29,048,000	$36,554,000
Hypothetical wind-up incremental cost (B – A)	($107,000)	($124,000)

The incremental cost is not an appropriate measure of the contributions that would be required to maintain the windup position of the Plan even if actual experience is exactly in accordance with the going concern valuation assumptions. For example, the expected return on plan assets (based on the going concern assumptions) is greater than the discount rate used to determine the hypothetical wind-up liabilities.

Discount Rate Sensitivity

The following table summarizes the effect on the hypothetical wind-up liabilities shown in this report of using a discount rate that is 1% lower than that used in the valuation:

Scenario	Valuation Basis	Reduce Discount Rate by 1%
Total hypothetical wind-up liability	$29,155,000	$32,352,000

Section 5
Valuation results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on a solvency basis is determined in a similar manner to the Hypothetical Wind-up Basis, except for the following:

Exceptions	Reflected in valuation based on the terms of engagement
The circumstance under which the Plan is assumed to be wound up could differ for the solvency and hypothetical wind-up valuations.	The same circumstances were assumed for the solvency valuation as were assumed for the hypothetical wind-up valuation
The benefit rate increases coming into effect after the valuation date can be reflected in the solvency valuation.	Not applicable.

Under the Federal pension legislation, the minimum funding requirements on a solvency basis are based on an alternative solvency basis under which the solvency deficiency and the resulting solvency special payments are based on an average solvency ratio determined over three years (current year plus the previous two) subject to prescribed adjustments. The determination of the solvency deficiency on that basis is detailed in Appendix A.

Financial Position

The financial position on a solvency basis is the same as the financial position on the Hypothetical Wind-up basis shown in the previous section. The solvency ratio is 131.8%, compared to 106.6% at the previous valuation.

Section 6
Minimum funding requirements

The Act prescribes the minimum contributions that Transit Windsor must make to the Plan. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going concern current service cost and special payments to fund any going concern or solvency shortfalls.

There is a going concern excess and the solvency assets exceed 105% of the solvency liabilities. Under these circumstances, the Act does not require the employer to contribute the employer's current service cost. The determination of the amounts described above is shown in Appendix A.

On the basis of the assumptions and methods described in this report, the rule for determining the minimum required employer monthly contributions, as well as an estimate of the employer contributions, from the valuation date until the next required valuation are as follows:

	Employer's contribution rule		Estimated employer's contributions		
Period beginning	Explicit monthly expense allowance	Minimum monthly special payments	Monthly expense allowance	Amount which can be used to reduce expense allowance	Minimum monthly contributions
January 1, 2023	$8,333	$0	$8,333	$8,333	$0

The development of the minimum special payments is summarized in Appendix A.

Other Considerations

Differences between Valuation Bases

There is no provision in the minimum funding requirements to fund the difference between the hypothetical wind-up and solvency shortfalls, if any.

In addition, although minimum funding requirements do include a requirement to fund the going concern current service cost, there is no requirement to fund the expected growth in the hypothetical wind-up or solvency liability after the valuation date, which could be greater than the going concern current service cost.

Timing of Contributions

Required contributions must be remitted monthly, not later than 30 days after the end of the period to which they apply. Outstanding contributions will accrue with interest.

Retroactive Contributions

The Company must contribute the excess, if any, of the minimum contribution recommended in this report over contributions actually made in respect of the period following the valuation date. This contribution, along with an allowance for interest, is due immediately following the date this report is filed.

Any over-contributions made prior to filing this report may be used to reduce the contributions otherwise required to be made following the filing of this report.

Payment of Benefits

The Act imposes certain restrictions on the payment of lump sums from the Plan when the solvency ratio revealed in an actuarial valuation is less than one.

The Directives of the Superintendent provide that the amount of the initial transfer cannot exceed the “transfer value” (i.e. the commuted value of the pension benefit multiplied by the plan’s “transfer ratio”), where the transfer ratio is the solvency ratio determined in the most recent actuarial report of the plan.

Where the plan’s transfer ratio is less than one, the full commuted value can be transferred, subject to prescribed conditions:

- the plan administrator remits to the fund the amount by which the commuted value exceeds the transfer value (i. e. the “transfer deficiency”), or
- the transfer deficiency for any individual transfer is less than 20% of the Year's Maximum Pensionable Earnings for that year, provided that the sum of all individual commuted values transferred on this basis since the valuation date of the most recent actuarial report does not exceed 5% of the assets of the plan at that valuation date.

Where the full amount of the commuted value is not transferred, the transfer deficiency must be transferred on the earlier of five years from the date the commuted value of the pension benefit was calculated; and the date on which the solvency ratio of the plan is determined to be at least 1.00.

The administrator must comply with the prescribed requirements applicable to the payment of lump sums from the Plan, including the applicable Directives of the Superintendent in relation to portability transfers and annuity purchases.

Letters of Credit

Minimum funding requirements in respect of solvency deficiencies that otherwise require monthly contributions to the pension fund may be met, in the alternative, by establishing an irrevocable letter of credit subject to the conditions established by the Act. Required solvency special payments in excess of those met by a letter of credit must be met by monthly contributions to the pension fund.

Section 7
Maximum eligible contributions

The *Income Tax Act* (the "ITA") limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan that is underfunded on either a going concern or on a hypothetical wind-up basis, the maximum permitted contributions are equal to the employer's current service cost, including the explicit expense allowance if applicable, plus the greater of the going concern funding shortfall and hypothetical wind-up shortfall.

For a plan that is fully funded on both going concern and hypothetical wind-up bases, the employer can remit a contribution equal to the employer's current service cost, including the explicit expense allowance if applicable, as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan that is fully funded on both going concern and hypothetical wind-up bases, the plan may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target.

Notwithstanding the above, any contributions that are required to be made in accordance with pension benefits legislation are eligible contributions in accordance with Section 147.2 of the ITA and can be remitted.

Schedule of Maximum Contributions

Since the surplus exceeds 25% of the going concern funding target, no contributions are permitted until the funding excess has been reduced to less than $6,232,750 (i.e. 25% of the going concern funding target of $24,931,000); otherwise, the Plan's registered status may be revoked.

Section 8

Actuarial opinion

In my opinion, for the purposes of the valuations,

- The membership data on which the valuation is based are sufficient and reliable.
- The assumptions are appropriate.
- The methods employed in the valuation are appropriate.

This report has been prepared, and my opinion given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the Pension benefit Standard Act.

Chad Spence
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

June 29, 2023
Date

Consolidated Environment, Transportation & Public Safety Standing Committee - Wednesday, October 25, 2023
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Appendix A
Prescribed disclosure

Definitions

The Act defines a number of terms as follows:

Defined Term	Description	Result
Going concern excess (deficit)	Amount by which the going concern assets exceed (are below) the going concern liabilities	$8,791,000
Unfunded liability	The amount by which the going concern deficit of a plan determined at the valuation date exceeds the present value of going concern special payments of the plan established in respect of periods after the valuation date	$0
Going concern provision for expenses	Present value of expected future passive investment management expenses	
	• Included in funding target (liabilities)	$615,000
	• Included in current service cost	$0
	Present value of expected future administration expenses	
	• Included in funding target (liabilities)	$0
	• Included in current service cost	$100,000
Going concern margin for adverse deviations	Present value of margin for adverse deviations	
	• Included in funding target (liabilities)	$1,969,000
	• Included in current service cost	$0
Going concern special payment	A special payment made in respect of an unfunded liability	$0
Solvency Liabilities	Liabilities that relate to defined benefit provisions and which are determined on the basis that the plan is terminated	$29,155,000
Solvency Assets	Market value of the assets that relate to the defined benefit provisions of a plan minus the estimated expense of the winding-up of the plan	$38,412,000
Solvency Ratio	Ratio of the solvency assets to the solvency liabilities, excluding those solvency assets and solvency liabilities that are attributable to benefits that are paid by means of an annuity, other than a revocable annuity, or an insurance contract	131.8%

Defined Term	Description	Result
Average Solvency Ratio	Arithmetic average of the solvency ratios at the valuation date, the prior valuation date and the prior second valuation date adjusted as prescribed for special payments, contribution holidays, amendments and transfer of assets	111.3%
Adjusted Solvency Asset Amount	Amount determined by multiplying the average solvency ratio by the amount of the solvency liabilities	$32,450,000
Solvency excess (deficiency)	Amount by which the adjusted solvency asset amount exceeds (is below) the solvency liabilities	$5,962,000
Solvency special payment	A special payment made in respect of a solvency deficiency	$0

Timing of Next Required Valuation

In accordance with the Act and the Superintendent's Directives, an actuarial report must be prepared annually except where the solvency ratio disclosed in the most recent actuarial report filed under subsection 12(3) of the Act was 1.20 or greater.

Accordingly, the next valuation of the Plan will be required as of December 31, 2023.

Special Payments

Going Concern Basis

No special payments are required.

Solvency Basis

In accordance with the Act and regulations, the solvency excess (deficiency) is defined as the amount by which the adjusted solvency asset amount exceeds (is below) the solvency liabilities. For this purpose, the adjusted solvency asset amount is determined by multiplying the average solvency ratio by the amount of the solvency liabilities. The average solvency ratio, adjusted solvency asset amount and solvency excess (deficiency) are determined as follows:

Determination of Average Solvency Ratio

	31.12.2020	31.12.2021	31.12.2022
Solvency assets			
Market value of assets	$31,770,000	$34,411,000	$33,722,000
Termination expense provision	($200,000)	($200,000)	($200,000)
Solvency assets (A)	$31,570,000	$34,211,000	$33,522,000

	31.12.2020	31.12.2021	31.12.2022
Present value of special payments made (contribution holiday) (B)	$0	$0	$0
Letter of Credit (C)	$4,890,000	$4,890,000	$4,890,000
Solvency assets adjusted for special payments (contribution holiday) and letter of credit (D = A + B + C)	$36,460,000	$39,101,000	$38,412,000
Solvency liabilities (E)	$38,229,000	$36,678,000	$29,155,000
Adjusted solvency ratio (D / E)	95.4%	106.6%	131.8%
Average solvency ratio (F)			111.3%

Calculation of adjusted solvency asset amount and solvency excess (deficiency)

	31.12.2022	31.12.2021
Average solvency ratio (F)	111.3%	102.4%
Solvency liabilities (E)	$29,155,000	$36,678,000
Adjusted solvency asset amount (E × F)	$32,450,000	$37,573,000
Solvency excess (deficiency)	$5,962,000	$895,000

Since there is a solvency excess at December 31, 2022, so no solvency special payments are required.

Determination of Amount which Can Be Used to Reduce Current Service Contribution

The Act does not require the employer to contribute to the Plan until after the lesser of the going concern excess, and the amount by which the solvency assets exceed 105% of the solvency liabilities, has been applied towards the employer's current service cost. The determination of such amounts is as follows:

	31.12.2022
Going concern excess (A)	$8,791,000
Solvency assets (B)	$38,412,000
Solvency liabilities × 1.05 (C)	$30,613,000
Maximum amount which can be used to reduce Current Service Contribution = Min (A, B – C), not less than $0	$7,799,000

Notwithstanding this calculation, the terms of the Plan or collective agreement may require the Company to make current service cost contributions.

Letter of Credit

The Company has secured letters of credit in the amount of $4,890,005 as at January 1, 2022. From this amount, a cumulative total of $4,890,005 has been applied in respect of a portion of the minimum required solvency special payments due over the period beginning January 1, 2011 and ending December 31, 2022. As such, there is no remaining face amount that can be applied in respect of future years' special payments.

In accordance with the Act, a plan sponsor may use a letter of credit to fund solvency special payments, up to 15% of solvency liabilities. Accordingly, the maximum face value of the aggregate of all letters of credit secured in lieu of making solvency deficiency payments to the Plan may not exceed $4,373,000 (15% x $29,155,000) as at December 31, 2022.

Appendix B
Plan assets

The pension fund is held by Sun Life Financial. In preparing this report, we have relied upon fund statements prepared by Sun Life Financial without further audit. Customarily, this information would not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	2022
December 31	$34,003,000
PLUS	
Company's contributions	$83,000
Investment earnings	$1,610,000
	$1,693,000
LESS	
Pensions paid	$2,079,000
Administration fees	$100,000
Investment management fees	$193,000
	$2,372,000
December 31	$33,324,000
Gross rate of return[2]	4.84%
Rate of return net of expenses[2]	3.94%

[2] Assuming mid-period cash flows.

The market value of assets shown in the above table is adjusted to reflect in-transit amounts as follows:

	Current Valuation	Previous Valuation
Market value of invested assets	$33,324,000	$34,403,000
In-transit amounts		
• Company's contributions	$0	$8,000
• Benefit Payments	($2,000)	$0
Adjusted market value of assets	$33,322,000	$34,411,000

We have tested the pensions paid, the lump sums paid, and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Investment Policy

The plan administrator has adopted a statement of investment policy and procedures. This policy is intended to provide guidelines for the manager(s) as to the level of risk that is consistent with the Plan's investment objectives. A significant component of this investment policy is the asset mix.

The plan administrator is solely responsible for selecting the Plan's investment policies, asset allocations, and individual investments.

The constraints on the asset mix and the actual asset mix at the valuation date are provided for information purposes:

	Investment Policy Target	Actual asset Mix as at December 31, 2022
Public equity	30.0%	13.0%
Bonds	30.0%	40.1%
Private equity	15.0%	24.4%
Infrastructure	22.5%	23.3%
Real Estate	22.5%	19.4%
Cash and economic leverage	(20.0%)	(20.2%)
	100%	100%

Because the Plan's assets (which are invested in accordance with the above investment policy) are not matched to the Plan's liabilities (which tend to behave like long bonds), the Plan's financial position will fluctuate over time. These fluctuations could be significant and could cause the Plan to become underfunded or overfunded even if the Company contributes to the Plan based on the funding requirements presented in this report.

Appendix C
Methods and assumptions – Going concern

Valuation of Assets

For this valuation, we have used the market value of assets adjusted for in-transit amounts.

Going Concern Funding Target

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions, if any, and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date. This is referred to as the funding target. For each individual plan member, accumulated contributions with interest are established as a minimum actuarial liability.

The funding excess or funding shortfall, as the case may be, is the difference between the market or smoothed value of assets and the funding target. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to be sufficient to meet the plan's cash flow requirements in respect of accrued benefits, absent additional contributions.

As required under the Act, a funding shortfall must be amortized over no more than 15 years through special payments. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan or by legislation.

The actuarial cost method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial cost method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

No employer current service cost is required, as effective December 31, 1999, the plan was frozen. Pension benefits for service after January 1, 2000 are provided under OMERS.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	4.95%	4.70%
Explicit expenses:	$100,000	$100,000
Inflation:	2.00%	2.00%
ITA limit / YMPE increases:	3.00%	3.00%
Pensionable earnings increases:	N/A	N/A
Post-retirement pension increases (for benefits indexed at 75% x CPI less 1%):	0.50%	0.50%
Post-retirement pension increases (for benefits indexed at 75% x CPI less 2%):	0.00%	0.00%
Retirement rates:	Age-related table	Age-related table
Termination rates:	Age-related table	Age-related table
Mortality rates:	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)	100% of the rates of the 2014 Private Sector Canadian Pensioners Mortality Table (CPM2014Priv)
Mortality improvements:	Fully generational using CPM Improvement Scale B (CPM-B)	Fully generational using CPM Improvement Scale B (CPM-B)
Disability rates:	None	None
Eligible Spouse at retirement:	80%	80%
Spousal age difference:	Male 3 years older	Male 3 years older

The assumptions are best estimate with the exception that the discount rate includes a margin for adverse deviations, as shown below.

Age and Service Related Tables

Members are assumed to retire in accordance with the following rates:

- 50% of members retire at the later of age 55 and 30 years of continuous service
- 10% of remaining members retire each year thereafter
- 100% of remaining members retire at age 65

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using the expected investment return on the market value of the fund net of fees and less a margin for adverse deviations.

The discount rate is comprised of the following:

- An **assumed investment return** based on estimated returns for each major asset class that are consistent with market conditions on the valuation date on the expected time horizon over which benefits are expected to be paid, and on the target asset mix specified in the Plan's investment policy, subject to the 6.00% limit established in OSFI guidance. Consistent with market observable and available data, the assumed investment return is a gross return for all assets.
- An **active investment management expense provision** of 20 bps. We have assumed that these fees would be offset by an equivalent **additional return resulting from active investment management.**
- An **assumed passive investment management expense provision** of 25 bps which represents the hypothetical fees for passive investment management of assets, based on estimated fees charged by index managers for balanced mandates.
- A **margin for adverse deviations** of 0.80% as per the terms of engagement.

The discount rate was developed as follows:

Assumed investment return	6.00%
Additional returns for active investment management	0.20%
Active investment management expense provision	(0.20%)
Assumed passive investment management expense provision	(0.25%)
Margin for adverse deviations	(0.80%)
Net discount rate	4.95%

Explicit Expenses

The assumption is based on the average amount of non-investment expenses over the last 3 years.

Inflation

The inflation assumption is based on the mid-point of the Bank of Canada's inflation target range of between 1% and 3%.

Income Tax Act Pension Limit and Year's Maximum Pensionable Earnings

The assumption is based on historical real economic growth and the underlying inflation assumption.

Post-Retirement Pension Increases

The assumption is based on the Plan formula and inflation assumption above.

Retirement Rates

Due to the size of the Plan, there is no meaningful retirement experience. The assumption is based on the Plan provisions and our experience with similar plans and employee groups.

Termination Rates

Use of a different assumption would not have a material impact on the valuation.

Mortality Rates

The assumption for the mortality rates is based on the Canadian Pensioners' Mortality (CPM) study published by the Canadian Institute of Actuaries in February 2014.

Due to the size of the Plan, specific data on plan mortality experience is insufficient to determine the mortality rates. It was determined to use the CPM mortality rates from the private sector without adjustment after considering plan-specific characteristics, such as the type of employment, the industry experience, the pension and employment income for the plan members, and data in the CPM study.

There is broad consensus among actuaries and other longevity experts that mortality improvement will continue in the future, but the degree of future mortality improvement is uncertain. Two mortality improvement scales were recently published by the Canadian Institute of Actuaries (CIA) and may apply to Canadian pension valuations:

- The Canadian Pensioners Mortality (CPM) study published in February 2014 included CPM Improvement Scale B (CPM-B).
- A report released by the Task Force on Mortality Improvement on September 20, 2017 includes an analysis of the rate of mortality improvement for the Canadian population

Mortality Rates

and provides for mortality improvement scale MI-2017 to be considered for the purpose of reflecting future mortality improvement in Canadian actuarial work, while acknowledging that it might be appropriate to use alternative mortality improvement assumptions to reflect the nature of the work.

The CIA Committee on Pension Plan Financial Reporting published a revised version of the Educational Note on the Selection of Mortality Assumptions for Pension Plan Valuations on December 21, 2017. The Educational Note indicates that given the publication of the CPM-B and MI-2017 improvement scales and the similar data sets used in their development, it may be appropriate to use either scale in the absence of credible information to the contrary, such as the publication of a successor scale by the CIA.
COVID-19 has impacted mortality rates globally. Statistics Canada reported excess mortality in 2020 and 2021 for the general Canadian population and other peer countries globally have also seen excess mortality over the course of the pandemic. Mortality experience for the plan has been reflected up to the date of the valuation. We have not adjusted the expected mortality rates for Plan members after the valuation date. The long-term implications of the pandemic on mortality rates is unclear as at the date of this report. Credible plan specific experience and relevant broader observed mortality trends after the report date will be reflected in future valuations.

For the current valuation, we have continued to use the CPM-B scale, which is a reasonable outlook for future mortality improvement.
Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 22.0 years for males and 24.3 years for females.

Disability Rates

Use of a different assumption would not have a material impact on the valuation.

Eligible Spouse

The assumption is based on an industry standard for non-retired members (actual status used for retirees).

Spousal Age Difference

The assumption is based on an industry standard showing males are typically 3 years older than their spouse.

Appendix D
Methods and assumptions – Hypothetical wind-up and solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound up on the effective date of the valuation, with benefits determined on the assumption that the pension plan has neither a surplus nor a deficit.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, with all members fully vested in their accrued benefits.

The Standards of Practice of the Canadian Institute of Actuaries require that the scenario upon which the hypothetical wind-up valuation is based be postulated. OSFI expects this scenario to be based on a reasonable expectation of the most likely situation that would lead to the plan terminating at the valuation date or, if all such scenarios are equally unlikely, on the scenario with the highest liabilities. The circumstances in which the Plan wind-up is assumed to have taken place are as follows:

- The employer's business continues its operation.

It should be noted, however, that there are no benefits under the plan contingent upon the circumstances of the plan wind-up or contingent upon other factors. The postulated scenario has no impact on the benefits payable. No benefits payable on plan wind-up were excluded from our calculations. The plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

Upon plan wind-up, members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3500 – *Pension Commuted Values* of the Canadian Institute of Actuaries' Standards of Practice applicable for December 31, 2022.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities. However, there is limited data available to provide credible guidance on the cost of a purchase of indexed annuities in Canada. In accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates on and after December 31, 2022 and no later December 30, 2022 (the "Educational Note")*, we have assumed that an appropriate proxy for estimating the cost of

such purchase is using the yield on the long-term Government of Canada Real Return bonds, reduced by 0.2%.

The Educational Note provides guidance on estimating the cost of annuity purchases assuming a typical group of annuitants. That is, no adjustments for sub- or super-standard mortality are considered. However, it is expected that insurers will consider plan experience and certain plan-specific characteristics when determining the mortality basis for a particular group. The Educational Note states that the actuary would be expected to make an adjustment to the regular annuity purchase assumptions where there is demonstrated substandard or super-standard mortality or where an insurer might be expected to assume so. In such cases, the actuary would be expected to make an adjustment to the mortality assumption in a manner consistent with the underlying annuity purchase basis. Given the uncertainty surrounding the actual mortality basis that would be typical of a group annuity purchase, it is reasonable to assume that there is a range of bases that can be expected not to be materially different from the actual mortality basis. Therefore, an adjustment to the regular annuity purchase assumptions would be warranted when the plan's assumed basis falls outside that range.

In this context, we have determined that no adjustment to the mortality rates used in the regular annuity purchase assumptions is required.

We have not included a margin for adverse deviations in the solvency and hypothetical wind-up valuations.

The assumptions are as follows:

Form of Benefit Settlement Elected by Member	
Lump sum:	70% of non-pensioners under age 55 and with less than 30 years of service
Annuity purchase:	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension.
Basis for Benefits Assumed to be Settled through a Lump Sum	
Mortality rates:	100% of the rates of the 2014 Canadian Pensioners Mortality Table (CPM2014) with fully generational improvements using CPM Scale B
Interest rate:	4.10% per year for 10 years, 4.50% per year thereafter
Indexation rate for benefits indexed at 75% of CPI less 2%:	0.00%
Indexation rate for benefits indexed at 75% of CPI less 1%:	0.00%

Basis for Benefits Assumed to be Settled through the Purchase of an Annuity	
Mortality rates:	100% of the rates of the 2014 Canadian Pensioners Mortality Table (CPM2014) with fully generational improvements using CPM Scale B
Adjustment to mortality rates:	No adjustment
Interest rate:	4.91% per year based on a duration of 9.90 years determined for the liabilities assumed to be settled through the purchase of an annuity.
Indexation rate for benefits indexed at 75% of CPI less 2%:	0.75% per year
Indexation rate for benefits indexed at 75% of CPI less 1%:	1.75% per year
Retirement Age	
Maximum Value	Members are assumed to retire with a 50% probability at the age that maximizes the value of their entitlement from the Plan and a 50% probability at the member's earliest unreduced age in accordance with applicable legislation and based on the eligibility requirements that have been met at the valuation date.
Other Assumptions	
Final average earnings:	N/A
Family composition:	Same as for going concern valuation
Termination expenses:	$200,000

To determine the hypothetical wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

In addition, termination expenses also include a provision for transaction fees related to the liquidation of the Plan's assets and for expenses that may reasonably be expected to be paid by the pension fund under the postulated scenario between the wind-up date and the settlement date. It was assumed for this purpose that the termination process would extend over a two-year period.

Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Although the termination expense assumption is a best estimate, actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Incremental Cost

In order to determine the incremental cost, we estimate the hypothetical wind-up liabilities at the next valuation date. We have assumed that the cost of settling benefits by way of a lump sum or purchasing annuities remains consistent with the assumptions described above. Since the projected hypothetical wind-up liabilities will depend on the membership in the Plan at the next valuation date, we must make assumptions about how the Plan membership will evolve over the period until the next valuation.

We have assumed that the Plan membership will evolve in a manner consistent with the going concern assumptions as follows:

- Members terminate, retire, and die consistent with the termination, retirement, and mortality rates used for the going concern valuation.
- The Income Tax Act pension limit, and the Year's Maximum Pensionable Earnings increase in accordance with the related going concern assumptions.

Solvency Basis

In determining the financial position of the Plan on the solvency basis, we have used the same assumptions and methodology as were used for determining the financial position of the Plan on the hypothetical wind-up basis.

The solvency position is determined in accordance with the requirements of the Act.

Appendix E
Membership data

Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2022, provided by Transit Windsor.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest, and pensions to retirees and other members entitled to a deferred pension. Contributions, lump sum payments, and pensions to retirees were compared with corresponding amounts reported in financial statements. The results of these tests were satisfactory.

If the data supplied are not sufficient and reliable for its intended purpose, the results of our calculation may differ significantly from the results that would be obtained with such data. Although Mercer has reviewed the suitability of the data for its intended use in accordance with accepted actuarial practice in Canada, Mercer has not verified or audited any of the data or information provided.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	31.12.2022	31.12.2021
Active Members		
Number	24	26
Proportion of males	66.7%	69.2%
Total annual frozen pension	$91,132	$99,644
Average annual frozen pension	$3,797	$3,832
Average years of pensionable service	5.5	5.6
Average age	58.7	57.6
Accumulated contributions with interest	$319,668	$344,478
Deferred Pensioners		
Number	2	1
Proportion of males	50.0%	0.0%
Total annual pension	$958	$897
Average annual pension	$479	$897
Average age	57.4	62.4
Pensioners and Survivors		
Number	193	204
Proportion of males	73.3%	73.0%
Total annual lifetime pension	$1,956,930	$1,944,414
Average annual lifetime pension	$10,140	$9,531
Average age	73.0	72.8
Supplemental Pension		
Number	36	43
Proportion of males	94.4%	93.0%
Total annual pension	$113,417	$141,547
Average annual pension	$3,150	$3,292
Average age	62.2	61.8
Special Additional Supplemental Pension		
Number	5	7
Proportion of males	100%	100%
Total annual pension	$9,432	$13,190
Average annual pension	$1,886	$1,884
Average age	58.6	58.0

	31.12.2022	31.12.2021
Annuity certain only		
Number	3	4
Proportion of males	66.7%	75%
Total annual pension	$6,048	$15,690
Average annual pension	$2,016	$3,923
Average remaining guarantee period	10.5	8.9

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Actives	Deferred Pensioners	Pensioners and survivors	Annuity Certain Remaining Only	Total
Total at 31.12.2021	26	1	204	4	235
New entrants					0
Terminations:					
• Not vested					0
• Transfers/lump sums					0
• Deferred pensions					0
Deaths			(10)	(1)	(11)
Retirements	(2)	1	1		0
Beneficiaries					0
Expired Benefits			(1)		(1)
Total at 31.12.2022	24	2	194	3	223

The distribution of the active members by age and pensionable service as at the valuation date is summarized as follows:

	Years of Pensionable Service							
Age	0-4	5-9	10-14	15-19	20-24	25-29	30 +	Total
Under 45								
45 to 49						1 N/A		1 N/A
50 to 54					2 1,152	1 N/A	1 N/A	4 1,801
55 to 59					1 N/A	3 1,805	3 6,880	7 3,961
60 to 64					4 695	1 N/A	6 6,491	11 4,103
65 +							1 N/A	1 N/A
Total					7 965	6 2,009	11 6,575	24 3,797

The distribution of the inactive members by age as at the valuation date is summarized as follows:

	Pensioners and Survivors		Supplementary Pension		Special Addition	
Age	Number	Average Pension	Number	Average Pension	Number	Average Pension
<50						
50 – 54						
55 – 59	6	7,109	5	2,578	5	1,886
60 – 64	33	9,305	31	3,243		
65 – 69	50	9,737				
70 – 74	38	10,401				
75 – 79	26	10,880				
80 – 84	22	11,688				
85 – 89	15	9,694				
90 – 94	4	6,821				
95 – 99	4	4,617				
100 +						
Total	**195**	**10,036**	**36**	**3,150**	**5**	**1,886**

Appendix F
Summary of plan provisions

Mercer has used and relied on the plan documents, including amendments and interpretations of plan provisions, supplied by Transit Windsor. If any plan provisions supplied are not accurate and complete, the results of any calculation may differ significantly from the results that would be obtained with accurate and complete information. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and the results of estimates under each of the different interpretations could vary.

This valuation is based on the plan provisions in effect on December 31, 2022. Since the previous valuation, the Plan has not been amended.

The following is a summary of the main provisions of the Plan in effect on December 31, 2022. This summary is not intended as a complete description of the Plan.

Background	The Plan became effective December 4, 1964. Benefits are based on a set formula and are entirely paid for by the Company. The Plan was frozen for future service accruals effective December 31, 1999. Pension benefits for service after January 1, 2000 are earned under the OMERS pension plan.
Eligibility for Membership	Participation in the plan was automatic for all employees who were members of Division 616 of the Amalgamated Transit Union and all employees in a clerical, secretarial or supervisory position within the Company. Full time employees became members on the first day of work at a probationary rate of pay. Part time employees became members when they satisfied the minimum legislated requirements for eligibility. • No new members are permitted to join the plan on and after January 1, 2000.

Employee Contributions	Prior to July 1, 1995: • 5.0% of Annual Plan Compensation less 1.8% or the applicable CPP contribution percentage of the portion of such Annual Plan Compensation on which CPP contributions are determined July 1, 1995 to January 1,1998 • 5.0% of Annual Plan Compensation less the required CPP contributions (determined on the basis CPP contributions rules in 1995) January 1, 1998 to January 1, 2000 • 4.0% of Annual Plan Compensation On and after January 1, 2000 • No member contributions to the Plan are required or permitted Member contributions are subject to limits imposed by the Income Tax Act (Canada). Interest on employee contributions is credited based on rates of return declared by the Company up to December 31, 1987 and for each Plan year commencing January 1, 1988, using a rate equal to the average of the month end yields reported for CANSIM Series V122515 for the immediately preceding plan year. Voluntary member contributions are not permitted.
Retirement Dates	Normal Retirement Date • The normal retirement date is the first day of the month coincident with or next following the member's 65th birthday. Early Retirement Date • If a member has been in the Plan for at least two years, the member may choose to retire as early as age 55.

Normal Retirement Pension

a. In respect of service prior to May 3, 1971, the amount shown opposite the member's name in Schedule A of the Plan

PLUS

b. In respect of service from May 3, 1971 to June 30, 1995, 50% of aggregate member contributions made during the period

PLUS

c. In respect of service from January 1, 1987 to June 30, 1995, 50% of additional member contributions that are deemed to have been made during that period if the CPP offset applicable to the member's contribution formula remained at 1.8%

PLUS

d. In respect of service from July 1, 1995 to February 28, 1997, for each year 1.25% of the first $10,000 of Annual Plan Compensation plus 1.50% of the next $25,000 plus 2.00% of any excess

PLUS

e. In respect of service from March 1, 1997 to December 31, 1997, for each year 1.20% of the first $35,000 of Annual Plan Compensation plus 2.00% of any excess

PLUS

f. In respect of service from January 1, 1988 to December 31, 1999, for each year 2.00% of Annual Plan Compensation

Effective January 1, 1998 the plan was amended to upgrade benefits earned in the period from January 1, 1992 to December 31, 1997 under paragraphs b, c, d and e above using 1997 Annual Plan Compensation.

Early Retirement Pension

If a member retires early, the member will be entitled to a pension that is calculated the same way as for a normal retirement. The basic pension payable, however, will be reduced depending on the particular early retirement provision of the Plan under which the member retired.

"30 and Out"

A member who has completed at least 30 years of continuous service on his early retirement date will receive the following benefits, unreduced:

- Basic Pension: a monthly pension commencing on his early retirement date equal to the member's accrued monthly lifetime pension
- Supplemental Pension: a monthly pension commencing on his early retirement date equal to $20 multiplied by his credited service (maximum of 30 years of credited service). The supplemental pension is payable until the earlier of the member's death or normal retirement date.
- Special Additional Supplemental Pension: a monthly pension commencing on his early retirement date equal to $40 multiplied by his credited service earned after January 1, 1996. The special additional supplemental pension is payable until the earlier of the member's death or age 60.
- Only the basic pension is subject to the indexing increases described below.

"55 and 10"

- A member who has attained age 55 and completed at least 10 years of continuous service on his early retirement date will receive the following benefits, reduced in accordance with the following table:

Age at Pension Commencement	Early Retirement Factor
65	1.00
64	0.94
63	0.88
62	0.82
61	0.76
60	0.70
59	0.66
58	0.62
57	0.58
56	0.54
55	0.50

Early Retirement Pension Continued	• Basic Pension: a monthly pension commencing on his early retirement date equal to the member's accrued monthly lifetime pension, multiplied by the applicable early retirement factor. • Supplemental Pension: a monthly pension commencing on his early retirement date equal to $20 multiplied by his credited service (maximum of 30 years of credited service), multiplied by the applicable early retirement factor. The supplemental pension is payable until the earlier of the member's death or normal retirement date. • Special Additional Supplemental Pension: a monthly pension commencing on his early retirement date equal to $40 multiplied by his credited service earned after January 1, 1996, multiplied by the applicable early retirement factor. The special additional supplemental pension is payable until the earlier of the member's death or age 60. • Only the basic pension is subject to the indexing increases described below. "55 and 2" A member who has attained age 55 and completed at least 2 years of continuous service on his early retirement date will receive a basic pension commencing his early retirement date equal to the member's accrued monthly lifetime pension, actuarially reduced. The basic pension is subject to the indexing increases described below.
Indexation of Pension Benefits	Pension benefits payable under the Plan are indexed to increases in the CPI as follows: For employees who retired prior to January 1, 1989: • pension benefits indexed annually at 75%xCPI – 2% For employees who retire on or after January 1, 1989 • pension benefits accrued for service prior to January 1, 1987 are indexed annually at 75%xCPI – 2% • pension benefits accrued for service on or after January 1, 1987 are indexed annually at 75%xCPI – 1% • Benefits are indexed starting from the date of vested termination or from the date of retirement. Any indexation increases are implemented as of April 1 of each year.

Disability Benefits And Retirement	If a member became totally and permanently disabled as defined in the Plan before December 31, 1999 and is in receipt of disability income benefits under the Disability Income Plan of the Company, he will continue to accrue benefits under this Plan up to December 31, 1999 using the earnings related formula in effect at the date the member became disabled, with the level of earnings at that time. If a member became totally and permanently disabled before March 31, 1998 (or, if the member has 10 or more years of continuous service and became totally and permanently disabled on or after March 31, 1998 and prior to December 31, 1999) and subsequently recovers from his disability to the extent that he no longer qualifies for benefits under the Disability Income Plan, but is still unable to return to work with the Company, he may retire early under the Plan. If the member has not attained age 55, the applicable early retirement reduction factor will be the tabular factor in the Plan assuming the member is age 55. No supplemental benefit is payable where early disability retirement occurs prior to the earlier of age 55 or 30 years of continuous service
Maximum Pension	The total annual pension payable from the Plan upon retirement, death or termination of employment cannot exceed the lesser of: 2% of the average of the best three consecutive years of total compensation paid to the member by the Company, multiplied by total credited service; and $3,506.67 or such other maximum permitted under the Income Tax Act, multiplied by the member’s total credited service. The maximum pension is determined at the date of pension commencement
Death Benefits	Pre-retirement: If a member dies prior to retirement, the death benefit payable will be equal to the Commuted Value of his accrued pension plus a refund of any Excess Contributions. A subsidized death benefit may be available to the member's surviving spouse. Post retirement: If a member dies prior to retirement, the death benefit payable will be equal to the Commuted Value of his accrued pension plus a refund of any Excess Contributions. A subsidized death benefit may be available to the member's surviving spouse.

Termination Benefits

A deferred lifetime pension equal to the accrued pension, adjusted to reflect any excess contributions.

Deferred pensions are payable commencing at age 65; however, a member may elect to receive an actuarially reduced pension as early as age 55.

In lieu of a deferred pension, a member may transfer the commuted value of the pension into another retirement vehicle in accordance with the applicable provincial legislation.

Appendix G
Plausible adverse scenarios

In this Appendix, the financial impact on the Plan's going concern results (i.e., going concern financial position at the valuation date and current service cost from the valuation date to the next valuation date) of plausible adverse scenarios that would pose threats to the Plan's future financial condition is summarized in the following tables for the following risks:

- Interest rate risk - an immediate parallel decrease in market interest rates of 10 basis points;
- Deterioration of asset values - an immediate decrease of 7.5% in the market value of non-fixed income assets; and
- Longevity risk - Longevity risk, that life expectancy from the valuation date at age 65 for a male and a female would increase by 1.6 years and 1.4 years, respectively

Scenario	Going Concern Valuation Results as at 31.12.2022	Plausible Adverse Scenario Results as at 31.12.2022		
		Interest Rate Risk	Deterioration of Asset Values	Longevity Risk
Going Concern Financial Status				
Market value of assets	$33,722,000	$34,132,000	$30,915,000	$33,722,000
Going concern funding target	$24,931,000	$25,159,000	$24,931,000	$25,709,000
Funding excess (shortfall)	$8,791,000	$8,973,000	$5,984,000	$8,013,000
Estimated Employer's Current Service Cost including Expense Allowance				
2023	$100,000	$100,000	$100,000	$100,000

The balance of this Appendix provides details of the plausible adverse scenarios selected and the determination of the impact on the going concern results.

Interest Rate Risk

The purpose of this scenario is to illustrate the sensitivity of the Plan's valuation results to the potential that interest rates will be lower than expected. For this purpose, we have assumed an immediate parallel decrease in market interest rates underlying fixed income investments, where fixed income investments include the following categories as shown in the investment policy summarized in Appendix B.

Using a methodology consistent with the one used to determine the going concern discount rate, we have determined that a parallel decrease in market interest rates of 10 basis points would have a non-trivial probability (between 1 in 10 and 1 in 20) of occurring within the year following the valuation date. For purpose of this scenario, we have assumed that such a decrease in market interest rates would occur immediately on the valuation date and would have the following impact on the value of assets and going concern assumptions:

Defined Term	Description
Market value of assets	The decrease in market interest rates has been assumed to affect only the market value of the fixed income investments. The decrease is assumed to have occurred immediately on the valuation date.
Discount rate assumption	It was assumed that the decrease in market interest rates affects only the expected return on assets for the fixed income portion of assets. The same margin for adverse deviations was used The discount rate assumption was therefore decreased from 4.95% to 4.85%.
Other assumptions	Except as mentioned above, all assumptions used were the same as those used for this valuation. In particular, the discount rate used to value benefits assumed to be settled through a lump sum was not changed.

Deterioration of Asset Values

The purpose of this scenario is to illustrate the sensitivity of the Plan's valuation results to a deterioration of asset values. For this purpose, we assumed an immediate reduction in the market value of the Plan's non-fixed income assets, where non-fixed income investments include the following categories as shown in the investment policy summarized in Appendix B.

Using a methodology consistent with the one used to determine the going concern discount rate, we have determined that a decrease of 7.5% in the market value of value of non-fixed income assets would have a non-trivial probability (between 1 in 10 and 1 in 20) of occurring within the year following the valuation date. For purpose of this scenario, we have assumed that such a decrease would occur immediately on the valuation date and would have the following impact on the value of assets and going concern assumptions:

Market value of assets	The decrease in the market value of the non-fixed income portion of assets is assumed to have occurred immediately on the valuation date.
Going concern assumptions	This scenario is assumed to have no impact on the assumptions used for this valuation.

Longevity Risk

The purpose of this scenario is to illustrate the sensitivity of the Plan's going concern results to the potential that pension plan members will live longer than expected. For this purpose, we have determined that a plausible adverse scenario would be to assume that future

mortality improvements[3] will be in line with the average improvements experienced by the Canadian population[4] over the most recent 15-year period available, with uniform improvement rates for all future years but varying by age[5] and gender.

[3] i.e. starting one year after the valuation in this context

[4] Based on Canadian population experience from the Human Mortality Database from 2002 to 2016

[5] improvement rates below age 45 are set to those at age 45

Appendix H
Employer certification

With respect to the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2022 of the Transit Windsor, I hereby certify that, to the best of my knowledge and belief:

- The valuation reflects the terms of the Company's engagement with the actuary described in Section 2 of this report, particularly the decision to include a margin of 0.80% in the discount rate used to perform the going concern valuation.
- A copy of the official plan documents and of all amendments made up to December 31, 2022 was provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein.
- The Company has secured a letter of credit in the amount of $4,890,005.
- The asset information summarized in Appendix B is reflective of the Plan's assets.
- The membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to December 31, 2022.
- All events subsequent to December 31, 2022 that may have an impact on the Plan have been communicated to the actuary.

June 29, 2023
Date

Signed

Dan Seguin
Name

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Financial Statements of

THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

And Independent Auditor's Report thereon

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Administrator of the Contributory Pension Plan Fund for Employees of Transit Windsor

Opinion

We have audited the fund financial statements of the Contributory Pension Plan Fund for Employees of Transit Windsor (the Plan), which comprise:

- the statement of net assets available for benefits as at December 31, 2022,
- the statement of changes in net assets available for benefits for the year then ended,
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2022, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of the Federal Pension Benefits Standards Act.

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 auditor's report.

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 2 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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 the financial reporting provisions of the Federal Pension Benefits Standards Act 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.

In preparing the financial statements, management is responsible for assessing the Plan'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 Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan'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 the 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 Plan'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 Plan'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 Plan 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
June 29, 2023

THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

Statement of Net Assets Available for Benefits
(in thousands of dollars unless otherwise stated)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Investments (notes 4 and 10)	$ 33,724	$ 34,403
Employer contributions receivable	-	8
		34,411
Liabilities		
Accrued liabilities	4	4
Net assets available for benefits	$ 33,720	$ 34,407

See accompanying notes to financial statements.

On behalf of the Pension Plan Administrator:

THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars unless otherwise stated)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Increase in net assets:		
Investment income (note 5)	$ 1,309	$ 3,664
Change in fair value:		
Change in net unrealized gains	302	1,368
Employer contributions	75	100
Commodity tax rebates on expenditures	11	7
	1,697	5,139
Decrease in net assets:		
Benefit payments (note 6)	2,079	2,208
Administrative expenses (note 7)	305	290
	2,384	2,498
Increase (decrease) in net assets	(687)	2,641
Net assets available for benefits, beginning of year	34,407	31,766
Net assets available for benefits, end of year	$ 33,720	$ 34,407

See accompanying notes to financial statements.

THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

Notes to Financial Statements
(in thousands of dollars unless otherwise stated)

Year ended December 31, 2022

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1. Description of the Plan:

The Contributory Pension Plan for Employees of Transit Windsor (“the Plan”) is a defined benefit plan established to provide pension benefits to all employees of Transit Windsor (“the Sponsor”) who meet the eligibility requirements as specified in the plan document. The Plan is a registered pension plan under the Federal Pension Benefits Standards Act (PBSA), registration number 57108 and is registered with Canada Revenue Agency (CRA), registration number 353821. The Plan is a registered pension trust as defined in the Income Tax Act and, accordingly, is not subject to income taxes.

The Plan was frozen as at December 31, 1999 with all pension benefits for service on or after January 1, 2000 being provided through the Ontario Municipal Employees Retirement System.

2. Basis of preparation:

(a) Basis of presentation:

The Plan has prepared these financial statements in accordance with Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Section 4600 requires the Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting or Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook - Accounting. The Plan has chosen to comply on a consistent basis with IFRS.

These financial statements are prepared in accordance with the financial reporting provisions of the Federal Pension Benefits Standards Act.

2. Basis of preparation (continued):

(a) Basis of presentation (continued):

The purpose of these financial statements is to assist the Administrator of the Contributory Pension Plan for Employees of Transit Windsor in meeting its obligations under the Federal Pension Benefits Standards Act.

As a result, these financial statements may not be suitable for another purpose.

These financial statements of the Plan do not purport to show the adequacy of the Plan's assets to meet its pension obligation. Such an assessment requires additional information, such as the Plan's actuarial reports and information about the Company's financial health.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for investments and derivative financial instruments which are measured at fair value through the statement of changes in net assets available for benefits.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

(d) Use of estimates and judgements:

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of net assets and the reported amounts of changes in net assets available for benefits during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Significant accounting policies:

(a) Foreign currency:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as investment income.

(b) Income recognition:

Investment income is recorded on an accrual basis and includes interest income, dividends and changes in fair value including net realized gains (losses) on sale of investments.

(c) Financial assets and financial liabilities:

(i) Financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as investment income.

3. Significant accounting policies (continued):

(c) Financial assets and financial liabilities (continued):

(ii) Financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(d) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

As allowed under IFRS 13, Fair Value Measurement ("IFRS 13"), in Part I of the CPA Handbook, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

3. Significant accounting policies (continued):

(d) Fair value measurement (continued):

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's-length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's-length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in net unrealized gains.

Fair values of investments are determined as follows:

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

(e) Net realized gain on sale of investments:

The net realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

(f) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

4. Investments:

During 2003, the Sponsor transferred a significant portion of the Fund's investments and related investment management responsibilities to OMERS. The Plan continues to have certain investments operated by Sun Life Financial. Sun Life Financial assists the Plan in managing contributions into the Plan and the payment of benefits. The breakdown of investments at fair value and cost are as follows:

	2022		2021	
	Fair value	Cost	Fair value	Cost
Sun Life Pooled Funds:				
Cash equivalents	$ 1,008	$ 1,008	$ 693	$ 693
Investments managed by OMERS	32,716	29,769	33,710	31,065
	$ 33,724	$ 30,777	$ 34,403	$ 31,758

5. Investment income:

	2022	2021
Sun Life Pooled Funds:		
Cash equivalents	$ 14	$ 1
Investments managed by OMERS	1,295	3,663
	$ 1,309	$ 3,664

6. Benefit payments:

	2022	2021
Retirement benefit payments	$ 2,079	$ 2,085
Death benefit payments	-	103
Termination benefit payment	-	20
	$ 2,079	$ 2,208

7. Administrative expenses:

	2022	2021
Investment management fees	$ 188	$ 190
Audit fees	3	3
Consulting and actuarial fees	105	92
Administrative fee	9	5
	$ 305	$ 290

8. Related party transactions:

The Plan defines its key management personnel as the Company's Board of Directors and other members of senior executives responsible for planning, controlling and directing the activities of the Plan. The Plan has not paid for services provided by key management personnel.

9. Capital risk management:

The main objective of the Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Sponsor, which are not presented or discussed in these specified purpose financial statements. The Plan's assets are invested primarily with the Ontario Municipal Employees Retirement Board ("OMERS"). The OMERS Fund is subject to the regulations of the Ontario Municipal Employees Retirement System Act and the Pension Benefits Act (Ontario). The OMERS Fund includes investments in a variety of different asset classes including interest bearing investments, Canadian and non-Canadian equity investments and real estate investments. Increases in net assets are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by the Sponsor. Employer contributions are based on the results of actuarial valuations for the Plan filed with the Office of the Superintendent of Financial Institutions Canada and the Canada Revenue Agency. The main use of net assets is for benefit payments to eligible Plan members. The Plan is required to file financial statements with the Office of the Superintendent of Financial Institutions Canada annually.

9. Capital risk management (continued):

The funding requirements of the Plan are set out in the most recently filed funding valuation report that was prepared as at December 31, 2021. That valuation revealed an excess on a going-concern basis of $8,397 (December 31, 2020 valuation - $5.383), resulting in a going-concern funding ratio of 132% (December 31, 2020 valuation - 120%). On a solvency basis, the valuation revealed a excess of $2,423 (December 31, 2020 valuation – shortfall of $1,769) or a ratio of 107% (December 31, 2020 valuation - 95%). As a result of changes to federal pension regulations in 2010, solvency funding requirements are based on 3-year average solvency ratios. Further changes to federal pension regulations in 2012 expanded the ability to use letters of credit to secure solvency deficiencies as an alternative to cash contributions. The effective date of the next required actuarial valuation to be performed by Mercer (Canada) Limited, the Plan's actuary, is December 31, 2021.

10. Financial instruments:

(a) Fair values:

The fair values of investments and derivatives are as described in notes 3(d). The fair values of other financial assets and liabilities, being contributions receivable and accrued liabilities, if any, approximate their carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of net assets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

10. Financial instruments (continued):

(a) Fair values (continued):

The following table illustrates the classification of the Plan's financial instruments using the fair value hierarchy as at December 31:

	2022 Level 2	2021 Level 2
Sun Life Pooled Funds:		
Cash equivalents	$ 1,008	$ 693
Investments managed by OMERS	32,716	33,710
	$ 33,724	$ 34,403

(b) Associated risks:

(i) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Plan through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations as they fall due. The Plan maintains an investment policy, as approved by the Administrator, which contains asset mix guidelines which assist to ensure that the Plan is able to liquidate investments to meets its pension benefit or other obligations.

10. Financial instruments (continued):

(b) Associated risks (continued):

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan primarily invests in financial instruments and enters into transactions denominated in various foreign currencies, other than its measurement currency. Consequently, the Plan is exposed to risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Plan's assets or liabilities denominated in currencies other than the Canadian dollar.

(iv) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Plan. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing

(v) Interest rate risk:

Interest rate risk is the risk that the market value of the Plan's investments will fluctuate due to changes in market interest rates. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Plan's investments in fixed income are sensitive to interest rate movements.

October 19, 2023

John West and John-Karel West Response to Council Report: S 129/2023, Item No. 8.4
Subject: Follow-up to CR172/2023 – Essex Terminal Railway (ETR) Whistling Cessation – Ward 4

We assert that if this council allows the ETR to refuse to provide a copy of the train whistle decibel noise assessment report to city council and the public then you will be setting a dangerous precedent for the future in which any person or company that initially agrees to provide a report to council can later refuse to provide such report based on their opinion that it is sensitive and confidential information without citing any laws that support their decision and are clearly self serving.

In our view, this can and should lead to litigation alleging that the city council acted in bad faith and the person and or company acted in bad faith resulting in costly compensation to all parties.

We assert that the public interest in the proper administration of justice regarding the ETR providing the city and public with the noise assessment report outweighs the interests that would be protected by non-disclosure.

In reference to the council report, it noted the following:

- At the April 24, 2023 council meeting that Administration be directed to continue discussions with Transport Canada, Transportation Minister, MP and federal government to look into grant funding that is available to fund warning system upgrades at the affected crossings and fund safety measures in and around these crossings; and

- That the Essex Terminal Railway have an independent organization conduct a study on decibel levels in the subject areas and;

- That the information be provided to Council at a future meeting for their consideration

This council report also noted that Administration continues to look into grant funding for safety measures and upgrades under the Rail Safety Improvement Program provided by Transport Canada but at the time of this report all initiatives were closed.

The report noted "as per council's request ETR hired a third party to perform decibel level testing. ETR is able to share publicly that it is compliant within

the minimum/maximum decibels level readings for level crossings, as per Transport Canada guidelines (see Appendix A)

Appendix A is the October 4, 2023 email from Tony DeThomasis, president and CEO of the ETR to Chris Gerardi, Policy Analyst, Transportation Planning, City of Windsor.

This email stated the following:

> Good afternoon Chris,
>
> In the spirit of cooperation and community, we have been working with the City on this and currently we are not comfortable with sharing this report and email with the public due to rules and regulations with both Transport Canada and the Railway Association of Canada and the sensitive and confidential nature of the criteria.
>
> We would agree with simply stating that ETR is compliant within the minimum/maximum decibels level readings for level crossings.
>
> We will continue to monitor these levels as per Transport Canada guidelines and acting when necessary.
>
> Regards
>
> Tony
>
> Sent from my IPhone

We assert that Mr. Tony DeThomasis has not cooperated in this matter and again has failed to provide the necessary documentation, that is the third party decibels level assessment report, without just cause.

In a recent article in the Windsor CBC News dealing with an apartment complex with the neighbours opposing it being built they asked the city – "can you please ensure it's not going to reduce my quality of life.'

Councillor Francis is quoted as "I don't think that's an unfair ask."

Councilor Francis, would you not agree that it is not an unfair ask since we have been asking and telling council for the past year since October 2022 that we want our quality of life back and that we want council to take action

regarding the ongoing train whistle noise that continues to destroy our quality of life all day and night?

We direct council's attention to the Railway Safety Act:

Power to require information

- **36 (1)** The Minister may order that a company provide, in the specified form and within the specified period, information or documents that he or she considers necessary for the purposes of ensuring compliance with this Act and with the regulations, rules, orders, standards and emergency directives made under this Act.

We assert that Mr. Tony DeThomasis has no right to withhold the report from city council and the public as he has cited no specific law, rules or regulations to support his opinion; he agreed with and did not object to the council's April 2023 request to have a third party conduct this assessment; and only now some 6 months later because he does not want council and the public to see the results of the alleged report that council and the public should just take his word that the ETR is compliant with the minimum/maximum decibel levels for train whistle noise.

Put simply, the reasons given by Mt. DeThomasis do not pass the smell test.

We strongly disagree with the position taken by Mr. DeThomasis that he will not release this report due to rules and regulations with both Transport Canada and the Railway Association of Canada and the sensitive and confidential nature of the criteria, as we have found that these rules and regulations do not exist and the alleged documented decibel levels are not sensitive and confidential as the city and public has a fundamental right to know what noise we are being exposed to and if it is in keeping with the regulation.

Our position of the right to know is supported by the Canada Transportation Agency and section 36(1) of the Railway Safety Act in which the Minister or Transport can order the ETR to produce the report in order to ensure compliance with the Act, and with the regulations, rules, orders, standards and emergency directives made under this Act.

As you will know, the City of Windsor Code of Conduct is applicable in this matter, as it states the following:

> The Criminal Code of Canada also governs the conduct of Members of Council.

3.111 – Key Principles

The key principles that underline the Code of Conduct are as follows:

[a] Members of Council shall serve and be seen to serve their constituents in a conscientious and diligent manner.

Committees of Council, as a Whole, for example:

[a] request reports as required to aid in their decisions on recommendations to Council.

Therefore, we request that council accept our submissions and advise the ETR immediately in writing that they must provide council and myself with a copy of the report forthwith, or council will contact the Minister of Transport to request that the Minister intervene and order that the report be released.

Submitted by,

John West

John-Karel West