SCHEDULE "A" (TO THE SPONSORS AGREEMENT)

FUNDING POLICY

Effective July 1, 2020

APPROVED BY:

WORKPLACE SAFETY AND INSURANCE BOARD	ONTARIO COMPENSATION EMPLOYEES UNION
Per:	Per:
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Name: Thomas Teahen	Name: Harry Goslin
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WORKPLACE SAFETY AND INSURANCE BOARD EMPLOYEES' PENSION PLAN

FUNDING POLICY

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I. INTRODUCTION

1. This Policy is intended to establish a framework for the sound financial management of the pension benefits earned under the Plan and the corresponding assets of the Trust Fund that secure those pension benefits.

2. The Plan will be subject to a risk management framework as described in this Policy, which has been agreed to by the WSIB and the OCEU, who are the Sponsors of the Plan.

3. The Sponsors intend for the Board of Trustees to administer the Plan and the Trust Fund in accordance with this Policy. This Policy must guide the decisions of the Trustees.

4. The Plan is subject to and registered under the PBA and the ITA. In the event of a direct conflict between this Policy and Applicable Legislation, the Applicable Legislation shall govern.

II. DEFINITIONS

Capitalized terms used in this Policy shall have the meanings set out below (where a capitalized term is used in this Policy which is not defined below, it shall have the meaning set out in the Plan):

1. "**Actuary**" means the person or firm appointed, hired or retained as such, from time to time, by the Trustees and who is, or one of whose employees is, a Fellow of the Canadian Institute of Actuaries.

2. "**Ad Hoc Indexing**" means indexing that is not funded by normal cost contributions to the Plan and that may be granted in accordance with the Funding Policy in respect of service accrued under the Plan before the Amendment Date in an amount of up to 25% of CPI.

3. "**Administration and Trust Agreement**" means the declaration and agreement between the Sponsors and the individuals who are initially appointed as Trustees as of the Effective Date and that governs the administration of the Plan and Trust Fund on and after the Conversion Date, as amended or replaced from time to time.

4. “**Amendment Date**” means the date that is sixty (60) months (five (5) years) following the Conversion Date.

5. “**Applicable Legislation**” means the *Workplace Safety and Insurance Act, 1997*, the PBA and the ITA, and regulations thereto, as amended or replaced from time to time, and any other legislation and regulations applying to the Plan as the case may be.

6. “**Board of Arbitration**” has the meaning ascribed thereto in the Sponsors’ Agreement.

7. “**Board of Trustees**” means the board of trustees comprised of eight (8) trustees, which shall, as of the Conversion Date, as defined below, hold, administer, and invest the Trust Fund and Plan in accordance with the provisions of the PBA and the Administration and Trust Agreement. For greater certainty, each person appointed as a trustee on the Board of Trustees is a Trustee.

8. “**Conditional Indexing**” means, indexation relating to service on and after the Amendment Date that is in excess of 50% of CPI (from 50% up to and including 100% of CPI), including on the bridge benefit and lifetime benefit, which indexing shall not be funded as part of the normal cost, but shall or may be granted at up to and including 100% of CPI, as determined by the Trustees in accordance with this Policy. When Conditional Indexing is not granted in a particular year, catch-up indexation may be paid in a future year, in accordance with this Policy. For greater certainty, the bridge benefit is a funded benefit.

9. “**Contribution Corridor**” means, following the Phase-In Period, the corridor within which the Board of Trustees may set the contribution rates of the Plan, being when the total cost of the Plan is between 18% of Pensionable Payroll and 25% of Pensionable Payroll, excluding the funding of the Conversion Deficit.

10. “**Conversion Date**” means July 1, 2020.

11. “**Conversion Deficit**” means any going concern unfunded liability (based on salaries projected to retirement) existing on the Conversion Date, calculated in accordance with the PBA.

12. "**Conversion Filing Valuation**" means the valuation report to be filed by the Board of Trustees in conjunction with the conversion of the Plan.

13. "**Conversion Surplus**" means any going concern surplus (based on salaries projected to retirement) existing on the Conversion Date, calculated in accordance with the PBA.

14. "**CPI**" means the percentage change in the average of the monthly Consumer Price Index for Canada for all items, for the twelve (12) month period ending October 31 of the previous year compared to the twelve (12) month period ending October 31 a year earlier. The Consumer Price Index is published by Statistics Canada or its successor, or, if Statistics Canada or its successor no longer publishes such an index or is no longer operated by the Government of Canada, such other price index as the Sponsors may substitute, acting reasonably.

15. "**Employer**" shall have the meaning ascribed to that term in the Plan.

16. "**FSCO**" means the Financial Services Commission of Ontario or any successor thereto responsible for the regulation of registered pension plans in Ontario.

17. "**Guaranteed Indexing**" means guaranteed indexing relating to service on and after the Amendment Date, including indexation on the lifetime benefit and the bridge benefit, which shall be at a rate of 50% of CPI (instead of 75% of CPI), and, for greater certainty, includes guaranteed indexing on the lifetime benefit for service accrued prior to the Amendment Date, which shall continue to be at a rate of 75% of CPI.

18. "**ITA**" means the *Income Tax Act*, RSC 1985, c 1 5th Supp and regulations thereto, as amended or replaced from time to time, and any waiver or relief provided by the Minister of National Revenue or the CRA, as applicable, thereto.

19. "**JSPP**" means a jointly sponsored pension plan as defined by the PBA.

20. "**Material Changes**" means changes consisting of:

    a. Any and all amendments to the Plan to improve or temporarily reduce benefits, except those described in subsection 19.(d) below which shall be approved by the Board of Trustees in accordance with this Policy;

b. Any and all amendments to the Plan to increase or decrease Member and Employer Sponsor contribution rates, if the amended total cost of the Plan would be less than 18% of Pensionable Payroll or the total cost of the Plan exceeds 25% of Pensionable Payroll, excluding the funding of the Conversion Deficit. For greater certainty, increases and decreases to contributions that are within the Contribution Corridor shall be approved by the Board of Trustees in accordance with this Policy; and

c. A decision to amend the governance or benefit structure of the Plan, a decision to merge or transfer the Plan or part of the Plan to an existing JSPP, convert the Plan to some other form of pension plan, or to terminate the Plan;

d. But does not include:

i) the granting of Conditional Indexing;

ii) the granting of Ad Hoc Indexing; and

iii) restoring Temporary Benefit Reductions,

each subject to and in accordance with this Policy.

21. "**Member**", "**Former Member**" and "**Retired Member**" have the meaning ascribed to those terms in the Plan.

22. "**OCEU**" means the Ontario Compensation Employees Union, Canadian Union of Public Employees Local 1750.

23. "**PBA**" means the *Pension Benefits Act*, RSO 1990, c P-8 and regulations thereto, as amended or replaced from time to time.

24. "**Pensionable Payroll**" means the aggregate for all Members of the Plan of the Earnings (as defined in the Plan text) of each Member up to but not exceeding the maximum Earnings on which the Member is required to contribute to the Plan, determined in accordance with the Plan text.

25. "**Phase-In Period**" means the period commencing on the Conversion Date and continuing each year on the anniversary of the Conversion Date until the Member contributions are equal to 50% of the normal cost of the Plan.

26. "**Plan**" means the Workplace Safety and Insurance Board Employees' Pension Plan, as amended or replaced from time to time.

27. "**Policy**" means this Funding Policy applicable to the Plan established pursuant to the Sponsors Agreement, as amended or replaced from time to time.

28. "**Sponsors**" means the WSIB and OCEU, each being a "Sponsor".

29. "**Sponsors Agreement**" means the Sponsors Agreement effective September 5, 2019 between the Sponsors, as amended or replaced from time to time.

30. "**Statement of Investment Policies and Procedures**" means the written statement of investment policies and procedures that meets the requirements of the PBA and governs the investment of the assets of the Trust Fund, as amended or replaced from time to time by the Trustees.

31. "**Temporary Benefit Reduction**" means, under the circumstances prescribed in this Policy, as a result of a decision of the Sponsors to amend the Plan, in accordance with this Policy.

32. "**Trust Fund**" means the fund established and maintained in accordance with the Administration and Trust Agreement to provide benefits under or related to the Plan, which, effective on the Conversion Date, is comprised of all of the assets of the Plan consolidated with all funds and assets received from time to time by way of contributions, together with all increments, earnings and profits accruing from the administration and investment of the assets of the Plan.

33. "**Trustees**" means the persons appointed by the Sponsors from time to time as trustees to constitute the Board of Trustees in accordance with the Sponsors Agreement and the Administration and Trust Agreement. For greater certainty, each person so appointed is a "Trustee".

34. "**WSIB**" means the Workplace Safety and Insurance Board, or any successor thereto.

III. OVERVIEW OF THE PLAN AND ROLES AND RESPONSIBILITIES

1. The Plan was converted into a JSPP in accordance with the PBA, effective July 1, 2020. The Plan is subject to going concern normal costs and special payments, but is exempt from solvency special payments under the PBA.

2. The Sponsors are responsible for setting and amending this Policy and the Trustees are responsible for administering the Plan in accordance with this Policy.

3. The Sponsors are responsible for Material Changes, including all contribution and benefit level setting decisions, except as specified in the Sponsor Agreement, Administration and Trust Agreement, and this Policy.

4. The Sponsors reserve the right to amend or replace this Policy from time to time.

5. The Plan is administered by the Trustees who are authorized, among other things, to make certain decisions regarding actuarial methods and assumptions, contributions and benefit levels in accordance with the Sponsor Agreement, Administration and Trust Agreement, and this Policy.

6. The WSIB shall pay administration expenses of the Plan in the amount of 20 basis points as a percentage of Plan assets per annum until the Amendment Date. For purposes of this provision, the market value of the Plan assets shall be determined as of the Conversion Date and December 31st of each year following the Conversion Date as set out in the audited financial statements of the Plan. Thereafter, subject to Applicable Legislation, all administration expenses shall be payable from the Trust Fund.

7. The Trustees are not permitted to adopt Material Changes to the Plan. The Trustees are also not permitted to amend this Policy.

IV. POLICY OBJECTIVES

1. The Plan is intended to exist indefinitely and provide lifetime defined benefit pensions for eligible Members and beneficiaries. This Policy was established by the Sponsors and has been designed to assist the Sponsors and the Trustees in the pursuit of this objective.

2. This Policy must guide the decisions of the Trustees. This Policy describes the timing and the actions that the Sponsors and Trustees, as applicable, must take depending on the funded status of the Plan determined by the Plan's Actuary.

3. The primary objectives of this Policy are to ensure the security of the benefits that are promised under the terms of the Plan, reduce contribution volatility, and support the management of risks relating to the funding of the Plan. This Policy is also intended to provide a framework for, over time, an objective to establish and maintain funded status at or above 110% of going concern liabilities resulting in a dynamic contingency reserve equal to 10% or more.

V. MEASURING FUNDED STATUS

1. For the purposes of this Policy, the Plan's funded status will be determined on a going concern basis in accordance with accepted actuarial practice, and based on best estimates, for funding actuarial valuations. Such valuations may be performed annually, but filed as needed by the Trustees with the regulators in accordance with the PBA.

2. The Trustees, in consultation with the Plan's Actuary, shall determine the assumptions and methods to be employed in the funding actuarial valuation of the Plan, which may include, among other things, the appropriate discount rate based on the long-term expected return of the investment strategy, and as may be adjusted for expected fees and/or a margin for adverse deviation, as the Trustees determine in their sole discretion, acting reasonably. Asset smoothing, consistent with accepted actuarial standards, may be reflected in the actuarial valuation to focus on the long-term funding of the Plan.

VI. CONTRIBUTIONS

1. During the Phase-In Period, the Trustees shall set contribution rates and funding requirements strictly in accordance with this Funding Policy and the Plan text, as applicable.

2. The Employer shall contribute to the Trust Fund such amounts as are necessary to pay the cost of a Conversion Deficit as at the Conversion Date. The amount of the contributions payable by the Employer shall be determined on the basis of the Conversion Filing Valuation dated as of the Conversion Date and the Employer shall

pay such amount in the manner and over the period following the filing of the Conversion Filing Valuation, as agreed to by the Sponsors.

3. Effective on the Conversion Date, the Members' contributions shall be as set out in the Plan text, increasing from the rates in effect immediately prior to that date in increments equivalent to 0.6% of Pensionable Payroll per year commencing on the Conversion Date and continuing each year on the anniversary of that date until the Member contributions are equal to 50% of the normal cost of the Plan, at which time 50%-50% cost sharing shall be effective.

4. During the Phase-In Period, the WSIB shall be responsible for funding, in accordance with Applicable Legislation, the balance of the normal cost of the Plan and any going concern special payments that arise. At the Conversion Date and during the Phase-In Period, any post-conversion going concern gains and losses (for both pre- and post-conversion service) are the responsibility/for the account of WSIB. Any Conversion Surplus and going concern gains arising during the Phase-In Period will be used only to offset going concern losses arising during the Phase-In Period.

5. Commencing in the year in which the Members and the WSIB are sharing the normal costs of the Plan on a 50%-50% basis, the Members and the WSIB shall become equally responsible for funding the Plan on a going concern basis including any remaining amortization payments on losses arising during the Phase-in Period.

6. Following the Phase-In Period, the Trustees will set the contribution rate at or within the limits of the Contribution Corridor, based on consultation with the Plan Actuary. However, in no case, may the rate set by the Trustees be lower than a total cost of 18% of Pensionable Payroll or higher than a total cost of 25% of Pensionable Payroll, such a change being a Material Change.

VII. INDEXING

1. Prior to the Amendment Date, Members shall continue to accrue Guaranteed Indexing on the lifetime pension earned prior to the Amendment Date, based on 75% of CPI.

2. Effective on the Amendment Date, Members shall accrue Guaranteed Indexing of the lifetime and bridge pension earned on and after the Amendment Date based on 50% of CPI.

3. Additional Conditional Indexing shall or may be granted in respect of the lifetime and bridge pension earned on and after the Amendment Date in accordance with this Policy.

4. Ad Hoc Indexing may be granted in respect of the lifetime pension earned prior to the Amendment Date in accordance with this Policy.

VIII. REQUIRED OR PERMITTED ACTIONS AFTER PHASE-IN PERIOD

This Section VIII applies only following the Phase-In Period.

(1) ***Action If Funded Status is Less Than 100%***

a. If the going concern funding valuation report discloses a funded status of less than 100%, the Trustees shall request the Plan Actuary to provide one (1) or more recommended contribution rates that would return the funded status to 100% within regulatory timeframes, including the rationale for such recommendation.

b. Based on consultation with the Plan's Actuary, the Trustees shall increase the Member and Employer contributions, in equal proportion, up to a total cost of 25% of Pensionable Payroll.

c. In no case may the Trustees set a contribution rate that is lower than a total cost of 18% or that is higher than a total cost of 25% of Pensionable Payroll, such a change being a Material Change.

d. If the projected cost of the Plan would require contributions that are greater than a total cost of 25% of Pensionable Payroll, the Sponsors shall make such amendments to the Plan and/or this Policy (as applicable) to:

    i. effect Temporary Benefit Reductions; and/or

    ii. increase Member and Employer contributions, equally, above a total cost of 25% of Pensionable Payroll, as are necessary to cause the funded status of the Plan to return to 100% within regulatory timeframes, provided, however, that no Temporary Benefit Reduction is permissible until Member and Employer contributions have first been raised to a total cost of 25% of Pensionable Payroll.

e. In no case may an amendment to the Plan cause benefits accrued prior to the effective date of the amendment to be reduced.

f. If the Sponsors are required to make an amendment in accordance with this Section VIII(1) of the Policy, the Trustees, following consultation with the Plan Actuary, may make one (1) or more recommendations to the Sponsors regarding potential changes to the Plan, and they shall then meet with the Sponsors to review and discuss the recommendation(s), which the Sponsors may accept, modify or reject. The Trustees shall inform the Sponsors if they are not able to reach a recommendation, in which case, the Trustees shall identify the options under consideration by the Trustees upon which a recommendation could not be made. The Sponsors may also send a matter back to the Trustees for further discussion and consideration of other options for recommendation, including options directed by the Sponsors.

g. The Sponsors shall make the decision regarding any necessary amendments to the Plan no later than one-hundred twenty (120) days before the actuarial valuation report is required to be filed with FSCO.

h. If the Sponsors cannot agree to the necessary amendments to restore the funded status of the Plan, the Sponsors shall engage the dispute resolution mechanism set out in the Sponsors Agreement between the Sponsors and the Board of Arbitration must issue a decision no later than sixty (60) days before the actuarial valuation report is required to be filed with FSCO.

i. Once agreement of the Sponsors is reached or an arbitration decision is issued, the Trustees shall then use their best efforts to implement any Temporary Benefit Reduction and/or contribution rate changes as soon as reasonably possible.

(2) ***Action If Funded Status is Greater Than 105% But Less Than or Equal to 110%***

In the event a valuation report discloses a funded status on a going concern basis that is greater than 105% but less than or equal to 110%, the Trustees shall grant Conditional Indexing in an amount of up to 25% of CPI in excess of Guaranteed Indexing in respect of service accrued under the Plan on and after the Amendment Date, provided however that the amount granted under this Section VIII(2) of the Policy will not cause the funded status of the Plan to fall below 105% after the Conditional Indexing and any and all other actions are taken.

(3) ***Action If Funded Status is Greater Than 110% But Less Than or Equal to 115%***

In the event a valuation report discloses a funded status on a going concern basis that is greater than 110% but less than or equal to 115%:

a. the Trustees shall:

   i. restore, on a prospective and/or retroactive basis, in the Trustees' discretion, a Temporary Benefit Reduction enacted by the Sponsors in accordance with Section VIII(1), if any; then

   ii. if less than 25% of CPI was granted in accordance with Section VIII(2) above, grant Conditional Indexing in an amount of up to 25% of CPI in respect of service accrued under the Plan on and after the Amendment Date; then

b. the Trustees may, following actions taken by the Trustees in accordance with Section VIII(3)(a) above, if any, grant additional Conditional Indexing in an amount of up to 25% of CPI in respect of service accrued under the Plan on and after the Amendment Date; then

c. the Trustees may, following actions taken by the Trustees in accordance with Section VIII(3)(a) and (b) above, if any, grant Ad Hoc Indexing in an amount of up to 25% of CPI in respect of service under the Plan before the Amendment Date.

Notwithstanding the foregoing, the amounts granted or restored under this Section VIII(3) will not cause the funded status of the Plan to fall below 108% after any and all actions are taken under this Section VIII(3).

(4) ***Action If Funded Status is Greater Than 115%***

In the event a valuation report discloses a funded status on a going concern basis that is greater than 115%, then:

a. the Trustees may take any action not taken under Sections VIII(2) or VIII(3), including, for greater certainty, granting an amount in respect of "catch up" indexation if some or all Conditional Indexing under this Section VIII was not granted in a prior year; then

b. the Sponsors may amend the Plan to, in the following order of priority:

i. reduce Member and Employer contributions in equal proportions; then

ii. enhance benefits for service regardless of whether the service was earned before or after the Conversion Date and/or increase the contingency reserve.

Notwithstanding the foregoing, the amounts granted or restored under this Section VIII(4) will not cause the funded status of the Plan to fall below 110% after any and all actions are taken under this Section VIII(4).

(5) ***Resolution of Trustee Disputes***

In the event that there is a dispute in determining whether and how to take any step under this Section VIII, the dispute shall be resolved:

a. in the case of the Trustees, in accordance with the dispute resolution mechanism set out in the Administration and Trust Agreement; and

b. in the case of the Sponsors, in accordance with the dispute resolution mechanism set out in the Sponsors Agreement.

IX. FACTORS AFFECTING CONTRIBUTION AND BENEFIT DECISIONS

1. Any actions of the Trustees to be taken and any recommendations to be made by the Trustees in accordance with this Policy should be informed by the results of regular funding actuarial valuations of the Plan and contribution and benefit setting decisions should consider (but are not limited to) the following factors:

    a. the impact of any benefit changes, including Temporary Benefit Reductions, Conditional Indexing and Ad Hoc Indexing, on Members;

    b. the history of previous benefit changes and contribution rate changes, both before and following the Conversion Date;

    c. any known actions or proposed actions affecting employees who are Plan Members that can reasonably be expected to have a material impact on the experience of the Plan;

d. the going concern liabilities of the Plan;

e. the going concern assets of the Plan;

f. the administration costs and expenses of the Plan;

g. the impact of gains or losses on the accrued liability relating to pre-conversion service and the impact of gains or losses on the accrued liability relating to post-conversion service as a result of changes in assumptions;

h. the elimination of any unfunded liability;

i. the impact of gains and losses on the Plan's investments;

j. the results of periodic stochastic asset and liability studies consistent with industry standards; and

k. any other factor(s) deemed by the Trustees to be relevant to the maintenance of a financially prudent pension plan.

2. For greater certainty, an example of a stochastic asset and liability study to be conducted in respect of the Plan is one which tests 5,000 series of simulations of economic parameters for a period of not less than 15 years, resulting in a minimum of 75,000 observances, giving a 95% confidence that the Plan becomes fully funded over a 15 year period. Taking into account the factors listed above, as appropriate, the Trustees may determine the parameters of asset and liability studies in their sole discretion.

X. KEY RISKS

1. The financial position of the Plan is subject to various short-term and long-term funding risks.

Experience Risks

2. Experience risk is the risk of actual Plan experience being other than anticipated by the actuarial assumptions used in the actuarial valuations of the Plan (e.g., mortality

assumptions, discount rate assumptions). Examples of common experience risks include, but are not limited to:

a. variance in administrative costs from projected administrative costs;

b. adverse effects of decisions of the Plan Sponsors that materially affect the Plan or Trust Fund;

c. adverse mortality experience from Retired Members having greater longevity than assumed, resulting in pensions being paid from the Plan for periods longer than anticipated;

d. adverse retirement experience from active Members retiring at ages earlier than assumed, resulting in pensions being paid for a longer time period than anticipated;

e. adverse termination experience from active Members terminating at a greater rate than assumed, resulting in a greater number of commuted value transfers out of the Plan;

f. adverse salary experience resulting from increases greater than assumed to Plan Members' salary levels resulting in higher pension amounts upon retirement;

g. investment experience (including capital market conditions) resulting in the investment performance of the Plan being more or less than the discount rate which is used to calculate the going concern liabilities of the Plan;

h. increased maturity of the Plan, with the number of Retired Members growing relative to the number of active Members; and

i. increased or decreased liabilities occasioned through regulatory reform (i.e., legislative risk).

3. Experience gains or losses can arise as a result of these experience risks causing the potential need for changes to contributions and/or benefits.

Risks from Changes in Assumptions

4. Actuarial losses or gains can also arise from a change in assumptions such as a reduction or increase in the discount rate to reflect lower or higher investment return expectations, again potentially triggering changes to contributions and/or benefits.

Plan Wind-up

5. This Policy reflects the assumption that the Plan is not at material risk of being voluntarily or involuntarily terminated. However, in the event that the Plan is wound up, the benefits shall be distributed in accordance with the Plan text and Applicable Legislation.

XI. LINK TO INVESTMENT STRATEGY

1. The Plan's investment strategy as set out in its Statement of Investment Policies and Procedures impacts the required contribution rate to support a given level of benefits. The asset mix and risk assumed in the investment strategy (e.g., conservative or aggressive) may result in higher or lower contribution rates.

2. The Trustees shall adopt a prudent investment strategy. This Policy is intended to support benefit and contribution level setting decisions in a manner that supports a prudent investment strategy for the Plan.

XII. LINK TO SPONSORS

1. This Policy reflects the assumption that the Plan faces risks in the decisions of the Sponsors, particularly risks arising from material changes to the Employer’s workforce if such changes would adversely affect the experience of the Plan. The Sponsors shall ensure consistent and transparent communication between the Sponsors and the Trustees in accordance with a communications and transparency policy of the Trustees and approved by the Sponsors.

XIII. ANNUAL REVIEW AND AMENDMENT

1. Not less than once annually, the Trustees will monitor the economic, demographic and regulatory environments affecting the Plan and shall make recommendations to the Sponsors regarding any appropriate changes to this Policy.

2. The Sponsors shall review this Policy, and any related recommendations from the Trustees, at least once annually.

3. The Sponsors may amend this Policy by agreement in writing. Any dispute regarding changes to this Policy shall be subject to the dispute resolution mechanism set out in the Sponsors Agreement.