TORONTO
TRANSIT COMMISSION
PENSION
FUND SOCIETY

2019 Annual Report

About the TTC Pension Fund Society

The Toronto Transit Commission Pension Fund Society (the "PFS") was incorporated in 1940 under Part XVI of The Companies Act of Ontario. The PFS through its Board of Directors (the "Board") administers a contributory, defined benefit pension plan (the "Plan"). The Board consists of voting Members from the Toronto Transit Commission (TTC) and the Amalgamated Transit Union Local 113 (ATU). The terms of the Plan are set out in the Bylaws of the PFS (the "Bylaws"), as amended from time to time.

Active Members of the Plan, who are employees of the TTC, the ATU, or the PFS that have completed six months of continuous service, contribute a percentage of contributory earnings to the Pension Fund (the "Fund") and the Employers contribute an equal amount to the Fund. The Board sets the contribution rates, subject to the funding requirements determined in the actuarial report and subject to limitations in the Sponsor's Agreement.

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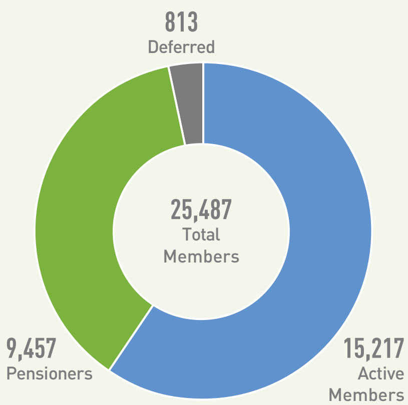
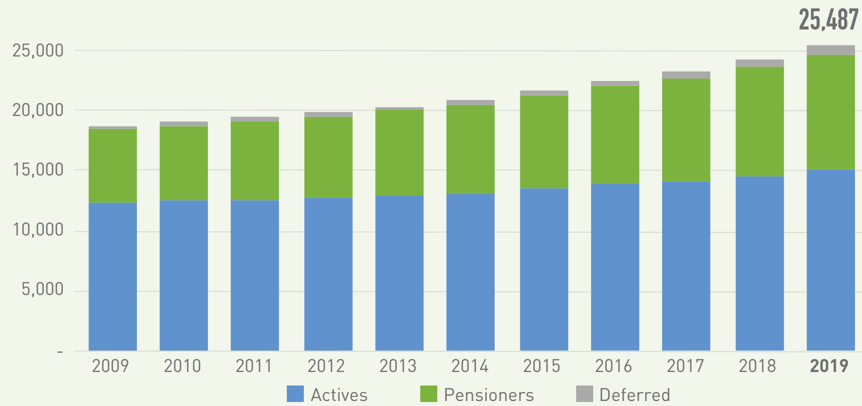
2019 Membership Highlights

Membership:



Membership continues to grow:



Number of Retirements 2019

601

Number of Online Pension Estimates

3,064

Number of In-House Pension Estimates

1,522

Average Retirement Age

60.1

Members attending a pre-retirement session

487

% of attendees that rate the seminar as good or very good

100

TTC Pension Fund Society leadership team, left to right:
Andrew Greene, Sean Hewitt, Cheryl Uroda and James Clarkson.

2019 Financial Highlights

10 Year Annualized Return
8.5%

10 Year Benchmark Return
8%

Going Concern Funded Status
95%

2019 Net Return
13.6%

2019 Benchmark
13.3%

Market Value of Net Plan Assets
$7.3 billon

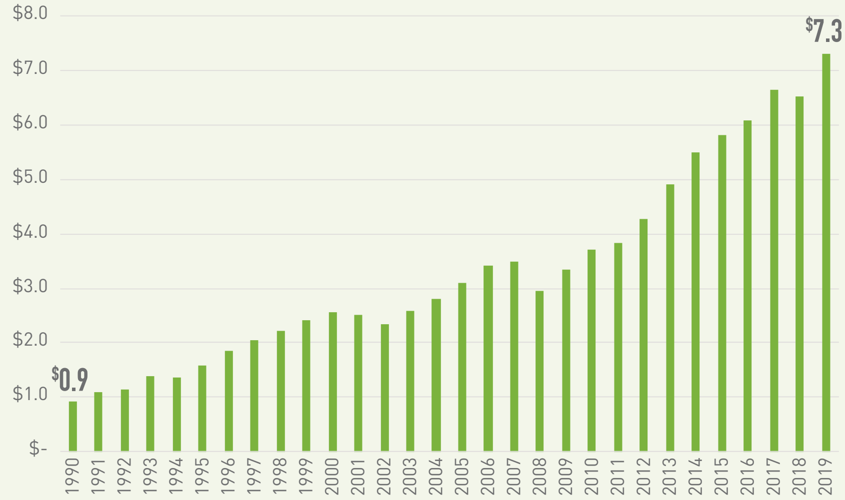
Reasonable Assumptions

Going Concern Discount Rate
4.90%

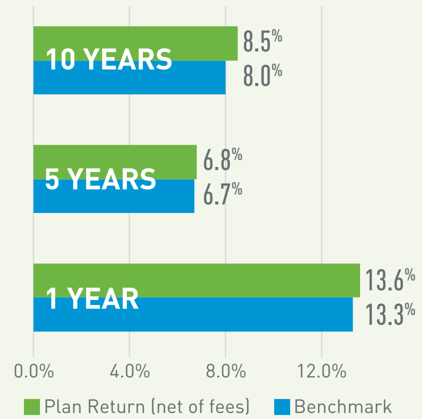
Contributions
$255 million

Pension Payments
$350 million

Market value of Net Plan Assets continue to grow ($ billions)



Plan Returns (vs. Benchmark)



79 years of providing stable retirements

Message From the Board

We're pleased to report that 2019 was another productive year and the Plan continues to be well-positioned to provide secure retirement income to current and future generations.

Our top priority is to protect the sustainability of the Plan for both current and future pensioners. We never lose sight of the fact that PFS members depend on the Plan to pay pensions today and preserve pensions for tomorrow. That's why the PFS Board reviews in detail the financial position of the Plan to determine if it's fiscally responsible and affordable to approve cost of living increases for pensioners or updates to the base-year calculation. This process highlights one of the core strengths of the PFS plan design: equal risk sharing by employers and employees. This has proven to work reliably over time as we enter our 80th year of operations.

The team remains committed to delivering the Pension Promise:

Keeping your pension stable and secure for current and future pensioners.

Although we're extremely proud of the results that the PFS produces, we recognize that challenges remain. While Plan assets have grown significantly since the financial crisis, pension liabilities have also increased, due to lower forward-looking returns and other factors such as increased life expectancy. We will continue to address these challenges as we have in the past, managing risk while pursuing investment strategies that can generate the returns necessary to pay members' benefits today and for decades to come.

Along with the rest of the PFS Board, we wish to recognize the hard work of our staff and to thank them for their continued support in delivering the outstanding service that members expect. With the staff, led by Sean Hewitt, Cheryl Uroda, James Clarkson and Andrew Greene, the team remains committed to delivering the Pension Promise: Keeping your pension stable and secure for current and future pensioners.

As a Jointly Sponsored Pension Plan, the Board is ultimately responsible for the oversight of the plan. We are continually monitoring manager performance, funded status, expenses, and risks, while ensuring our strong governance policies and procedures are being adhered to. The Board's fiduciary duty is to ensure that all of these factors are taken into consideration in order to act in the best interest of our members. This responsibility is balanced among the membership and the employers through the Board's composition by having equal representation from both the ATU 113 and the TTC.

This governance structure is a model of teamwork and common purpose; both our current and former Board members have contributed to the PFS health and success by assessing challenges and making required adjustments. The PFS has been able to build a strong, sustainable, foundation for continued success in the year 2020 and beyond.

The Board's decision to provide benefit updates to the base-period and pensioner cost of living was particularly challenging this year. On one hand, the financial position of the Pension Fund in December 2019 was among the strongest that it had ever been in its long history, while on the other hand, the COVID-19 pandemic placed significant short term stress to financial markets, and as a corollary, to the financial performance of the Pension Fund in March 2020. As a result, the Board took the prudent course of action by deferring a final decision on benefit updates until some measure of clarity could be garnered on how the pandemic impacted the financial position of the Fund. We are proud to say that the investment portfolio that we have created responded excellently as expected, despite the short term volatility that the markets brought in the early months of 2020.

Message From the CEO

The TTC Pension Fund Society has been delivering our pension promise for 80 years and we are committed to continue to deliver on that promise well into the future. When we manage our plans assets, we need to employ a long-term approach, keeping in mind that the contributions that we receive from a TTC operator today, while they are in their 20s or 30s, will be used to deliver pension payments to that person as a pensioner while they are in their 80s and 90s.

Sean Hewitt, Chief Executive Officer

We put you, the member, first in everything that we do, beginning with a financially strong Plan that allows us to provide our members with a solid foundation for their retirement. In 2019, our net assets grew to $7.3 billion, representing an investment return of 13.6%, one of our strongest years on record. The strength of 2019's performance is a continuation of a consistent long term track record, over the past 10 years, the Fund earned 8.5% which has exceeded the return of our Plan benchmark by 0.5%. Over that time period our asset values have more than doubled.

While this performance is strong, we fully expect, and are prepared for, periods that are characterized by challenging short term performance as a result of external factors such as the COVID-19 pandemic. While the pandemic specifically is a phenomenon that we have not yet encountered in our 80-year history, we have successfully navigated through rough waters in the past, and our thoughtful plan features and strong governance were developed so that we can weather the storms that come our way.

The strong position was based on long term investment portfolio returns and strong cost control features with a risk management focus. The positive results of our investment portfolio have allowed the Board to keep our base period fully up to date and provide a 1.96% pensioner increase. Active Members and 2020 retirees will now have their pensionable earnings and credited service up to December 31, 2019 included in the base period for the calculation of their pension benefit.

The Board is confident in our approach; we entered into 2019 in a solid position, however the COVID-19 pandemic gave us reason to pause and to re-confirm our view that benefit updates remain prudent for current and future pensioners. As you know, on an annual basis, the Board assesses affordability of benefit improvements, including pension indexing, and grants them at their discretion. Future enhancements are not guaranteed.

Particularly in challenging times, we reiterate our commitment that the Plan continues to run smoothly, and you can rest assured that pension that you have earned will continue. We remain dedicated to serving our Members, and supporting the health and safety of our staff. During this extraordinary time, our offices are closed to protect our members, staff and broader community, however our people are fully engaged and continue our work from home. Our response times to calls and e-mails may be slower, but we continue to work diligently on providing our high standard of service to our members.

PFS Enhancements

The Sponsors of the PFS, the TTC and ATU Local 113, along with the Board are committed to prudent management of the PFS. Several considerable improvements to the PFS governance structure have been made in recent history:

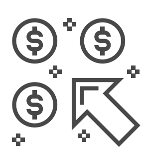
- In 2011, the PFS converted to a Jointly Sponsored Pension Plan (JSPP), where plan Sponsors have an equal say on matters that impact current and future pensioners;
- In 2016, the Board hired an independent CEO to manage the day-to-day affairs of the PFS, reporting directly to the Board;
- In 2017, the PFS completed an Asset/Liability Study with a focus on making portfolio changes to enhance long term security of the plan at current contribution levels;
- In 2018, the Board approved amendments to the Plan Bylaws that will empower the Board to retain additional staff directly;
- In 2018, the Board established an Audit Committee, charged with the responsibility for detailed financial statement and budget reviews;
- In 2019 TTC employees working in the Pension department became employees of the Pension Fund Society, reporting to the CEO;
- In 2019, PFS staff moved into new offices designed specifically for our needs, which offers room for our growing organization, while maintaining a strong Member focus.

These changes are designed to transition the PFS to an independent pension organization that will give the Board full control over its evolving organizational needs. The responsibility for day to day administration, including office space, pension staff hiring, and salary administration will rest with the PFS CEO, who is directly accountable to the Board. This change marks a significant organizational enhancement and has important advantages over the previous organizational structure. It will ensure that the PFS continues to confidently and systematically meet its fiduciary obligations through adequate staffing and resourcing. It will also enable the PFS to continue its prudent management and administration of pension assets, and to continue to deliver service in a manner that is consistent with a best-in-class pension organization. We are a Jointly Sponsored Pension Plan ("JSPP") with sharing of costs, risks, and decisions. The Board is comprised of ten people, five from the ATU Local 113 and five from the TTC. The Board has overall responsibility for pension administration, corporation management, investment strategy and reporting. The Board acts independently of the Sponsors.

The Board is supported by three Committees: Investment Committee, Governance Committee, and an Audit Committee.

INVESTMENT COMMITTEE: The Investment Committee advises the Board on investment management and oversight of the Fund. They provide guidance on investment manager implementation, the construction of investment policies and strategies. They are also responsible for reviewing total fund and investment manager performance.

GOVERNANCE COMMITTEE: The Governance Committee advises the Board on matters of governance and human resource policies.



AUDIT COMMITTEE: The Audit Committee advises the Board on financial reporting and internal controls. They review the annual audited financial statements, annual budgets, and make recommendations to the Board.

STRENGTH

Pension Strength comes from a solid financial position with a focus on the needs and expectations of Members.

Board of Directors and Committee Membership

Board of Directors
Tara Bal
Rick Fox
Scott Gordon
Orest Kobylansky *(Vice President)*
Brian Leck
Megan MacRae
Frank Malta
Kevin Morton
Gemma Piemontese
Carlos Santos *(President)*

Investment Committee
Rick Fox
James Knowles *(external)*
Orest Kobylansky *(Chair)*
Megan MacRae
Frank Malta

Governance Committee
Scott Gordon
Brian Leck
Kevin Morton *(Chair)*
Gemma Piemontese

Audit Committee
Tara Bal
Megan MacRae
Kevin Morton
Carlos Santos

External Advisor
James Knowles

Leadership Team
The CEO and leadership team are responsible for all operational matters, implementation of strategic plans and policies

Sean Hewitt,
Chief Executive Officer

Cheryl Uroda,
Corporate Secretary and Director, Pension Administration

James Clarkson,
Treasurer and Director, Finance

Andrew Greene,
Director, Investments

Actuary
Scott Clausen, Mercer

Auditor
PricewaterhouseCoopers LLP

Custodian
Northern Trust

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

SECURITY

Pension Security comes from a thoughtful, risk-managed, plan design that empowers the Board to provide benefit updates only when affordable.

Investment Management

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

The Investment Policy provides a framework for managing the Plan's assets in relation to its pension liability, within a tolerable level of risk. The investment portfolio utilizes a sustainable long-term approach which is diversified across a wide variety of asset classes, risk/return characteristics, and degree of liquidity.

The size and scale of the TTC PFS gives it access to highly qualified investment management experts. The Plan's professional investment management team oversees the execution of the investment policy set out by the Board of Trustees. The team selects investment management firms that excel in particular investment strategies and asset classes to implement the Investment Policy asset mixes. The team monitors their performance against targets for both returns and the level of risk as markets evolve. This approach reduces overall risk and helps to balance benefit security with affordability to help maintain plan sustainability.

The TTC PFS believes that, as part of its fiduciary duty to Plan beneficiaries, consideration of risks related to the investment of the Plan's assets includes non-financial risks such as environmental, social and governance (ESG) factors. In particular, the Board believes that over the long term, companies that have sound corporate governance structures and practices will outperform those that do not.

The Plan's assets grow through your contributions, matching employer contributions, and investment earnings. The primary investment objective is to grow the assets more than the pension liability over time. This improves the Plan's overall financial condition as measured by the Plan's funded status. When the funded status improves, the ability to provide a base period update and pension indexing also improves.

Market Overview

Waning recession fears and forecasts for improving global economic growth in 2020 helped to bolster risk sentiment, while geopolitics and trade disputes continued to be major drivers of market volatility. The U.S. canceled tariffs that were scheduled to take effect on December 15, in an effort to secure a trade deal with China. U.S. President Donald Trump subsequently announced that the first phase of a trade agreement will be signed on January 15, providing significant relief to global markets.

Global stocks generated the best returns in a decade, boosted by aggressive central bank stimulus and easing trade tensions toward the end of 2019. U.S. stocks soared to record highs in December as the U.S. and China agreed to a limited trade truce. Canadian equities also producing excellent results. UK equities surged after the Conservative Party's victory in the general election lifted the uncertainty about the country's departure from the European Union (EU) and eliminated concerns about the Labour Party's plans to nationalize large swaths of the nation's economy. Hong Kong was mired in its worst recession since 2008, as escalating protests caused a sharp deterioration in private-sector activity. Developed markets handily outperformed Emerging Markets.

Technology stocks posted the highest returns for the year with a gain of nearly 48% in aggregate. The next best sector, industrials, rose 28% amid an improving outlook for trade activity and global economic growth. All sectors enjoyed double-digit gains for the year, although energy stocks lagged far behind the overall market.

Bond markets also performed well for the year as interest rates fell. The Canadian 10 Year bond fell from 1.92% to 1.70% and the Long Term Bond Yield fell from 2.13% to 1.76%. while this fall is yields is additive to bonds returns, they also serve to increase the value of the Plan's Liabilities. The Canadian dollar fell ~5% versus the US dollar due primarily to the relative outperformance of the U.S. economy relative to Canada.

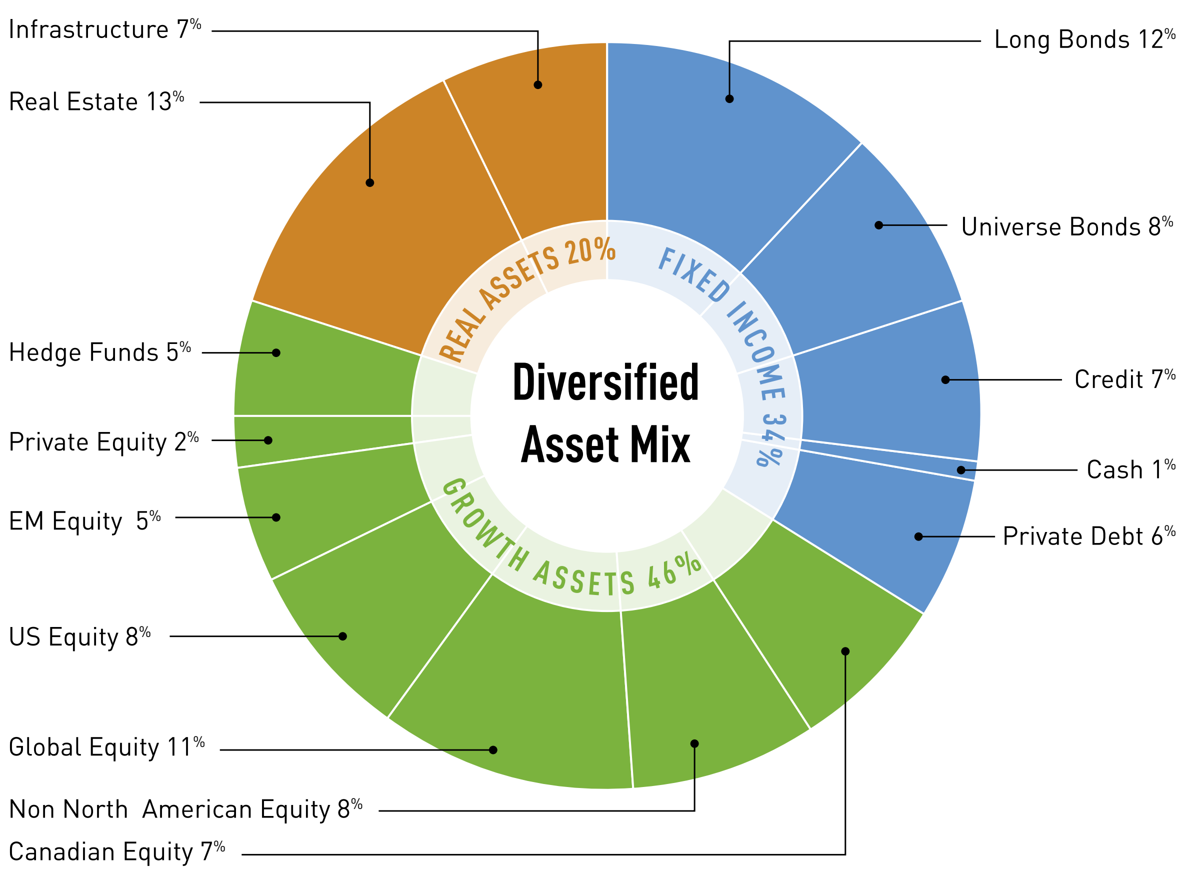
Building a Diversified Portfolio

At the PFS, we include an array of investments that can be summarized into three broad categories:

FIXED INCOME are investments that reduce funded status volatility from year to year. They include interest rate sensitive investments in Canadian Government, Provincial and Corporate Bonds of a variety of maturities (short, medium and long). The policy weight for these investments is 34% of the total Plan.

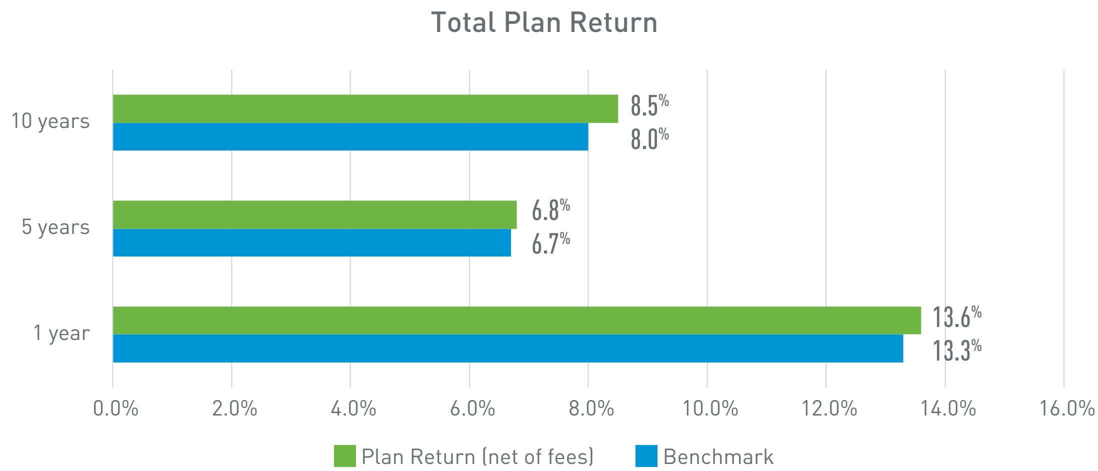
GROWTH ASSETS are investments that seek a higher return than Liability-Matching Assets, but are also characterized by higher volatility. Our growth asset portfolio contains Canadian and Non-Canadian Equities, Private Equity and Opportunistic Investments. Growth Assets are 46% of the total Plan.

REAL ASSETS are investments that share characteristics of both Liability Matching Assets and Growth Assets. They tend to offer higher long-term returns than bonds but generally don't have the volatility associated with Growth Assets while providing some protection against inflation. Our holdings in real estate and infrastructure are included in this category. Real Assets represent 20% of the Plan.



Return vs. Policy Benchmark

Net assets in the Plan totaled $7.32 billion at year end. The Plan delivered a solid 13.6% return for the year which exceeded the policy benchmark. Over the past 5 and 10 year periods ending 2019 the plan has earned an annualized rate of return of 6.8%, and 8.5% exceeding the benchmark returns.



Rate of Return	1 year	5 years	10 years
Benchmark	13.3%	6.7%	8.0%
Plan Return (net of fees)	13.6%	6.8%	8.5%

The 5 year 6.8% annualized return, net of investment management fees over the last 5-year period, exceeded the policy benchmark return of 6.7% by 0.1%.

In order to evaluate the success of our investment strategies, we use a set of Board-approved benchmarks as a comparison tool. The total fund benchmark return is calculated by aggregating the benchmark returns of each individual asset class and weighting them according to the Fund's policy benchmark.

Asset Class	5 year returns	Benchmark
Canadian Equity	6.1%	6.3%
US Equity	13.8%	14.3%
Non-North American Equity	9.4%	8.2%
Emerging Markets Equity	9.6%	8.0%
Private Equity	15.9%	12.9%
Long Bonds	5.3%	5.2%
Universe Bonds	3.2%	3.5%
Credit Bonds	4.9%	3.8%
Infrastructure	12.9%	6.9%
Real Estate	8.6%	5.9%
Total Fund Return (Net of Fees)	6.8%	6.7%

Asset Class	Benchmark Index
Canadian Equity	S&P/TSX Composite
US Equity	S&P 500
Non-North American Equity	MSCI EAFE
Global Equity	MSCI World
Emerging Markets Equity	MSCI Emerging Markets
Private Equity	MSCI World + 3%
Cash and Cash Equivalents	91 Day T-bills
Long Bonds	FTSE Canada Long Bond
Universe Bonds	FTSE Canada Universe Bond
Credit Bonds	FTSE Canada Corporate Bond
Infrastructure	CPI + 4%
Real Estate	CPI + 4%

About the Plan

The PFS is a defined benefit pension plan designed to provide secure pension retirement income for life. Plan Members and participating sponsors contribute equally to the Plan, and these contributions are collectively invested and managed by external investment managers.

As a Plan Member, your pension is determined using a formula based on your eligible earnings and years of service in the Plan. Your pension from the PFS is an important part of your retirement.

PFS Plan Features*	
Normal Retirement	30 years of service, regardless of age; or 60 years of age, regardless of service; or 29 years of service and at least age 51
Reduced Early Retirement	Age 50 with less than 29 years of service
Indexation in Retirement	Indexing in retirement is conditional and provided by the Board when deemed affordable based on external actuaries report

* Illustrates the most common circumstances applicable to Plan Members. However, the list is not exhaustive and other options are available.

Contributions

Every pay period, Plan Members contribute a percentage of their earnings into the Plan and these contributions are matched by participating employers. Plan Members' contributions are as follows:

Earnings up to YMPE: **9.25%** Above YMPE: **10.85%**

The YMPE is the Year's Maximum Pensionable Earnings, which is an amount defined under the Canada Pension Plan. In 2019, this amount was $57,400.

Benefit Improvements Approved by the Board

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

On June 24, 2020 the Board had concluded its final meeting of the year with the Plan Actuary and after extensive analysis and discussions was able to approve the following changes in plan benefits. These improvements were only provided upon further analysis and understanding of the impacts that COVID-19 had on the financial stability of the PFS:

Pensioners will receive a retroactive ad hoc cost of living increase of up to 1.96% effective January 1, 2020;

Effective January 1, 2020, the base period formula for calculating pension benefits will be the average of employees' best four years of pensionable earnings up to December 31, 2019; and

In lock-step with this formula update, the survivor benefit date will be January 1, 2020.

The *Canadian Income Tax Act* does not permit the percentage increase in a pension in payment to be more than the cumulative percentage increase in the Consumer Price Index (CPI).

As stipulated in the PFS Bylaws, the Bylaw amendments to affect these improvements will be presented to the TTC Board for sanctioning and will be presented at the AGM for Membership approval.

Pre-Retirement Seminars

If you have never applied to attend a pre-retirement seminar and you would like to add your name to the waiting list, the qualification to do so is either 30 years of age or 10 years of service. At these sessions you will be provided with useful retirement planning resources and information. Typically, we hold six pre-retirement seminar sessions each year with approximately 75 attendees including spouses, three sessions during the spring and three during the fall.

This year, due to the extraordinary events that unfolded, the PFS cancelled the pre-retirement seminars, however we are planning to get back to our regular schedule of seminars in 2021. If you are interested in attending, all we need to register you is your name, employee number, work location and whether your spouse/partner will be attending the seminar with you.

The seminars are two full days with lunch included and they provide information regarding your TTC pension plan, health benefits and life insurance available upon retirement, financial planning, budget and debt management, RRSP information, tax planning and estate planning. Attendance is limited to one time only and we believe the information provided is most beneficial to those employees who are approximately 10-15 years away from their retirement. To apply to attend a seminar you can complete an application form at your work location or on the intranet, e-mail us at PFS@ttc.ca or call us at 416-393-4367 or 416-393-4368.

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

Online Pension Estimator

TTC employees can calculate their pension by accessing the Estimator through the PFS Intranet (internal website) or via https://www.ttc.ca/Coupler/index.jsp home page link. You may be surprised to know that the pension you receive during your retirement will far exceed the contributions you make as a Member.

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

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

Ten Year Review

(Unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Financials ($M)										
Fixed Income & Cash	2,358	2,574	2,902	2,681	2,788	2,613	2,051	2,055	1,783	1,709
Equities	2,805	2,445	2,558	2,356	2,526	2,415	2,513	2,040	1,783	1,790
Alternatives	2,393	1,831	1,449	1,389	819	710	562	378	231	306
Investment Receivables	44	18	59	38	23	46	54	288	64	57
Investment Liabilities	(284)	(332)	(322)	(328)	(346)	(286)	(276)	(490)	(37)	(161)
Total Net Assets	7,316	6,536	6,646	6,136	5,810	5,498	4,904	4,271	3,825	3,701
Contributions	255	239	234	224	216	207	202	194	182	168
Investment Income (loss)	894	(15)	583	377	352	621	647	457	120	358
Benefit Payments	(350)	(320)	(291)	(258)	(239)	(216)	(200)	(188)	(166)	(158)
Expenses	(19)	(14)	(16)	(17)	(17)	(18)	(16)	(15)	(12)	(11)
Change in Net Assets	780	(110)	510	326	312	594	633	448	124	357
Membership										
Actives	15,217	14,649	14,287	14,091	13,686	13,237	13,013	12,767	12,690	12,572
Pensioners	9,457	9,027	8,539	8,091	7,699	7,375	7,092	6,824	6,562	6,300
Deferred	813	668	561	400	378	374	354	339	301	289
Total Members	25,487	24,344	23,387	22,582	21,763	20,986	20,459	19,930	19,553	19,161
Active Members per Retiree	1.61	1.62	1.67	1.7	1.8	1.8	1.8	1.9	1.9	2.0
Retirements	601	621	613	572	431	443	409	384	373	299

STABILITY

Pension Stability comes from a robust governance structure with nearly 80 years of delivering on our pension promise to provide a pension benefit for life.

Toronto Transit Commission – Pension Fund Society

Financial Statements

December 31, 2019
(In thousands of Canadian dollars)

MERCER

Actuaries' Opinion

Mercer (Canada) Limited was retained by the Board of the Toronto Transit Commission Pension Fund Society (the Society) to perform an actuarial valuation of the assets and Section 4600 accounting liabilities of the Society as at December 31, 2019, for inclusion in the Society's financial statements. We have completed such a valuation and provided our report to the Board.

The valuation of the Society's Section 4600 accounting liabilities was based on:

- Membership data as at January 1, 2019, supplied by the Society and used to extrapolate valuation results to December 31, 2019,
- Methods prescribed by Section 4600 of the CPA Canada Handbook – Accounting for pension plan financial statements, and
- Assumptions about future events (including mortality levels, future investment returns, and future pay levels), which have been developed by the Board with input from the actuaries and the auditors, and have been adopted by the Board as its best estimates for accounting purposes, in accordance with Section 4600 of the CPA Canada Handbook.

The valuation of the Society's assets was based on information provided by the Society.

The objective of the financial statements is to fairly present the financial position of the Society on December 31, 2019, in accordance with accounting practices. This is very different from the statutory funding valuation required by the Pension Benefits Act to ensure that the Society meets the funding requirements for the benefits being provided. As a result, the valuation results presented in the financial statements and notes are not indicative of the Society's ability to meet its funding requirements or of the benefit levels which it is able to provide.

While the actuarial assumptions used to estimate liabilities for the Society's financial statements represent the Board's best estimate of future events and market conditions at the end of 2019, the Society's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains and losses in future valuations.

We have tested the data used for the valuation for reasonableness and consistency, and in our opinion, the data are sufficient and reliable for purposes of the valuation and we believe that the methods employed are appropriate for purposes of the valuation. Our opinions have been given, and our valuation has been prepared, in accordance with accepted actuarial practice in Canada.

Scott Clausen

Scott Clausen
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
May 21, 2020

Karen E. Koop

Karen E. Koop
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
May 21, 2020

Mercer (Canada) Limited

MARSH & McLENNAN COMPANIES

Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Toronto Transit Commission Pension Fund Society (the Plan) as at December 31, 2019 and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

What we have audited
The Plan's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of changes in net assets available for benefits for the year then ended;
- the statement of changes in pension benefit obligations for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 21, 2020

Toronto Transit Commission Pension Fund Society

Statement of Financial Position

As at December 31, 2019

(in thousands of Canadian dollars)

	2019 $	2018 $
Assets		
Cash	34,767	33,528
Investments (note 3)	7,521,585	6,816,527
Investment-related receivables (note 3)	55,933	19,088
Contributions receivable		
Members	3,660	10,139
Employers	3,659	4,725
Other assets	1,918	952
	7,621,522	6,884,959
Liabilities		
Investment-related liabilities (note 3)	284,161	331,729
Other liabilities (note 7)	21,640	16,825
	305,801	348,554
Net Assets Available for Benefits	7,315,721	6,536,405
Pension benefit obligation (note 9)	6,147,902	5,374,106
Surplus	1,167,819	1,162,299

Gemma Piemontese, Director

Carlos Santos, President

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

Toronto Transit Commission Pension Fund Society

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2019

(in thousands of Canadian dollars)

	2019 $	2018 $
Increase in net assets available for benefits		
Net investment income (note 11)	235,817	187,943
Net increase (decrease) in fair values of investments (including total gains and losses) (note 11)	657,938	(203,154)
Contributions		
Members	125,833	119,348
Employers	129,014	119,928
	1,148,602	224,065
Decrease in net assets available for benefits		
Benefit payments		
Pension benefits	321,060	293,174
Death benefits	4,143	9,909
Termination refunds	21,154	16,092
Marriage breakdown	3,169	1,339
Investment and Plan administration expenses (note 12)	19,340	13,425
	368,866	333,939
Increase (decrease) in net assets available for benefits during the year	779,736	(109,874)
Net assets available for benefits – Beginning of year	6,536,405	6,646,279
Other Post-retirement benefits transfer (note 8)	(420)	-
Net assets available for benefits – End of year	7,315,721	6,536,405

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

Toronto Transit Commission Pension Fund Society

Statement of Changes in Pension Benefit Obligations

For the year ended December 31, 2019

(in thousands of Canadian dollars)

	2019 $	2018 $
Pension benefit obligation – Beginning of year	5,374,106	5,274,719
Benefits accrued	159,476	160,552
Benefits paid	(349,526)	(320,514)
Interest accrued on benefits	340,808	321,266
Changes in actuarial assumptions	508,530	(161,062)
Experience losses	20,399	19,729
Plan amendments	94,109	79,416
Net increase in pension benefit obligation	773,796	99,387
Pension benefit obligation – End of year (note 9)	6,147,902	5,374,106

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

1. Description of the Plan

The following description of the pension plan operated by the Toronto Transit Commission Pension Fund Society (the Plan) is a summary only. For more complete information, reference should be made to the bylaws of the Plan.

General

The Plan commenced operations on January 3, 1940 as a corporation pursuant to letters patent under Part XVI of the Corporations Act of the Province of Ontario. The Board of Directors (the Board), which consists of ten voting members, five of whom are appointed from the Toronto Transit Commission (TTC) and five of whom are appointed by Amalgamated Transit Union Local 113 (ATU), administers the affairs of the Plan. Pursuant to the Sponsors' Agreement between ATU and TTC (the Sponsors), the Plan is registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The Plan covers substantially all employees of the TTC, ATU and the Toronto Transit Commission Pension Fund Society (PFS) who have completed six months of continuous service. Under the Plan, contributions are made by members and matched by their employers. The Plan is registered with the Financial Services Regulatory Authority of Ontario (FSRA), (formerly the Financial Services Commission of Ontario (FSCO)), under the Pension Benefits Act of the Province of Ontario (PBA) and the Income Tax Act (Canada) (registration number 0317586) and, therefore, is exempt from taxation on its income under Part I of the Income Tax Act (Canada). The Plan may be liable for taxes in other jurisdictions where full tax exemptions are not available.

The Plan is a defined benefit plan. The Board sets the employer and employee contribution rates, subject to the funding requirements determined in the actuarial report and subject to limitations in the Sponsors' Agreement between the ATU and TTC. Members' benefits are determined using a modified career average formula based on pensionable earnings and years of credited service. Plan improvements, including increases to the career average base period and pension indexing may be adopted by the Board. Improvements may be granted if affordable, taking into account the Plan's funded status.

Funding

The Plan is funded by contributions and investment earnings. The Board has adopted a Funding Policy that aims to achieve long-term funding stability, with the objective of supporting benefit levels higher than the contractual benefits, including base period updates and pension increases as stipulated in the bylaws. Actuarial funding valuations are conducted to determine the pension liabilities, the funded position and the contribution rates of the Plan.

Contributions

In 2019, each member employed by the TTC, ATU and PFS contributed 9.25% (2018 – 9.25%) of their earnings to the Plan up to the year's maximum pensionable earnings (YMPE) of $57,400 (2018 – $55,900) and 10.85% (2018 – 10.85%) of earnings above the YMPE. The TTC, ATU and PFS contributed an amount equivalent to each member's annual contribution.

In an effort to provide the Plan with greater flexibility and autonomy, the PFS Board of Directors submitted a proposal to the TTC in 2018, whereby the Plan would fund most administrative expenses (salaries, benefits, overhead expenses) in exchange for an ongoing, additional cash and notional contribution of $2,250, indexed to the consumer price index (CPI) on an annual basis. This proposal was accepted by the TTC, with an effective date of January 1, 2019 and is reflected in the employers contribution on the Statement of Changes in Net Assets Available for Benefits.

The Board or the Sponsors establish and maintain a contribution rate for members. The Board establishes and maintains the contribution rate for members, within an upper and lower limit. The limits are defined in the Memorandum of Agreement, dated May 27, 2011, which established the Plan as a JSPP. A contribution rate outside of this corridor must be approved by the Sponsors.

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

Benefits
Pensions are payable from the Plan based primarily on years of credited service and members' highest four-year career average pensionable earnings up to the current base period-end date of December 31, 2018 (2018 – December 31, 2017). The benefits provided are those that can be actuarially supported by the Plan's assets and the contributions to the Plan based on funding requirements specified in the PBA and priorities outlined in the bylaws.

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

2. Summary of significant accounting policies

Basis of accounting and adoption of Canadian accounting standards for pension plans
These financial statements are prepared in accordance with the accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Canada Handbook (Section 4600) and the relevant sections of the Canadian accounting standards for private enterprises (ASPE) in the CPA Canada Handbook. The financial statements also include current disclosure requirements outlined by FSRA, under FSGN-100 (Financial Statement Guidance Note).

These financial statements are prepared on a going concern basis and present the information of the Plan as a separate financial reporting entity independent of the Sponsors and members.

Comparative Information
Certain comparative figures, including management fees and the cost of investments, have been reclassified to be consistent with the current year presentation.

Investment assets and investment liabilities
Investment assets and investment liabilities are recorded at fair value in accordance with International Financial Reporting Standard (IFRS) 13, Fair Value Measurement. All investment transactions are recorded when the risks and rewards of ownership are transferred. Investment transactions relating to marketable securities and derivatives are recorded as of the trade date. Transactions that have not yet been settled are reflected in the statement of financial position as investment-related receivables/liabilities.

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

Fair values
The fair values of the investments are determined as follows:

- cash includes both cash and cash equivalents and is valued at cost, which approximates fair value;
- short-term investments are valued at cost, which together with accrued income, approximates fair value;
- bonds are valued based on quoted market prices obtained from independent third-party pricing sources; where quoted market prices are not available, estimated values are calculated using discounted cash flows based on current market yields for comparable securities;
- securities sold under agreements to repurchase are valued using discounted cash flows based on current market yields;
- publicly traded Canadian and non-Canadian stocks are valued at the closing price on the applicable stock exchange;
- real estate property values are generally based on estimated fair values determined through independent annual appraisals of the property or the adjusted acquisition price in the year of purchase; the associated mortgages payable are measured at amortized cost;
- infrastructure, private equity, private debt and hedge fund investments are valued by the general partner based on the most appropriate industry valuation models applied on an investment by investment basis;
- the investment values of pooled funds and funds of hedge funds are supplied by the fund administrators based on fair value quotations or appraisals, as appropriate; and
- exchange traded derivatives, such as futures, are valued at quoted market prices; for other derivative financial instruments, where market prices are not available, appropriate valuation techniques are used to estimate fair values.

Investment income
Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned.

Net realized gain (loss) on sale and settlement of investment assets and investment liabilities during the year represents the difference between sale or settlement proceeds and average cost. The net change in unrealized gains (losses) on investment assets and investment liabilities represents the change in the difference between the fair value and cost of investment assets and investment liabilities at the beginning and end of the year. All realized and net changes in unrealized gains and losses on investment assets and investment liabilities are recorded in the statement of changes in net assets available for benefits in the year in which they occur.

Foreign currency translation
These financial statements are prepared in Canadian dollars, the Plan's functional currency. Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the rates in effect at year-end. The resulting realized and unrealized gains or losses are included in the net change in the fair value of investments.

Derivatives
Derivative financial instruments are financial contracts, the value of which is derived from the value of the underlying assets, interest rates, indices or foreign currency exchange rates. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges.

Pension benefit obligation
Valuation of the pension benefit obligation and changes therein during the year are based on an actuarial valuation prepared by Mercer (Canada) Limited, an independent firm of actuaries. The valuation is based on data as at the beginning of the year extrapolated to the year-end. It uses the projected benefit method pro-rated on service and the Board's best estimate of various economic and non-economic assumptions. The discount rate reflects the best estimate of the long-term expected return on plan assets.

Contributions
Contributions from members and employers due to the Plan at year-end are recorded on an accrual basis. Contributions for past service purchases are recorded when received. Cash transfers from other pension plans are not permitted.

Benefits
Benefits paid to pensioners are recorded in the year in which they are due. Refunds to former members and the estates of deceased members are recorded in the year in which they are paid. Refunds attributable to the current year but paid after year-end are reflected in accrued pension benefits.

Administrative expenses
In 2018, other administration expenses, including most salaries, office expenses and other overhead, were borne by the TTC. For 2019, the PFS became responsible these other administration expenses, in exchange for an additional employer contribution (note 1). The sole cost that the TTC continues to bear is for information technology (network, infrastructure, end user devices and software).

Use of estimates
The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets available for benefits during the reporting period. Estimates and assumptions are evaluated on an ongoing basis and take into account historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances. Significant estimates are used, primarily in the determination of the pension obligation and the fair value of certain investments. Note 9 explains how estimates and assumptions are used in determining accrued pension benefits. Note 4 explains how estimates are used to determine the fair value of investments. Actual results could materially differ from those estimates.

3. Investments

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

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

December 31, 2019
(in thousands of Canadian dollars)

	2019		2018	
	Fair value $	Cost $	Fair value $	Cost $
Investments*				
Fixed income				
Invested cash	68,350	68,350	63,672	63,672
Short-term money market securities	45,109	44,355	101,344	100,364
Canadian bonds	2,025,449	1,953,584	2,019,293	2,037,413
Non-Canadian bonds	167,670	159,008	144,945	136,642
Funds of hedge funds	16,547	11,114	210,557	147,052
	2,323,125	2,236,411	2,539,811	2,485,143
Equities				
Canadian	499,604	371,958	782,322	616,240
Non-Canadian	2,305,808	1,764,422	1,663,012	1,363,609
	2,805,412	2,136,380	2,445,334	1,979,849
Alternative investments				
Real estate	752,592	518,870	697,633	518,196
US real estate (note 14)	158,856	147,436	125,545	109,824
Infrastructure (note 14)	488,592	392,927	351,586	258,846
Hedge fund secondaries (note 14)	28,340	-	47,887	6,575
Hedge funds	349,183	352,575	-	-
Private debt (note 14)	454,656	398,936	443,783	398,037
Private equity (note 14)	160,829	93,842	164,948	87,715
	2,393,048	1,904,586	1,831,382	1,379,193
	7,521,585	6,277,377	6,816,527	5,844,185
Derivative financial instruments (note 6(b))				
Derivative financial instruments receivable	22,015	-	39	-
Derivative financial instruments payable	-	-	(54,120)	-
	22,015	-	(54,081)	-
	7,543,600	6,277,377	6,762,446	5,844,185
Investment-related receivables				
Pending trades	19,483	19,483	3,296	3,296
Accrued investment income	14,435	14,435	15,753	15,753
	33,918	33,918	19,049	19,049
Investment-related liabilities				
Bonds sold under repurchase agreements**	275,605	275,605	271,881	271,881
Pending trades	8,556	8,556	5,728	5,728
	284,161	284,161	277,609	277,609
	7,293,357	6,027,134	6,503,886	5,585,625

* Includes investments in pooled funds, details of which are provided in note 13(c).

** Bonds sold under repurchase agreements are secured by collateral of $306,227 (2018 - $289,239). The collateral amount in excess of the amount noted for bonds sold under repurchase agreements in the statement of financial position is $30,623 (2018 - $17,358). Collateral on the bond repurchase agreement is pledged through cash equivalent and short-term fixed income securities.

4. Financial risk management

Capital management
The capital of the Plan is represented by the net assets available for benefits less the statutory actuarial valuation referred to in note 9. The objective of managing the Plan's capital is to ensure it is fully funded and sufficient assets are available to pay for the benefit obligations over the long term. The Board manages the Plan's capital by mandating an annual actuarial valuation on both the going concern and solvency bases to determine the Plan's funded status. Based on the results of this valuation and the priorities set out in the Plan's bylaws and the funding policy, the Board makes decisions with respect to pension formula updates, pension indexing and Plan improvements. Investments and the use of derivatives are based on an asset mix that is projected to enable the Plan to meet or exceed its long-term funding requirements, within an acceptable level of risk, consistent with the Plan's SIPP approved by the Board.

The Plan's administrator has adopted a SIPP that states investment objectives, guidelines and benchmarks used in investing the capital of the Plan, permitted categories of investments, asset-mix diversification and rate of return expectations. The target asset mix in the SIPP was reviewed by the Board, effective December 31, 2019, and approved on January 15, 2020. The significant amendments included changes made to refine the Fund's interim target asset mix.

The Plan's investment objective, outlined in the SIPP, is to achieve a long-term rate of return that equals or exceeds the Plan's going concern liability growth rate, consistent with available market opportunities, and at acceptable levels of expected investment risk. The estimated current growth rate, inherent in the CPA Canada Handbook Section 4600 valuation, is 5.5% (2018 – 6.25%).

The Plan's investment portfolio is subject to various risks, which may adversely affect its income, cash flows and net assets available for benefits. These risks include market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Plan manages investment-related risks through the SIPP, which establishes long-term asset mix policies for the investment portfolio as a whole. This promotes investment diversification and limits exposure to individual investments, major asset classes, geographic markets and currencies. The long-term policy also specifies a target weighting for matching assets, which are expected to have a relatively high correlation with the Plan's actuarial liability. It also establishes mandate-specific policies for each investment manager of the Plan. The investment managers' compliance with the policies is confirmed quarterly.

December 31, 2019
(in thousands of Canadian dollars)

		2019		2018	
Asset categories	2019 Index benchmark	Portfolio weight year-end %	Asset mix policy target weight %	Portfolio weight year-end %	Asset mix policy target weight %
Fixed income	Composite	38.4	38.0	42.0	39.0
Cash and overlay	FTSE TMX 91-day T-Bill	1.0	-	4.4	0.0
Long-term bonds	FTSE TMX Long Bond	12.1	12.0	14.6	14.0
Universe bonds	FTSE TMX Universe Bond	11.9	12.0	11.5	12.0
Credit bonds	FTSE TMX All Corporate	7.0	7.0	7.1	7.0
Alternative fixed income[1]	FTSE TMX 91 Day T-Bills +3%	6.4	7.0	4.4	6.0
Equities	Composite	39.2	39.0	37.6	39.0
Canadian	S&P/TSX Composite	6.9	8.0	12.1	12.0
US	S&P 500, net in C$	7.9	8.0	10.4	11.0
Non-North American	MSCI EAFE, net in C$	8.2	8.0	10.7	11.0
Global	MSCI World, net in C$	10.8	10.0	-	-
Emerging markets	MSCI EM, net in C$	5.4	5.0	4.4	5.0
Private equity	MSCI World +3% in C$	2.2	2.0	2.5	3.0
Real estate	Consumer Price Index +4%	12.5	12.0	12.7	12.0
Infrastructure	Consumer Price Index +4%	6.7	8.0	5.4	6.0
Absolute Return[1]	FTSE TMX 91-day T-Bill	4.8	5.0	4.0	5.0
Leverage		(3.8)	(4.0)	(4.2)	(4.0)
Total portfolio	Composite	100.0	100.0	100.0	100.0

1) Absolute return includes the asset class of Hedge Funds, but excludes Hedge Fund Secondaries.

a. Market risk

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

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

- Currency risk

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

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

The Plan's currency manager passively hedges 100% of alternative fixed income, foreign real estate and infrastructure and 75% of hedge funds, the majority of which are denominated in US dollars.

The following schedule summarizes the Plan's currency exposure, net of foreign exchange forward contracts used in the passive currency programs:

December 31, 2019
(in thousands of Canadian dollars)

Net currency exposure*

	2019			2018		
	Gross Exposure $	Notional Amount $	Net Exposure $	Gross Exposure $	Notional Amount $	Net Exposure $
United States dollar	3,073,560	(838,949)	2,234,611	2,103,866	(926,918)	1,176,948
Euro	289,732	5,941	295,673	247,786	3,675	251,461
Japanese yen	146,181	31,271	177,452	86,001	4,860	90,861
British pound sterling	142,939	24,540	167,479	114,021	8,326	122,347
Hong Kong dollar	98,682	13,591	112,273	69,426	(5,943)	63,483
Swiss franc	64,739	2,095	66,834	40,834	1,995	42,829
South Korean won	60,859	(2,417)	58,442	36,414	(7,032)	29,382
Brazilian real	37,419	(5,627)	31,792	12,944	(4,406)	8,538
Australian dollar	29,423	(51)	29,372	17,029	(3,844)	13,185
Swedish krona	17,323	2,604	19,927	14,119	101	14,220
Other	275,418	(18,732)	256,686	146,338	(20,901)	125,437
	4,236,275	(785,734)	3,450,541	2,888,778	(950,087)	1,938,691

* Includes pooled funds

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits, following a reasonably possible 5% change in foreign currency exchange rates, with all other variables and underlying values held constant, for each currency to which the Plan has a significant exposure:

Changes in net assets available for benefits*

	2019 $	2018 $
United States dollar	111,730	58,847
Euro	14,784	12,573
Japanese yen	8,873	4,543
British pound sterling	8,374	6,117
Hong Kong dollar	5,614	3,174
Swiss franc	3,342	2,142
South Korean won	2,922	1,469
Brazilian real	1,589	427
Australian dollar	1,469	659
Swedish krona	996	711
Other	12,834	6,272
	172,527	96,934

* Includes pooled funds

(in thousands of Canadian dollars)

A strengthening Canadian dollar, relative to foreign currency values, results in a decrease in the market value of foreign currencies in Canadian terms.

- Interest rate risk

  Interest rate risk is the effect that changing interest rates have on the market value of both the Plan's assets and liabilities. The value of the Plan's net assets available for benefits is affected by changes in nominal interest rates. The pension benefit obligation is impacted by fluctuations in long-term nominal and real interest rates.

  The Plan administrator views interest rate risk on interest bearing financial instruments as a hedge that offsets the larger interest rate risk on pension benefit liabilities. In order for this offset to significantly reduce the overall level (on assets and pension benefit liabilities) of the Plan's interest rate risk, the SIPP has a target of 19% (2018 – 20%) of its holdings to be held in interest bearing financial instruments with long maturities.

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits following a reasonably possible change in interest rates for all maturities (a parallel shift in the yield curve). An increase in interest rates results in a decrease in the market value of interest bearing financial instruments and vice versa for a decrease in interest rates.

Change in net assets available for benefits*

	Interest rates	2019 $	2018 $
Interest bearing financial instruments	+ / -1%	236,823	225,299

* Includes pooled funds

As at December 31, 2019, assuming all other factors remain constant, a 1% decrease in the assumed long-term rate of return on assets would result in the pension benefit obligation increasing by 13.6% (2018 – 12.5%) or $836,127 (2018 – $674,100).

- Equity price risk

One item that affects equity prices is the risk that the fair value of equities decreases as a result of changes to their related indices.

The following sensitivity analysis summarizes the impact on the Plan's net assets available for benefits, following reasonably possible changes in equity prices for each stock market benchmark to which the Plan has a significant exposure.

	Stock benchmark	Change in index value	2019* $	2018* $
Canadian equities	S&P/TSX Comp	+/-10%	47,073	82,965
Non-Canadian equities	various	+/-10%	225,783	183,561
			272,856	266,526

* Includes pooled funds

(in thousands of Canadian dollars)

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

In order to mitigate against losses associated with credit risk, the Plan adheres to investment policies that require:

- having a minimum rating of R1 "low" by DBRS or equivalent for all cash and short-term investments;
- limiting the maximum exposure to bonds issued or guaranteed by any one non-governmental entity or group of affiliated entities to 5% of the fair value of the total fixed income portfolio held by the Plan;
- limiting the maximum exposure to non-investment grade bonds (defined as below BBB – or equivalent) to 10% of the fixed income portfolio held by the Plan;
- dealing with counterparties to derivative transactions that have credit quality of no less than an A rating;
- securities lent will be secured by initial collateral of no less than 105%;
- entering into International Swaps and Derivative Association Inc. agreements with over-the-counter derivative counterparties to limit the Plan's exposure to credit losses;
- entering into derivative financial instruments only on an unlevered basis; and
- where feasible, directing managers to enter into master netting arrangements.

Credit risk on equity and bond futures is minimal as the counterparty to every futures trade is a clearing corporation, which acts as a third party that matches trades and collects and maintains margins. These contracts are marked-to-market and margin receivables and payables are settled in cash daily.

The following are the interest bearing financial instruments, the exposure to credit risk and the Plan's share of it.

	AAA* $	AA $	A $	BBB $	R1 or Equivalent $	Non-investment grade/ unrated $	Total $
December 31, 2019**	587,579	688,667	514,609	309,507	0	144,824	2,245,186
December 31, 2018**	613,463	615,674	561,384	303,848	14	103,531	2,197,914

* Includes cash balances from fixed income accounts and accrued interest

** Includes pooled funds

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

Management of liquidity seeks to ensure that even under adverse conditions, the Plan has access to immediate cash that is necessary to cover benefits payable, withdrawals and other liabilities. The SIPP requires a significant portion of the Plan's investments to be highly liquid so they can be converted into cash on short notice. Typically, the employee and employer contributions will offset a significant portion of the benefit payment requirements. Therefore, the Plan's exposure to liquidity risk is considered negligible.

In order to meet short-term liquidity requirements, cash and short-term investments are available for $148 (2018 – $198). With the exception of the pension benefit obligation, all liabilities are current and due within one year.

In addition to cash and short-term investments, the bond holdings held also aid in managing liquidity risk and have the following maturities:

December 31, 2019
(in thousands of Canadian dollars)

	1 year $	1 – 5 years $	5 – 10 years $	10 – 20 years $	20 years $	Total $
December 31, 2019*	40,013	553,816	339,891	523,467	787,999	2,245,186
December 31, 2018*	45,454	493,657	333,399	467,127	858,277	2,197,914

* Includes pooled funds

5. Fair value hierarchy

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

- Level 1 – fair value is based on quoted market prices in markets for identical financial assets or financial liabilities. Level 1 financial assets generally include equity investments traded in an active market.
- Level 2 – fair value is based on observable inputs, other than quoted prices included within Level 1, such as quoted market prices for identical financial assets or financial liabilities in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial assets or financial liabilities. Level 2 financial assets and financial liabilities generally include pooled funds, short-term money market securities, Government of Canada, provincial and other government bonds, Canadian corporate bonds and certain derivative financial instruments.
- Level 3 – fair value is based on inputs that are not supported by observable market data. Valuation methodologies are determined by the fund administrators and independent appraisers. Level 3 financial assets and financial liabilities include the funds of hedge funds, real estate, infrastructure, hedge fund secondaries investments, private debt and private equity investments.

The following table presents the level within the fair value hierarchy for each of the financial assets and financial liabilities measured at fair value. The table excludes other financial assets and financial liabilities that are valued at their carrying amount, which represents a reasonable approximation of fair value due to their short-term nature.

December 31, 2019
(in thousands of Canadian dollars)

	2019			
	Level 1 $	Level 2 $	Level 3 $	Total $
Invested cash and short-term money market securities	68,350	45,109	-	113,459
Bonds*	-	2,193,119	-	2,193,119
Funds of hedge funds	-	-	16,547	16,547
Equities	2,805,412	-	-	2,805,412
Real estate	-	-	752,592	752,592
US real estate	-	-	158,856	158,856
Infrastructure	-	-	488,592	488,592
Hedge funds secondaries	-	-	28,340	28,340
Hedge funds	-	-	349,183	349,183
Private equity	-	-	160,829	160,829
Private debt	-	-	454,656	454,656
Derivative financial instruments	-	21,765	-	21,765
Other investment-related assets and liabilities	(249,993)	-	-	(249,993)
	2,623,769	2,259,993	2,409,595	7,293,357

	2018			
	Level 1 $	Level 2 $	Level 3 $	Total $
Invested cash and short-term money market securities	63,672	101,344	-	165,016
Bonds*	-	1,892,357	-	1,892,357
Funds of hedge funds	-	-	210,557	210,557
Equities	2,445,334	-	-	2,445,334
Real estate	-	-	697,633	697,633
US real estate	-	-	125,545	125,545
Infrastructure	-	-	351,586	351,586
Hedge funds secondaries	-	-	47,887	47,887
Private equity	-	-	164,948	164,948
Private debt	-		443,783	443,783
Derivative financial instruments	-	(54,081)	-	(54,081)
Other investment-related assets and liabilities	13,321	-	-	13,321
	2,522,327	1,939,620	2,041,939	6,503,886

* Bonds total is net of bonds sold under repurchase agreements of $265,605 (2018 – $271,881)

December 31, 2019
(in thousands of Canadian dollars)

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

	Funds of hedge funds $	Real estate $	US real estate $	Infrastructure $	Hedge fund secondaries $	Hedge funds $	Private equity $	Private debt $	Total $
Fair value – December 31, 2017	237,998	642,871	25,651	263,685	62,191	-	144,264	309,998	1,686,658
Total unrealized gains (losses)	18,001	54,085	15,097	42,089	(915)	-	14,399	41,540	184,296
Purchases	-	700	86,246	60,818	-	-	18,394	112,698	278,856
Dispositions	(45,442)	(23)	(1,449)	(15,006)	(13,389)	-	(12,109)	(20,453)	(107,871)
Fair value – December 31, 2018	210,557	697,633	125,545	351,586	47,887	-	164,948	443,783	2,041,939
Total unrealized gains (losses)	(58,072)	54,284	(4,301)	2,926	(12,971)	(3,392)	(10,247)	9,974	(21,799)
Purchases	-	675	45,126	156,835	-	352,575	18,709	36,379	610,299
Dispositions	(135,938)	-	(7,514)	(22,755)	(6,576)	-	(12,581)	(35,480)	(220,844)
Fair value – December 31, 2019	16,547	752,592	158,856	488,592	28,340	349,183	160,829	454,656	2,409,595

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

Sensitivity to changes in assumptions

The following analysis demonstrates the sensitivity of several Level 3 valuations to potential changes in capitalization rates, discount rates or interest rates, where applicable. These sensitivities are hypothetical and in actual experience, the change in the key factor may be the result of changes in a number of underlying assumptions that could increase or decrease the effect on the valuation.

December 31, 2019
(in thousands of Canadian dollars)

As at December 31, 2019				
Asset type	Key factor	Fair value $	+0.25% $	-0.25% $
Real estate	Capitalization rate	911,448	(38,025)	41,861
Infrastructure	Discount rate	488,592	(8,910)	9,172
Hedge fund secondaries	Discount rate	28,340	(85)	-
Hedge funds	Discount rate	349,183	(2,095)	2,095
Private debt	Interest rate	454,656	(3,922)	3,955
Private equity	Discount rate	160,829	(1,478)	1,498
		2,393,048	(54,515)	58,581

As at December 31, 2018				
Asset type	Key factor	Fair value $	+0.25% $	-0.25% $
Real estate	Capitalization rate	823,178	(34,606)	37,817
Infrastructure	Discount rate	351,586	(1,646)	1,600
Hedge fund secondaries	Discount rate	47,887	(174)	174
Private debt	Interest rate	443,783	(3,687)	3,741
Private equity	Discount rate	164,948	(1,554)	1,577
		1,831,382	(41,667)	44,909

* The sensitivity analysis for the fund of hedge funds has been excluded from the above table. The impact to the fair value of the investment is not practical to determine given the underlying nature of the holdings.

6. Derivative financial instruments

a. Derivative products and investment objectives
During the year, the Plan entered into the following types of derivative financial instruments:

- Equity and bond futures

  Futures contracts involve an agreement to buy or sell standardized amounts of equity or bond indices at a predetermined future date and price in accordance with the terms specified by a regulated futures exchange and are subject to daily cash margining. These contracts were purchased and/or sold with the primary objective of rebalancing the Plan's actual asset mix to closely align with that specified in the SIPP. At the end of the year, the Plan no longer held any of these contracts.

- Foreign exchange forward contracts

  A foreign exchange forward contract is a customized agreement negotiated between two parties to buy or sell a specific amount of a foreign currency at a price specified at the origination of the contract, with settlement at a specified future date. Foreign exchange forward contracts are used to hedge the Plan's foreign currency risk.

b. Notional amounts
Notional amounts of derivative financial instruments represent the dollar value of the market exposure gained through the purchase/sale of a contract. Notional amounts are not recorded as financial assets or financial liabilities on the annual statements of financial position and accrued pension benefits and surplus. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

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

	2019		
	Notional amount $	Fair value receivable $	Fair value payable $
Foreign exchange forward contracts	2,608,435	23,015	(1,000)

	2018		
	Notional amount $	Fair value receivable $	Fair value payable $
Foreign exchange forward contracts	1,864,433	60	(54,141)

Derivative financial instruments held by the Plan generally have at least quarterly resets and all settle within one year.

(in thousands of Canadian dollars)

c. Net investments after allocating market exposure of derivative financial instruments

The following table summarizes the effective fair value of the Plan's investments after the allocation of market exposure of derivative financial instruments and investment-related receivables and liabilities:

	2019		2018	
	Effective net investments at fair value $	Effective asset mix %	Effective net investments at fair value $	Effective asset mix %
Fixed income				
Invested cash and short-term money market securities	160,837	2.2	124,256	1.9
Canadian bonds	1,749,844	24.0	1,747,412	27.0
Non-Canadian bonds	167,670	2.3	144,945	2.2
Funds of hedge funds	16,547	0.2	210,557	3.2
	2,094,898	28.7	2,227,170	34.3
Equities				
Canadian	499,603	6.8	782,322	12.0
Non-Canadian	2,305,808	31.7	1,663,012	25.6
	2,805,411	38.5	2,445,334	37.6
Real estate	911,448	12.5	823,178	12.7
Infrastructure	488,592	6.7	351,586	5.4
Hedge funds secondaries	28,340	0.4	47,887	0.7
Hedge funds	349,183	4.8	-	-
Private debt	454,656	6.2	443,783	6.8
Private equity	160,829	2.2	164,948	2.5
	2,393,048	32.8	1,831,382	28.1
	7,293,357	100.0	6,503,886	100.0

7. Other liabilities

Other liabilities consist of the following:

	2019 $	2018 $
Accrued pension benefits	13,542	12,405
Fees payable to custodian, investment consultants and other advisers	5,666	3,786
Other accounts payable*	2,432	634
	21,640	16,825

* Includes the post retirement benefit obligation (note 8) for the employees of the TTC Pension Fund Society.

(in thousands of Canadian dollars)

8. Post-retirement liability obligation

Other retirement and post-employment benefits consist of health, dental and life insurance coverage provided to eligible retirees of the PFS. In order to be eligible for retiree benefits, an employee must complete a minimum of ten years of service.

In exchange for an ongoing, additional annual employer contribution from the TTC, the PFS also became responsible for both pension and other employee future benefits. As a result, a transfer of the future obligation between the TTC and the PFS occurred effective January 1, 2019. The transfer of the liabilities from the TTC was $420 and is included as an adjustment in the Statement of Changes in Net Assets Available for Benefits. The current year impact for PFS employees can be seen below.

PFS measured its accrued benefit obligations for accounting purposes as at December 31, 2019. The most recent actuarial valuation of the post-retirement benefits was performed as at October 1, 2019. Information about the PFS's post-employment benefit plans is as follows:

	2019
	Post retirement benefits $
Changes in benefit obligation	
Benefit obligation – Beginning of year	-
Other post retirement benefit transfer from the TTC	420
Current service cost	41
Interest cost	16
Benefits paid	-
Actuarial loss (gain)	98
Benefit obligation – End of year	575

9. Pension benefit obligation

An estimate of the Plan's obligation for pension benefits has been made as at December 31, 2019 for inclusion in the Plan's financial statements by Mercer (Canada) Limited. The estimate is an extrapolation of the January 1, 2019 actuarial valuation based on membership data on that date, using the methods and assumptions summarized below. The Plan's obligation for pension benefits includes all employees of the TTC, ATU and PFS who have completed six months of continuous service.

Methods and assumptions

The valuation is based on the requirements outlined in Section 4600 of the CPA Canada Handbook – Accounting for pension plan financial statements. The estimated actuarial present value of accrued pension benefits is determined using the projected benefit method, pro-rated on service. The pension formula in effect in the Plan's bylaws, including the current base period (average of the four calendar years before 2018 with the highest average pensionable earnings) for credited service before 2018, is used to project the pension at retirement, without provision for future updates in the base period or other changes in the bylaws. The pro rata portion of the projected pension, which relates to past service, is then valued as the accrued pension.

Under note 1, description of the Plan, the Board has the authority to provide plan improvements, including increases to the career average base period and also for ad hoc pension indexing. The following amendments to the Plan were adopted by the Board effective January 1, 2019:

- a one-year update of the base period to December 31, 2018;
- a one-year update of the survivor benefit date to January 1, 2019; and
- a one-time ad hoc pensioner increase of 2.16% (1.56% - 2018) as at January 1, 2019.

(in thousands of Canadian dollars)

As at December 31, 2019, the financial impact of these changes is $94,109. During 2018, similar amendments were adopted with a financial impact of $79,416.

Assets were valued at fair value as at December 31, 2019.

The major assumptions used as best estimates of the Plan's future experience for calculating the actuarial present value of accrued pension benefits are summarized as follows:

	2019 %	2018 %
Discount rate – net of expenses	5.50	6.25
Rate of inflation	2.00	2.00
Weighted average rate of salary increase*	3.25	3.25

* Assumed salary increases from April 1, 2018 collective agreements and TTC announcements to non-union staff, with an additional 0.5% provision for individual factors. On and after April 1, 2021, 3.25% per annum increase.

Statutory actuarial valuations
In accordance with the PBA and the Income Tax Act (Canada), an actuarial valuation is required to be filed at least every three years to report the Plan's surplus or deficit, and to determine the Plan's funding requirements. The most recent actuarial valuation for funding purposes was conducted as at January 1, 2019 and filed with regulators on September 26, 2019. The next required funding valuation filing with the regulators will be as at January 1, 2022. The two valuations required by the PBA, the going concern basis and the solvency basis, are determined using different valuation methods and assumptions and yield different surplus or deficit amounts than those disclosed in these financial statements. A solvency (hypothetical windup) valuation must be performed on the Plan, even though the risk of its being wound up, in management's view, is remote. As a JSPP, the Plan is permitted and has elected an exemption from solvency funding requirements. As a result of converting to a JSPP in 2011, only going concern deficits incurred on or after January 1, 2011 are to be funded. Funding is also required for previously established solvency deficits, which were determined prior to January 1, 2011. The amortization of these going concern deficits was completed in July, 2018.

10. Related party transactions and balances

Related parties include the Plan's Sponsors and the Plan's subsidiaries. Expenses borne by the Sponsors are listed under note 2, administrative expenses. Investment technology costs are not charged back to the Plan.

Alternative investments held in subsidiary corporations are managed on behalf of the Plan by external advisers through investment management agreements. The Plan has 13 wholly owned subsidiary corporations. The assets held within the subsidiary corporations are investments in real estate, infrastructure, private equity, hedge funds and private debt. The subsidiary corporations are 100% owned by the Plan. Regular transactions include investment income and return of capital distributions, or capital contributions. For real estate investments, the market value is comprised of both an equity component and also a note payable to the Plan relating to the initial investment.

December 31, 2019
(in thousands of Canadian dollars)

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

	2019		2018	
	Fair value $	Cost $	Fair value $	Cost $
PFS Exchange Inc*.	196,990	77,100	178,799	77,100
PFS GTA Industrial Inc.*	149,906	96,325	122,873	96,325
PFS Retail Two Inc.*	71,299	51,500	73,588	51,500
PFS Office One Inc.*	210,509	204,700	202,699	204,700
PFS Retail One Inc.	38,382	15,980	38,380	15,980
5160 Orbitor Drive Ltd.	240	-	235	-
PFS Faubourg Inc.*	60,866	58,265	62,527	57,590
PFS The Hudson	39,400	30,000	33,532	30,000
Debt on real estate properties	(15,000)	(15,000)	(15,000)	(15,000)
Net investment in real estate	752,592	518,870	697,633	518,195
1793177 Ontario Inc.*	243,412	184,693	164,825	97,858
TTC PFS Secondaries Inc.*	28,340	-	47,887	6,576
TTC PFS Private Equities Inc.*	160,829	93,842	164,948	87,715
TTC PFS Private Debt Inc.*	181,291	165,875	194,588	179,770
TTC PFS Taurus Inc.*	158,633	124,287	125,531	106,781
	772,505	568,697	697,779	478,700
Net related party alternative investments	1,525,097	1,087,567	1,395,412	996,895

* Exceeds 1% of the fair value or cost of the Plan's net assets

The debt on real estate properties consists of the following mortgages payable, which are collateralized by the specific real estate properties:

	2019			2018		
	$	Interest rate %	Maturity date	$	Interest rate %	Maturity date
PFS The Hudson Inc.	15,000	3.94	August 2025	15,000	3.94	August 2025

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

	$
2020	-
2021	-
2022	-
2023	-
2024 and thereafter	15,000
	15,000

(in thousands of Canadian dollars)

11. Net investment income

The following schedule summarizes investment income (loss), broken down by earned income (loss), realized gain/loss and unrealized gain/loss:

	2019			
	Earned income $	Realized gain (loss) $	Unrealized gain (loss) $	Total $
Fixed income				
Invested cash	631	-	(1)	630
Short-term money market securities	1,917	269	(226)	1,960
Canadian bonds	62,098	33,028	90,234	185,360
Non-Canadian bonds	6,773	3,637	360	10,770
Fund of hedge funds	-	66,554	(58,073)	8,481
Derivatives	-	(25,696)	75,846	50,150
Equities				
Canadian	16,593	123,821	(38,435)	101,979
Non-Canadian	60,846	108,635	241,982	411,463
Alternative investments				
Real estate	31,732	-	49,984	81,716
Infrastructure	21,534	-	2,926	24,460
Hedge funds secondaries	8,622	-	(12,971)	(4,349)
Hedge funds	-	(271)	(3,392)	(3,663)
Private debt	9,671	-	9,974	19,645
Private equity	15,400	-	(10,247)	5,153
	235,817	309,977	347,961	893,755

December 31, 2019
(in thousands of Canadian dollars)

	2018			
	Earned income (loss) $	Realized gain (loss) $	Unrealized gain (loss) $	Total $
Fixed income				
Invested cash	1,491	-	-	1,491
Short-term money market securities	1,738	(127)	(182)	1,429
Canadian bonds	66,384	(18,047)	(78,826)	(30,489)
Non-Canadian bonds	4,549	173	(1,215)	3,507
Fund of hedge funds	-	18,001	8,160	26,161
Derivatives	-	(2,744)	(44,428)	(47,172)
Equities				
Canadian	25,328	29,248	(158,325)	(103,749)
Non-Canadian	33,519	60,583	(180,813)	(86,711)
Alternative investments				
Real estate	17,516	(5)	68,280	85,791
Infrastructure	4,831	-	42,089	46,920
Hedge funds secondaries	-	-	(915)	(915)
Private debt	13,147	-	41,540	54,687
Private equity	19,440	-	14,399	33,839
	187,943	87,082	(290,236)	(15,211)

12. Investment and Plan administration expenses

During 2019, the PFS began to pay most administrative expenses, in exchange for an additional employer contribution (note 1). The following summarizes the expenses paid by the Plan:

	2019 $	2018 $
Investment managers' fees	13,275	10,965
Other plan administration expenses	4,696	1,043
Custodial fees	669	669
Actuarial fees	480	442
Investment consultants' fees	135	162
Legal fees	85	144
	19,340	13,425

(in thousands of Canadian dollars)

13. Significant investments

a. Significant individual securities**
As at December 31, 2019, the Plan held the following investments with fair value or cost exceeding 1% of the fair value or cost of the Plan's net assets besides the pooled funds noted in 13(c) below.

	2019		2018	
	Fair value $	Cost $	Fair value $	Cost $
PFS Exchange Inc.	196,990	77,100	178,799	77,100
Northleaf Star Investor Corp.	170,060	137,788	158,456	136,997
PFS GTA Industrial Inc.	149,906	96,325	122,873	96,325
Prima Mortgage Investment Trust	149,187	136,027	147,097	136,027
PFS Office One Inc. – Tahoe	125,238	109,700	118,651	109,700
Brookfield Americas Infrastructure Fund	114,779	59,117	128,010	63,494
Northleaf Private Credit I	103,304	95,274	90,739	81,270
PFS Office One Inc. – Twin Atria	85,271	95,000	84,047	95,000

b. Significant issuers**
The Plan has invested in the following issuers of fixed income and equity securities an amount that exceeds 1% of the fair value or cost of the Plan's net assets:

	2019		2018	
	Fair value $	Cost $	Fair value $	Cost $
Province of Ontario	243,544	233,068	153,218	154,592
Province of Quebec	131,158	126,968	85,885	85,553
Government of Canada	246,360	241,623	175,557	172,454

c. Pooled fund investments
The Plan owns the following pooled fund investments as at December 31. The fair value of these pooled fund investments is included in the statement of financial position under the investment type to which they relate.

December 31, 2019
(in thousands of Canadian dollars)

	2019		2018	
	Fair value $	Cost $	Fair value $	Cost $
Short-term money market securities				
PHN Institution Short-term Investment Fund	17,944	17,944	14,176	14,176
PHN Municipal Plus Bond Series O	13,165	12,937	8,700	8,824
TDAM TD Emerald Canada Treasury	2,374	2,374	930	930
	33,483	33,255	23,806	23,930
Fixed income				
Canso Corp. & Infrastructure Debt	28,504	27,845	26,804	26,729
Canso Private Loan Fund	15,960	16,301	16,692	16,704
BlackRock Universe Bond Fund*	176,162	170,955	132,173	133,994
PHN Long Bond Pension Trust*	341,623	326,365	303,274	302,716
PHN Investment Grade Corp. Bond Trust*	101,667	101,699	101,761	104,793
PHN Mortgage Pension Trust Fund	12,863	12,676	14,057	13,800
RBC High Yield Bond Fund	36	34	31	32
Crestline Offshore Fund, Ltd.*	-	-	72,490	56,385
Mesirow Absolute Return Fund (Institutional)*	16,547	11,114	138,068	90,667
PHN High Yield Bond Fund, Series O	68	67	64	64
	693,430	667,056	805,414	745,884
Non-Canadian equities				
Nomura Topix Exchange Traded Fund	-	-	3,847	3,740
MFC Japan Exchange Traded Fund	-	-	7,970	7,826
Arrowstreet Global All Country Fund I PVAC*	395,040	375,030	-	-
SPDR S&P 500 Exchange Traded Fund	9,191	8,206	13,472	13,815
Harding Loevner Emerging Market Equity*	250,964	161,215	191,003	134,142
Oaktree Capital Emerging Market Equity*	139,599	103,558	93,286	75,101
	794,794	648,009	309,578	234,624
Real Estate				
Blackstone US Real Estate Fund*	97,339	90,492	71,705	63,864
CBRE V8 US Real Estate Fund	61,517	56,944	53,840	45,960
	158,856	147,436	125,545	109,824
	1,680,563	1,495,756	1,264,343	1,114,262

* Exceeds 1% of the fair value or cost of the Plan's net assets in either 2019 or 2018

** Excludes currency (note 4(a)), derivatives (note 6(b)), pooled fund investments (note 13(c)) and alternative investments (note 3).

14. Commitments

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

In particular, the Plan is committed to investing up to an additional US$ 143,574 (2018 – US$85,200) in existing infrastructure investments, up to an additional US$11,500 (2018 – US$11,500) in hedge fund secondaries, US$14,154 in private debt (2018 – $35,000), US$99,852 in private equities (2018 – US$114,500) and an additional US$6,348 in US real estate (2018 – US$30,600).

15. Subsequent events

There were two subsequent events, which occurred after December 31, 2019:

- The impact of the novel coronavirus (COVID-19) outbreak on the financial performance of the investments held by the Plan will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Plan's future investment results may be materially adversely affected.

  The Plan's SIPP (Note 4) was designed and stress tested, to ensure that under adverse economic conditions the Plan is able to meet its current and future obligations. While COVID-19 has caused a significant impact to the global economy, the Plan's diversified investment strategy is designed to preserve benefits for all Plan members.

- PFS Hudson Inc. in the Real Estate portfolio, was sold to a third party at the beginning of the first quarter in 2020. The sale is expected to close in the second quarter of 2020.

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TORONTO TRANSIT COMMISSION PENSION FUND SOCIETY

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