CITY OF WINDSOR AGENDA 10/30/2024

Environment, Transportation & Public Safety Standing Committee
Sitting as the Transit Windsor Board of Directors Meeting Agenda

Date: Wednesday, October 30, 2024
Time: Immediately following the 4:30 o'clock p.m.
Environment, Transportation & Public Safety Standing Committee Meeting

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 Bylaw 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

2. DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

3. ADOPTION OF THE MINUTES OF THE ETPS STANDING COMMITTEE SITTING AS THE TRANSIT WINDSOR BOARD OF DIRECTORS

3.1. Adoption of the Environment, Transportation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors minutes of its meeting held September 25, 2024 **(SCM 292/2024)**

4. REQUEST FOR DEFERRALS, REFERRALS OR WITHDRAWALS

5. COMMUNICATIONS

6. PRESENTATIONS AND DELEGATIONS

9. TRANSIT BOARD ITEMS

9.1. Transit Windsor Pension - 2023 Actuarial Valuation and Audited Financial Statements, and Wind-up Resolution - City Wide **(S 139/2024)**

11. NEW BUSINESS

12. ADJOURNMENT

Item No. 3.1

Committee Matters: SCM 292/2024

Subject: Adoption of the Environment, Transportation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors minutes of its meeting held September 25, 2024

Environment, Transporation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors Meeting

Date: Wednesday, September 25, 2024
Time: Immediately following the 4:30 o'clock p.m. Environment, Transportation & Public Safety Standing Committee Meeting

Members Present:

Councillors
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

ALSO PARTICIPATING IN COUNCIL CHAMBERS ARE THE FOLLOWING FROM ADMINISTRATION:

David Simpson, Commissioner, Infrastructure Services & City Engineer
Mark Spizzirri, Manager, Performance Measurement & Business Case Development
Anna Ciacelli, Deputy City Clerk

1. CALL TO ORDER

The Chairperson calls the meeting of the Environment, Transportation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors to order at 6:13 o‘clock p.m.

2. DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

None disclosed.

3. ADOPTION OF THE MINUTES OF THE ETPS STANDING COMMITTEE SITTING AS THE TRANSIT WINDSOR BOARD OF DIRECTORS

3.1. Adoption of the Environment, Transportation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors minutes of its meeting held July 31, 2024

Moved by: Councillor Mark McKenzie
Seconded by: Councillor Gary Kaschak

THAT the minutes of the Environment, Transportation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors meeting held July 31, 2024 **BE ADOPTED** as presented.
Carried.

Report Number: SCM 232/2024

4. REQUEST FOR DEFERRALS, REFERRALS OR WITHDRAWALS

None requested.

5. COMMUNICATIONS

None presented.

6. PRESENTATIONS AND DELEGATIONS

None presented.

9. TRANSIT BOARD ITEMS

None presented.

11. NEW BUSINESS

None presented.

12. ADJOURNMENT

There being no further business, the Environment, Transportation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors is adjourned at 6:14 o'clock p.m. The next meeting of the Environment, Transportation & Public Safety Standing Committee Sitting as the Transit Windsor Board of Directors will be held Wednesday, October 30, 2024.
Carried.

Ward 2 – Councillor Costante (Chairperson)	Deputy City Clerk / Supervisor of Council Services

Council Report: S 139/2024

Subject: Transit Windsor Pension - 2023 Actuarial Valuation and Audited Financial Statements, and Wind-up Resolution - City Wide

Reference:

Date to Council: October 30, 2024
Author: Dan Seguin
Deputy Treasurer - Financial Accounting and Corporate Controls
519-255-6100 #1663
dseguin@citywindsor.ca
Financial Accounting
Report Date: October 9, 2024
Clerk's File #: AFB/14256

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, 2023; and further,

II. **ACKNOWLEDGE** the forwarding of the Audited Financial Statements and Actuarial Valuation as at December 31, 2023 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,

WHEREAS Transit Windsor (the "Company") sponsors The Contributory Pension Plan for Employees of Transit Windsor (the "Plan"); and,

WHEREAS the Plan is currently registered under the *Pension Benefits Standards Act, 1985 ("PBSA")*; and,

WHEREAS the Board of Directors of the Company has authority to terminate the Plan in its entirety at any time, subject to any restrictions in the applicable collective bargaining agreement, as set out in Article 14.01 of the Plan therein; and,

WHEREAS the collective bargaining agreement between the Company and Local 616 of the Amalgamated Transit Union does not impede the Company's authority to terminate the Plan; and, WHEREAS the Company wishes to fully terminate the Plan effective December 31, 2024; and,

WHEREAS the Transit Windsor Pension Review Committee has reviewed and recommended the adoption of this course of action by the Company.

NOW THEREFORE, BE IT RESOLVED THAT*:*

1. The Plan is fully terminated and wound-up effective December 31, 2024 with respect to members, former members and other persons entitled to payments under the Plan (the "**Members**").

2. Contributions to the Plan shall be made with respect to service up to and including the date on which each Member ceased accruing service under the Plan. Any further contribution requirements in respect of the Plan will be addressed in the termination report or subsequent reports as may be required by the Superintendent of the Office of the Superintendent of Financial Institutions ("**OSFI**").

3. The Company shall notify the Members entitled to payments under the Plan, and any applicable union, of the wind-up and of their available options in connection with the wind-up in accordance with the provisions of the federal Pension Benefits Standards Act (the "**PBSA**").

4. Benefit entitlements in respect of each Member shall be settled in accordance with the terms of the Plan, respectively, the federal pension legislation applicable to the Member's benefits under the Plan and the Income Tax Act, Canada (the "**ITA**").

5. The termination report(s) for the Plan shall be prepared in accordance with the PBSA and the regulations thereunder as may be required by OSFI. Any deficit in respect of the wind-up of the Plan shall be funded by the Company in a manner permitted by the PBSA.

6. Until all wind-up liabilities are settled and there remain no further assets under the Plan, the terms of the Plan remain in effect and the Company continues to have the right to amend the Plan as provided by Article 14.02 in any way that it determines is necessary or desirable for purposes of the Plan, to implement the wind-up, or for compliance under the PBSA and the ITA.

7. The fees and expenses related to the administration and wind-up of the Plan and the distribution of the Plan assets shall be paid from the pension fund, subject to the approval of the Superintendent of OSFI.

IT IS FURTHER RESOLVED THAT the Executive Director of Transit Windsor, the City CAO or designate and City Clerk are hereby authorized and directed, for and on behalf of the Company, to take all such actions and to do all such things, including, without limitation, the authority to approve the termination reports and final valuation in respect of the Plan, to cause the termination reports required to be prepared and approved, to pay out benefits to the Members and make or cause to be made all requisite filings and approve the adoption of further amendments to the Plan as may be necessary to effect the foregoing resolution, satisfactory in technical content to the Commissioner of Economic Development, in financial content to the City Treasurer, and in legal content to the City Solicitor or their 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, 2023.

Further, this report provides authority to wind up the Plan on December 31, 2024. ETPS Decision number 959 had directed Administration to proceed with the termination of the plan, and the resolutions of this report are the next steps in that process.

"ETPS 959 III – October 25, 2023

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"

As directed, administration terminated the agreement with OMERS to act as the Plan investment manager. The Plan assets are now being invested by Sun Life Financials using a strategy that is meant to closely follow the variances in the annuities markets and will help preserve the surplus funded status of the plan.

History of 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 214 active members in the Plan, 18 of which are still active employees as of December 31, 2023.

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 Windsor 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 – Sun Life Financial. Sun Life invests the assets of the Plan. As directed by the Transit Windsor Pension Review Committee, Plan assets are being invested utilizing a strategy recommended by Mercer which attempts to match the movements of the annuities markets in an effort to preserve the surplus balance of the plan.

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, 2023 is valued at approximately $33.1 million compared to $33.7 at December 31, 2022. This value is based on the audited financial statements for 2023. Conversely, the Plan solvency liabilities as at December 31, 2023 are $27.4 million compared to $29.1 million as at December 31, 2022. Overall, as at December 31, 2023, the Plan is considered to be in a wind-up surplus position of $5.7 million compared to a wind-up surplus position of $4.6 million as at December 31, 2022, a swing of $1.1 million to the benefit of the Plan.

As noted above, in 2023 the Transit Board directed administration to pursue winding up the plan.

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, 2023, 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, 2023

As noted in the audited Financial Statements of the Pension, the market value of the Plan's solvency assets as at December 31, 2023, is $33,060,000.

The Asset Value decreased from December 2022 to December 2023 primarily due to 2023 benefit payments slightly exceeding market gains for the year. At December 31, 2023, plan liabilities were $27,401,000. 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, 2023	**December 31, 2022**	**December 31, 2021**
Market Value of Assets	$33,060,000	$33,722,000	$34,411,000
Solvency Liabilities	$27,401,000	$29,155,000	$36,678,000
Wind-up Surplus (Deficit)*	**$5,659,000**	**$4,567,000**	**($2,267,000)**

*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 2024 funding obligations arising from the 2023 valuation of Transit Windsor's Pension Plan. Based on this valuation, there are no special payments (Going Concern and Solvency) required in 2024.

The above chart also indicates a wind-up surplus position for the Plan in 2023 and 2022. The wind-up deficit at 2021 represents 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.

Winding up the Plan Considerations

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 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 may be 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 $56,000. Once the Plan is wound-up, these costs would no longer be incurred.

The Transit Windsor Pension Review Committee has recommended that administration work with Mercer, who is already the Plan actuary and consultant, to assist with the wind-up process.

Wind-up Next Steps

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) and all required regulatory filings and applications completed

Until such time as the Plan assets are wound-up and distributed, the Plan assets will continue to be held within investments more closely matched with the employee future obligations. Administration will work with the Plan consultant on the wind-up process, including the purchase of annuities and issuing notices to the affected Plan members.

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

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 by using an investment strategy that should closely follow the movements of the annuities markets and preserve the current plan surplus.

Further, previous wind-up deficit funding requirements have been funded by way of LOC draws against the City's line of credit, which has limited direct cash outlays. Until the Plan is wound-up, 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 eliminated by completing the Plan wind-up and purchasing annuities which would be used to satisfy future pension obligations.

Annuities Purchase Risk

By following the path outlined above as it relates to winding up the Plan and the purchase of annuities, there is a risk that the Plan balances could be significantly different than what has been presented as at December 31, 2023 as a result of declining interest rates or market value in 2024, which will have the effect of increasing the cost to purchase annuities.

This risk has been mitigated by utilizing a temporary investment strategy 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 2024 is $0. Due to the strong 2023 valuation, a contribution holiday was able to be taken and accordingly $0 current service costs have been funded in 2024 and $0 special payment requirement for 2024.

Transit Windsor's 2024 operating budget includes an amount of $56,000 to fund plan payments as well as other Plan administrative costs until such time as the proposed wind-up can be finalized.

Consistent with previous years, a preliminary valuation will be received in early 2025 and later confirmed in June 2025.

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, 2023 of approximately $5.7 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.

Administrative costs to winding up the plan would be approximately $200,000-$300,000. 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

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, 2023, and provides information that no additional funding is required.

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. The next step in the wind-up process are the above recommendations which include declaring the wind-up date of December 31, 2024.

Planning Act Matters:

N/A

Approvals:

Name	**Title**
Dan Seguin	Deputy Treasurer of Financial Accounting & Corporate Controls

Name	Title
Tyson Cragg	Executive Director, Transit Windsor
Jelena Payne	Commissioner, Economic Development
Janice Guthrie	Commissioner, Finance & City Treasurer
Joe Mancina	Chief Administrative Officer

Notifications:

Name	Address	Email

Appendices:

1 Appendix #1 - Transit Windsor Pension Actuarial Valuation 2023
2 Appendix #2 - Transit Windsor Pension Audited Financial Statements 2023

Mercer

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CONTRIBUTORY PENSION PLAN FOR EMPLOYEES OF TRANSIT WINDSOR

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2023

DRAFT - May 2024

Office of the Superintendent of Financial Institutions Registration Number: 57108

Canada Revenue Agency Registration Number: 0353821

A business of Marsh McLennan

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 *Pension Benefits Standards Act*, 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.

Contents

Section 1

Summary of results

	31.12.2023	31.12.2022
Going Concern Financial Status		
Market value of assets	$33,060,000	$33,722,000
Going concern funding target	$28,971,000	$24,931,000
Funding excess (shortfall)	$4,089,000	$8,791,000
Funded ratio	114%	135%
Hypothetical Wind-up Financial Position		
Wind-up assets	$32,860,000	$38,412,000[1]
Wind-up liability	$27,401,000	$29,155,000
Wind-up excess (shortfall)	$5,459,000	$9,257,000
Wind-up ratio	119.9%	131.8%
Funding Requirements in the Year Following the Valuation [2]		
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	$100,000	$0
Next required valuation date	31.12.2024	31.12.2023

[1] Includes a letter of credit in the amount of $4,890,005 at December 31, 2022. The letter of credit was terminated during 2023.

[2] 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, 2023. 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, 2023 on going concern, hypothetical wind-up, and solvency bases;
- The minimum required funding contributions from 2024, in accordance with the Pension Benefits Standards Act (the "Act"); and
- The maximum permissible funding contributions from 2024, 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, 2024, 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 Company, 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 0.25% 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.

- As instructed by the Company, we have reflected the impact of various plausible adverse scenarios on the going concern financial position.

Events since the Last Valuation at December 31, 2022

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, 2023. 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 decreased from 4.95% to 3.00%.

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

Management has elected to divest the assets from investment with OMERS in anticipation of a potential wind-up of the Plan. The Plan assets were liquidated in February 2024 and have been re-invested as directed by Management.

On April 11, 2024, the Canadian Institute of Actuaries released Mortality Improvements Research, which summarizes the findings of a research project on mortality improvements in Canada and includes a new set of mortality improvement rates. At this time, we have not assessed the appropriateness of applying such mortality improvement rates to the 2014 Canadian Pensioners Mortality base mortality rates in general, and have not assessed whether such mortality improvement rates are appropriate for the participants of the Plan. Therefore, the findings of Mortality Improvements Research have not been incorporated into our valuations and extrapolations.

After checking with representatives of Transit Windsor, to our knowledge there have been no other events subsequent to December 31, 2023 which, in our opinion, would have a material impact on the results of the valuations.

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:

	31.12.2023	31.12.2022
Assets		
Market value of assets	$33,060,000	$33,722,000
Going concern funding target		
• Active members	$1,236,000	$1,255,000
• Pensioners and survivors	$27,717,000	$23,663,000
• Deferred pensioners	$18,000	$13,000
Total	$28,971,000	$24,931,000
Funding excess (shortfall)	$4,089,000	$8,791,000

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

Reconciliation of Financial Status

Funding excess (shortfall) as at previous valuation		$8,791,000
Interest on funding excess (shortfall) at 4.95% per year		$435,000
Employer's contributions holiday		($100,000)
Expected funding excess (shortfall)		$9,126,000
Net experience gains (losses)		
• Investment return	($150,000)	
• Indexation	($291,000)	
• Mortality	$339,000	
• Retirement	($8,000)	
• Termination	$0	
Total experience gains (losses)		($110,000)
Impact of decrease in discount rate from 4.95% to 3.00%		($4,929,000)
Net impact of other elements of gains and losses		$2,000
Funding excess (shortfall) as at current valuation		$4,089,000

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:

	2024	2023
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	$28,971,000	$32,230,000
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:

	31.12.2023	31.12.2022
Assets		
Market value of assets	$33,060,000	$33,722,000
Face value of the letter of credit	$0	$4,890,000
Termination expense provision	($200,000)	($200,000)
Wind-up assets	$32,860,000	$38,412,000
Present value of accrued benefits for:		
• Active members	$1,270,000	$1,801,000
• Pensioners and survivors	$26,115,000	$27,339,000
• Deferred pensioners	$16,000	$15,000
Total wind-up liability	$27,401,000	$29,155,000
Wind-up excess (shortfall) – including letter of credit	$5,459,000	$9,257,000
Wind-up excess (shortfall) – excluding letter of credit	$5,459,000	$4,367,000

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:

	31.12.2023	31.12.2022
Number of years covered by report	1 year	1 year
Total hypothetical wind-up liabilities at the valuation date (A)	$27,401,000	$29,155,000
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)	$27,332,000	$29,048,000
Hypothetical wind-up incremental cost	($69,000)	($107,000)

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	$27,401,000	$30,311,000

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 119.9%, compared to 131.8% 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 to the Plan until after the lesser of the going concern excess, and the amount by which the solvency assets exceeds 105% of the solvency liabilities, has been applied towards the employer's current service cost. The determination of the amounts described above is shown in Appendix A.

Once such amount has been so applied, monthly employer contributions must resume. 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, 2024	$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. Transit Windsor reduced the letter of credit in 2023 to 0.

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 does not exceed 25% of the going concern funding target, the Company may make monthly contributions of up to $8,333 until the next valuation.

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 Benefits Standards Act*.

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

Date

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	$4,089,000
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)	$1,955,000
	• 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)	$815,000
	• 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	$27,401,000
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	$32,860,000
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	119.9%

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	119.4%
Adjusted Solvency Asset Amount	Amount determined by multiplying the average solvency ratio by the amount of the solvency liabilities	$32,724,000
Solvency excess (deficiency)	Amount by which the adjusted solvency asset amount exceeds (is below) the solvency liabilities	$5,323,000
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, 2024.

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

	31.12.2021	31.12.2022	31.12.2023
Solvency assets			
Market value of assets	$34,411,000	$33,722,000	$33,060,000
Termination expense provision	($200,000)	($200,000)	($200,000)
Solvency assets (A)	$34,211,000	$33,522,000	$32,860,000
Present value of special payments made (contribution holiday) (B)	$0	$0	$0
Letter of Credit (C)	$4,890,000	$4,890,000	$0
Solvency assets adjusted for special payments (contribution holiday) and letter of credit (D = A + B + C)	$39,101,000	$38,412,000	$32,860,000
Solvency liabilities (E)	$36,678,000	$29,155,000	$27,401,000
Adjusted solvency ratio (D / E)	106.6%	131.8%	119.9%
Average solvency ratio (F)			119.4%

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

	31.12.2023	31.12.2022
Average solvency ratio (F)	119.4%	111.3%
Solvency liabilities (E)	$27,401,000	$29,155,000
Adjusted solvency asset amount (E × F)	$32,724,000	$32,450,000
Solvency excess (deficiency)	$5,323,000	$3,295,000

Since there is a solvency excess at December 31, 2023, no solvency special payment is 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:

	31.12.2023
Going concern excess (A)	$4,089,000
Solvency assets (B)	$32,860,000
Solvency liabilities × 1.05 (C)	$28,771,000
Maximum amount which can be used to reduce Current Service Contribution = Min (A, B – C), not less than $0	$4,089,000

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 had secured letters of credit in the amount of $4,890,000 as at January 1, 2023. In accordance with the Act, the letters of credit were eliminated during 2023.

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 $4,110,000 (15% x $27,401,000) as at December 31, 2023.

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:

	2023
December 31	$33,324,000
PLUS	
Company's contributions	$0
Investment earnings	$1,656,000
	$1,656,000
LESS	
Pensions paid	$2,030,000
Lump sums paid	$4,000
Administration fees	$125,000
Investment management fees	$161,000
	$2,320,000
December 31	$32,660,000
Gross rate of return[3]	5.15%
Rate of return net of expenses[3]	4.64%

[3] 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	$32,660,000	$33,324,000
In-transit amounts		
• Members' contributions	$0	$0
• Benefit payments	$0	($2,000)
Adjusted market value of assets	$32,660,000	$33,322,000

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, 2023
Public equity	19.0%	13.30%
Bonds	43.0%	21.20%
Private equity	18.0%	24.70%
Infrastructure	22.0%	23.40%
Real Estate	18.0%	17.00%
Cash and economic leverage	(20.0%)	0.40%
	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:	3.00%	4.95%
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 or Service Related Tables

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

- 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 limit established in OSFI guidance. Consistent with market observable and available data, the assumed investment return is a gross return for all assets.
- An **assumed passive investment management expense provision** of 60bps 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 0.25% as per the terms of engagement.

The discount rate was developed as follows:

Assumed investment return	3.85%
Additional returns for active investment management	0.00%
Active investment management expense provision	(0.00%)
Assumed passive investment management expense provision	(0.60%)
Margin for adverse deviations	(0.25%)
Net discount rate	3.00%

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 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.

Mortality Rates

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. Three mortality improvement scales published by the Canadian Institute of Actuaries (CIA) are generally adopted for 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 included an analysis of the rate of mortality improvement for the Canadian population and provides for mortality improvement scale MI-2017 to be considered for the purpose of reflecting future mortality improvement in Canadian actuarial work.
- On April 11, 2024, the Canadian Institute of Actuaries released Mortality Improvements Research, which summarizes the findings of a research project on mortality improvements in Canada and includes a new set of mortality improvement rates.

The CIA Committee on Pension Plan Financial Reporting published an Educational Note Supplement regarding the Mortality Improvements Research report on May 15, 2024. The Educational Note Supplement indicated that it may be appropriate to use any of the CPM-B scale, the MI-2017 scale or the proposed mortality projection scale in the Mortality Improvements Research report. For the current valuation, we have continued to use the CPM-B.

COVID-19 has impacted mortality rates globally. Statistics Canada reported excess mortality in 2020-2022 and into 2023 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 census data, December 31, 2022. We have not adjusted the expected mortality rates for Plan members after this 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.

Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 22.0 years for males and 24.4 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, 2023.

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 Supplement: Guidance for Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates on and after December 31, 2023 (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:	4.50% 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%:	0.31% per year for 10 years, 0.24% thereafter

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:	4.55% per year based on a duration of 10.09 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%:	0.33% per year
Indexation rate for benefits indexed at 75% of CPI less 1%:	1.33% 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, 2023, 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.

	31.12.2023	31.12.2022
Active Members		
Number	18	24
Proportion of males	66.7%	66.7%
Total annual frozen pension	$67,248	$91,132
Average annual frozen pension	$3,736	$3,797
Average years of pensionable service	5.5 years	5.5 years
Average age	58.5 years	58.7 years
Accumulated contributions with interest	$240,883	$319,668
Deferred Pensioners		
Number	2	2
Proportion of males	50.0%	50.0%
Total annual pension	$1,008	$958
Average annual pension	$504	$479
Average age	58.4 years	57.4 years
Pensioners and Survivors		
Number	191	193
Proportion of males	74.3%	73.3%
Total annual lifetime pension	$1,947,079	$1,956,930
Average annual lifetime pension	$10,194	$10,140
Average age	73.0 years	73.0 years
Supplemental Pension		
Number	31	36
Proportion of males	87.1%	94.4%
Total annual pension	$87,194	$113,417
Average annual pension	$2,813	$3,150
Average age	62.5 years	62.2 years
Special Additional Supplemental Pension		
Number	3	5
Proportion of males	100%	100%
Total annual pension	$5,760	$9,432
Average annual pension	$1,920	$1,886
Average age	59.0 years	58.6 years

	31.12.2023	31.12.2022
Annuity certain only		
Number	3	3
Proportion of males	66.7%	66.7%
Total annual pension	$6,133	$6,048
Average annual pension	$2,044	$2,016
Average remaining guarantee period	9.5	10.5

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 31.12.2022	24	2	194	3	223
Adjustment at 31.12.2022			(1)		(1)
New entrants					0
Terminations:					
• Not vested					0
• Transfers/lump sums	(1)				(1)
• Deferred pensions					0
Deaths			(8)		(8)
Retirements	(5)		5		0
Beneficiaries			1		1
Total at 31.12.2023	18	2	191	3	214

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

Age	Years of Continuous Service							
	0-4	5-9	10-14	15-19	20-24	25-29	30 +	Total
Under 45								
45 to 49						1 *		1 *
50 to 54						3 $1,324	1 *	4 $1,801
55 to 59						2 $1,736	1 *	3 $3,870
60 to 64					1 *	3 $2,339	6 $6,629	10 $4,687
65 +								
Total					1 *	9 $1,781	8 $6,393	18 $3,736

*Suppressed for confidentiality

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

Age	Pensioners and Survivors		Supplementary Pension		Special Additional Supplemental Pension	
	Number	Average Pension	Number	Average Pension	Number	Average Pension
<50						
50 – 54						
55 – 59	4	$6,861	3	$2,432	3	$1,920
60 – 64	30	$8,441	28	$2,853		
65 – 69	47	$9,990				
70 – 74	37	$11,293				
75 – 79	29	$11,129				
80 – 84	22	$11,833				
85 – 89	13	$11,057				
90 – 94	5	$6,718				
95 – 99	3	$5,031				
100 +	1	*				
Total	**191**	**$10,194**	**31**	**$2,813**	**3**	**$1,920**

*suppressed for confidentiality

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, 2023. 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, 2023. 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 • $3,610 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 110 basis points; and
- Longevity risk - life expectancy from the valuation date at age 65 for a male and a female would increase by 1.7 years and 1.4 years, respectively

Scenario	Going Concern Valuation Results as at 31.12.2023	Plausible Adverse Scenario Results as at 31.12.2023	
		Interest Rate Risk	Longevity Risk
Going Concern Financial Status			
Market value of assets	$33,060,000	$36,669,000	$33,060,000
Going concern funding target	$28,971,000	$32,590,000	$30,159,000
Funding excess (shortfall)	$4,089,000	$4,079,000	$2,901,000
Estimated Employer's Current Service Cost including Expense Allowance			
2024	$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 110 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 3.00% to 1.90%.
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.

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[4] will be in line with the average improvements experienced by the Canadian population[5] over a recent period that experienced historically high levels of improvement, with uniform improvement rates for all future years but varying by age[6] and gender.

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

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

[6] 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, 2023 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 0.25% 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, 2023 was provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein.
- 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, 2023.
- All events subsequent to December 31, 2023 that may have an impact on the Plan have been communicated to the actuary.

________________________ Date

________________________ Signed

________________________ Name

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A business of Marsh McLennan

Financial Statements of

THE CONTRIBUTORY PENSION PLAN FUND FOR EMPLOYEES OF TRANSIT WINDSOR

And Independent Auditor's Report thereon

Year ended December 31, 2023

KPMG LLP
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Canada
Telephone 519 251 3500
Fax 519 251 3530

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, 2023,
- 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, 2023, 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.

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.

KPMG

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 18, 2024

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, 2023, with comparative information for 2022

		2023		2022
Assets				
Investments (notes 4 and 10)	$	33,060	$	33,724
Liabilities				
Accrued liabilities		5		4
Net assets available for benefits	$	33,055	$	33,720

See accompanying notes to financial statements.

On behalf of the Pension Plan Administrator:

Dan Seguin - 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, 2023, with comparative information for 2022

	2023	2022
Increase in net assets:		
Investment income (note 5)	$ 1,755	$ 1,309
Change in fair value:		
Change in net unrealized gains (losses)	(111)	302
Employer contributions	13	75
Commodity tax rebates on expenditures	11	11
	1,668	1,697
Decrease in net assets:		
Benefit payments (note 6)	2,034	2,079
Administrative expenses (note 7)	299	305
	2,333	2,384
Decrease in net assets	(665)	(687)
Net assets available for benefits, beginning of year	33,720	34,407
Net assets available for benefits, end of year	$ 30,055	$ 33,720

See accompanying notes to financial statements.

---

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. Material 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. Material 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. Material 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 (losses).

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.

(in thousands of dollars unless otherwise stated)

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:

	2023		2022	
	Fair value	Cost	Fair value	Cost
Sun Life Pooled Funds:				
Cash equivalents	$ 495	$ 495	$ 1,008	$ 1,008
Investments managed by OMERS	32,565	29,729	32,716	29,769
	$ 33,060	$ 30,224	$ 33,724	$ 30,777

5. Investment income:

	2023	2022
Sun Life Pooled Funds:		
Cash equivalents	$ 36	$ 14
Investments managed by OMERS	1,719	1,295
	$ 1,755	$ 1,309

6. Benefit payments:

	2023	2022
Retirement benefit payments	$ 2,030	$ 2,079
Death benefit payments	2	-
Termination benefit payment	2	-
	$ 2,034	$ 2,079

7. Administrative expenses:

	2023	2022
Investment management fees	$ 155	$ 188
Audit fees	5	3
Consulting and actuarial fees	130	105
Administrative fee	9	9
	$ 299	$ 305

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, 2022. That valuation revealed an excess on a going-concern basis of $8,791 (December 31, 2021 valuation - $8,397), resulting in a going-concern funding ratio of 135% (December 31, 2021 valuation - 132%). On a solvency basis, the valuation revealed a excess of $9,257 (December 31, 2021 valuation – shortfall of $2,423) or a ratio of 132% (December 31, 2021 valuation - 107%). 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, 2023.

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.

(in thousands of dollars unless otherwise stated)

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:

	2023 Level 2	2022 Level 2
Sun Life Pooled Funds:		
Cash equivalents	$ 495	$ 1,008
Investments managed by OMERS	32,565	32,716
	$ 33,060	$ 33,724

(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.