

Adopted by Council at its meeting held June 15, 2015 [M214-2015]  
/RB  
Windsor, Ontario June 15, 2015

**REPORT NO. 261** of the  
**ENVIRONMENT, TRANSPORTATION & PUBLIC SAFETY**  
**STANDING COMMITTEE**  
of its meeting held May 20, 2015

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**Present:**  
**Councillor P. Borrelli**  
**Councillor F. Francis**  
**Councillor C. Holt**  
**Councillor H. Payne**  
**Councillor B. Marra (Chair)**

That the following recommendations of the Environment, Transportation and Public Safety Standing Committee **BE APPROVED:**

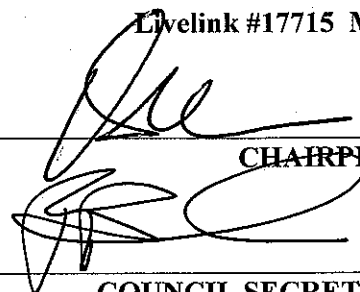
Moved by Councillor Payne, seconded by Councillor Borrelli,  
THAT the Audited Financial Statements as at December 31, 2014 of the Contributory Pension Plan Fund for Employees of Transit Windsor **BE APPROVED;** and further

THAT the Transit Windsor Board of Directors **DIRECT** Administration to file a copy of these financial statements with the Office of Superintendent of Financial Institutions Canada (OSFI) on or before June 30, 2015.

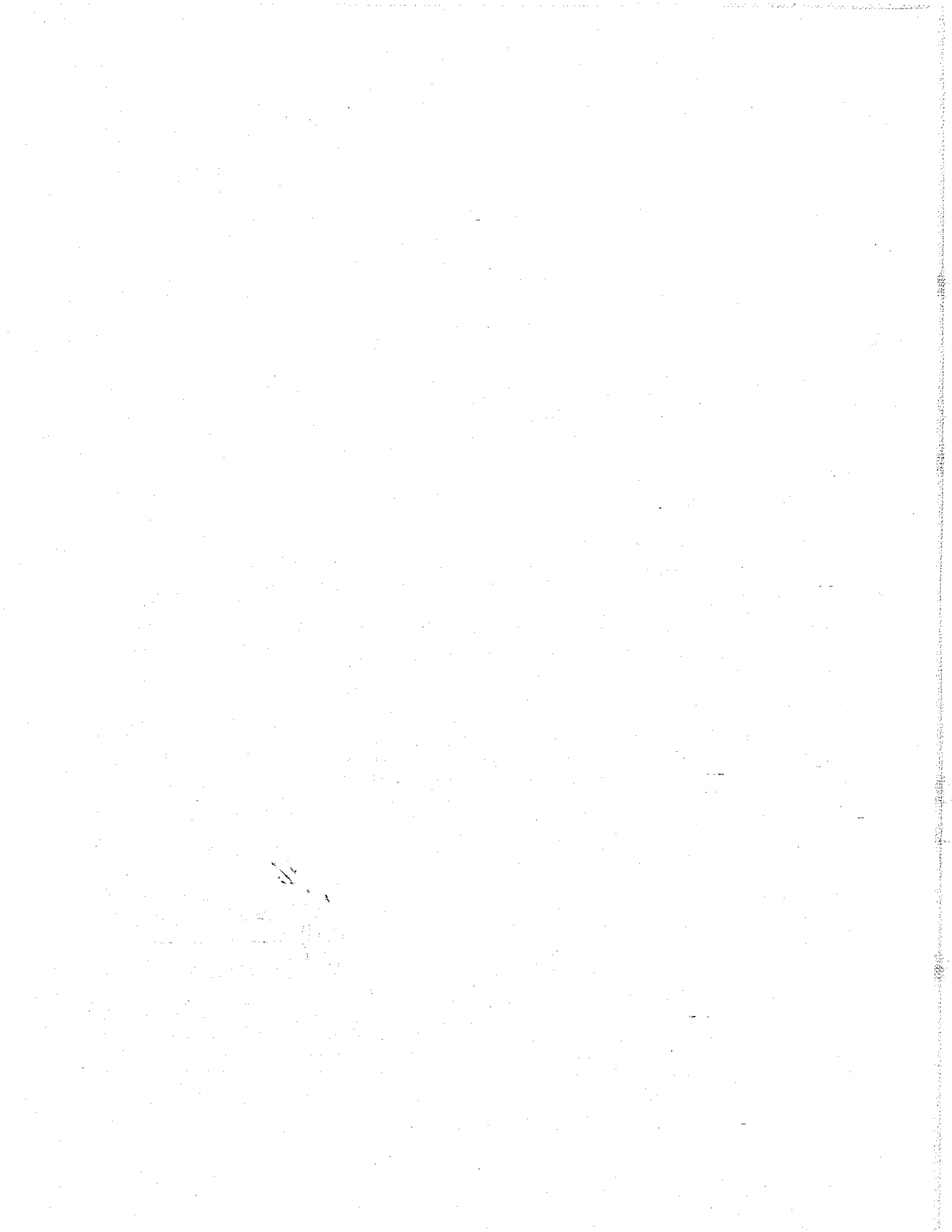
Carried.

Clerk's Note: The administrative report entitled "*The Contributory Pension Plan for Employees of Transit Windsor – Audited Financial Statements for the year ended December 31, 2014*" is **attached** as background information.

Livelink #17715 MT2015

  
\_\_\_\_\_  
CHAIRPERSON  
  
\_\_\_\_\_  
COUNCIL SECRETARIAT

NOTIFICATION:	
NAME	CONTACT INFORMATION



**THE CORPORATION OF THE CITY OF WINDSOR**  
**Transportation Division – Transit Windsor**

**MISSION STATEMENT:**

*"Our City is built on relationships – between citizens and their government, business and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together."*

<b>LiveLink REPORT #: 17715 MT2015</b>	<b>Report Date: April 29, 2015</b>
<b>Author's Name: Patrick Delmore</b>	<b>Date to Standing Committee: May 20, 2015</b>
<b>Author's Phone: 519 944-4141 Ext. 232</b>	<b>Classification #:</b>
<b>Author's E-mail: pdelmore@city.windsor.on.ca</b>	

**To: Environment, Transportation & Public Safety Standing Committee  
 Transit Windsor Board of Directors**

**Subject: The Contributory Pension Plan for Employees of Transit Windsor – Audited  
 Financial Statements for the year ended December 31, 2014**

**1. RECOMMENDATIONS: City Wide:  Ward(s): \_\_\_\_\_**

- I. That the Audited Financial Statements as at December 31, 2014 of the Contributory Pension Plan Fund for Employees of Transit Windsor **BE APPROVED**; and
- II. That the Transit Windsor Board of Directors **DIRECT** Administration to file a copy of these financial statements with the Office of the Superintendent of Financial Institutions Canada (OSFI) on or before June 30<sup>th</sup> 2015.

**EXECUTIVE SUMMARY:**

N/A

**2. BACKGROUND:**

The Contributory Pension Plan for the Employees of Transit Windsor is a defined benefit plan established to provide pension benefits to all employees of Transit Windsor who meet the eligibility requirements as specified in the plan document. The Plan is registered with the Canada Revenue Agency (CRA) under the *Federal Pension Benefits Standards*

*Act (PBSA)*. The Plan is also a registered pension trust as defined in the *Income Tax Act* and as such is not subject to income taxes. The Plan was frozen as at December 31, 1999.

Although Federal legislation does not require an independent audit of pension plans, the Board's resolution, T.W. 2702/97, adopted on April 10, 1997, directed:

*That a separate, independent audit of the plan be conducted, and that the audited statements be submitted annually to the Board for acceptance.*

3. **DISCUSSION:**

KPMG has finalized its audit of the Contributory Pension Plan Fund for Employees of Transit Windsor for the year ending December 31, 2014. The Transit Windsor Pension Review Committee has reviewed the audit report and has approved the audited statements as submitted. Subject to the approval of the Transit Windsor Board of Directors, the Audited Financial Statements will be filed with OSFI.

4. **RISK ANALYSIS:**

Federal legislation requires that, if a plan does conduct an audit, the audited statements must be filed with OSFI by June 30<sup>th</sup>. Accordingly, the audited financial statements will be filed by the required deadline.

5. **FINANCIAL MATTERS:**

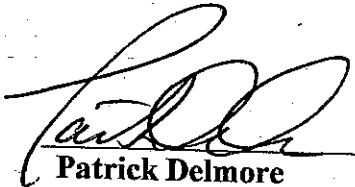
The auditing fee of \$4,100 plus HST was funded from the frozen Transit Windsor pension plan.

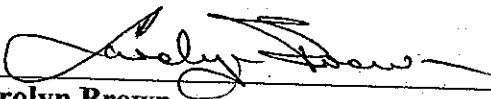
6. **CONSULTATIONS:**

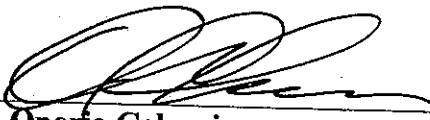
- The Transit Windsor Pension Review Committee
- KPMG (Lorie Gregg, CPA, CA Hon. B. Comm.)

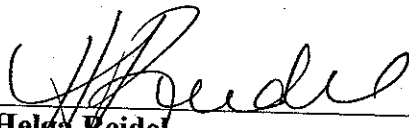
**7. CONCLUSION:**

According to the auditor's report, the attached financial statements present fairly, in all material respects, the net assets available for benefits of the Fund and the changes in net assets.

  
Patrick Delmore  
Executive Director, Transit Windsor

  
Carolyn Brown  
Corporate Leader - Transportation Services

  
Onorio Colucci  
Chief Financial Officer/City Treasurer and  
Corporate Leader Finance and Technology

  
Helga Keidel  
Chief Administrative Officer

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**APPENDICES:**  
Appendix A - Financial Statements of the Contributory Pension Plan Fund for Employees of Transit Windsor, year ended December 31, 2014

**NOTIFICATION :**

Name	Address	Email Address	Telephone	FAX
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Financial Statements of

**THE CONTRIBUTORY PENSION  
PLAN FUND FOR EMPLOYEES OF  
TRANSIT WINDSOR**

Year ended December 31, 2014

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Contributory Pension Plan Fund for Employees of Transit Windsor, which comprise the statement of net assets as at December 31, 2014, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions prescribed by the Federal Pension Benefits Standards Act.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed by 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.

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the net assets of the Contributory Pension Plan Fund for Employees of Transit Windsor, as at December 31, 2014, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of prescribed by the Federal Benefits Standards Act.

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Administrator of the Contributory Pension Plan Fund for Employees of Transit Windsor, to meet the requirements of the Office of the Superintendent of Financial Institutions Canada. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Administrator of the Contributory Pension Plan Fund for Employees of Transit Windsor, and the Office of the Superintendent of Financial Institutions Canada and should not be used by parties other than the Administrator of the Contributory Pension Plan Fund for Employees of Transit Windsor or the Office of the Superintendent of Financial Institutions Canada.

Chartered Professional Accountants, Licensed Public Accountants

Date of approval  
Windsor, Canada



# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
<b>Assets</b>		
Investments (notes 4 and 9)	\$ 27,903	\$ 26,265
Total assets	27,903	26,265
<b>Liabilities</b>		
Accrued liabilities	4	4
Net assets available for benefits	\$ 27,899	\$ 26,261

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, 2014, with comparative information for 2013

	2014	2013
<b>Increase in net assets:</b>		
Investment income	\$ 1,499	\$ 1,813
Change in fair value:		
Change in net unrealized gains	1,252	-
Employer contributions	919	337
Commodity tax rebates on expenditures	10	10
	3,680	2,160
<b>Decrease in net assets:</b>		
Change in fair value:		
Change in net unrealized losses	-	143
Benefit payments (note 5)	1,776	1,768
Administrative expenses (note 6)	266	220
	2,042	2,131
Increase in net assets	1,638	29
Net assets available for benefits, beginning of year	26,261	26,232
<b>Net assets available for benefits, end of year</b>	<b>\$ 27,899</b>	<b>\$ 26,261</b>

See accompanying notes to financial statements.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

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## 1. Description of the Plan:

The Contributory Pension Plan for the 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, Canadian accounting standards for pension plans require the Plan to comply (on a consistent basis) with either International Financial Reporting Standards ("IFRS") in Part I of Chartered Professional Accountants' ("CPA") Canada, Handbook - Accounting or Canadian accounting standards for private enterprises in Part II of the CPA Handbook - Accounting. The Plan has chosen to comply on a consistent basis with IFRS.

These financial statements have been prepared to assist the Administrator of the Contributory Pension Plan for the Employees of Transit Windsor in meeting the requirements of 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 Sponsor's financial health.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

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## 2. Basis of preparation (continued):

### (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.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

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### 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) Non-derivative 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 measures all of its investments at fair value through the statement of changes in net assets available for benefits.

All other non-derivative financial assets including contributions receivable are measured at amortized cost.

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.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

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### 3. Significant accounting policies (continued):

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

##### (i) Non-derivative financial assets (continued):

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 a net realized gain (loss) on sale of investments.

##### (ii) Non-derivative 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.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets 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.

The Plan considers its accrued liabilities to be a non-derivative financial liability.

##### (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.

##### (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.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

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### 3. Significant accounting policies (continued):

#### (d) Fair value measurement (continued):

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.

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. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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 or losses.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

### 3. Significant accounting policies (continued):

#### (d) Fair value measurement (continued):

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) 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:

	2014		2013	
	Fair value	Cost	Fair value	Cost
Sun Life Pooled Funds:				
Cash equivalents	\$ 377	\$ 377	\$ 279	\$ 279
Investments managed by OMERS	27,526	24,796	25,986	24,508
	<u>\$ 27,903</u>	<u>\$ 25,173</u>	<u>\$ 26,265</u>	<u>\$ 24,787</u>



# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

**5. Benefit payments:**

	2014	2013
Retirement benefit payments	\$ 1,764	\$ 1,768
Termination and death benefit payments	12	-
	\$ 1,776	\$ 1,768

**6. Administrative expenses:**

	2014	2013
Investment management fees	\$ 158	\$ 113
Audit fees	4	4
Consulting and actuarial fees	101	99
Administrative fee	3	4
	\$ 266	\$ 220

**7. 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.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

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## 8. 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.

The funding requirements of the Plan are set out in the most recently filed funding valuation report that was prepared as at December 31, 2013. That valuation revealed a deficit on a going-concern basis of \$3,284 (December 31, 2012 valuation - \$2,207), resulting in a going-concern funding ratio of 88.9% (December 31, 2012 valuation - 91.6%). On a solvency basis, the valuation revealed a deficit of \$8,158 (December 31, 2012 valuation - \$10,491) or a ratio of 78.1% (December 31, 2012 valuation - 72.6%). 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, 2014.

## 9. 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.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

## 9. Financial instruments (continued):

### (a) Fair values (continued):

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.

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

	2014 Level 2	2013 Level 2
Sun Life Pooled Funds:		
Cash equivalents	\$ 377	\$ 279
Investments managed by OMERS	27,526	25,986
	<b>\$ 27,903</b>	<b>\$ 26,265</b>

### (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.

# THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

(Registration Number 353821)

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

Year ended December 31, 2014

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## 9. Financial instruments (continued):

### (b) Associated risks (continued):

#### (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 meet its pension benefit or other obligations.

#### (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.