Quarterly Update on Estimated Solvency Funded Status of Defined Benefit Plans in Ontario

Update as at March 31, 2017

- **The median solvency ratio is 93% (compared to 91% as at December 31, 2016)**
- **63% of plans had a solvency ratio between 85% and 100%**
- **22% of plans had a solvency ratio greater than 100%**

The 2% increase in the estimated median solvency ratio since December 31, 2016 is attributable to the following:

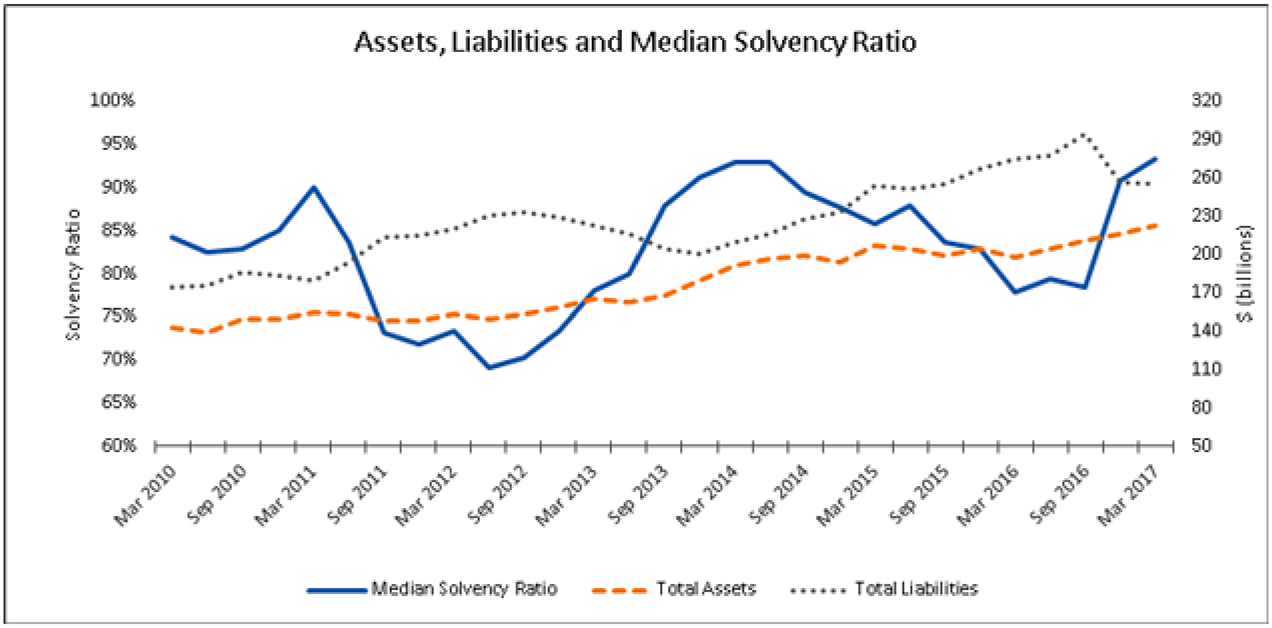
- Robust first-quarter 2017 model pension fund investment returns led to a 1% increase in the ratio;
- Reduction in solvency liabilities due to an increase in commuted value interest rates resulted in a 1% increase in the ratio.

A strong pension plan solvency ratio of 93% at the end of the first quarter of 2017 continued the upward trend that began in late 2016. The last time solvency ratios reached these levels was in early 2014, when they peaked to 93%, falling quickly thereafter.

Solvency positions were buoyed by positive first-quarter equity and bond returns. S&P/TSX domestic equity returns of 2.4% were accompanied by particularly strong MSCI World equity returns of 5.8%. Bonds fluctuated within a narrow range during the quarter, resulting in a FTSE TMX 1.2% Universe bond return.

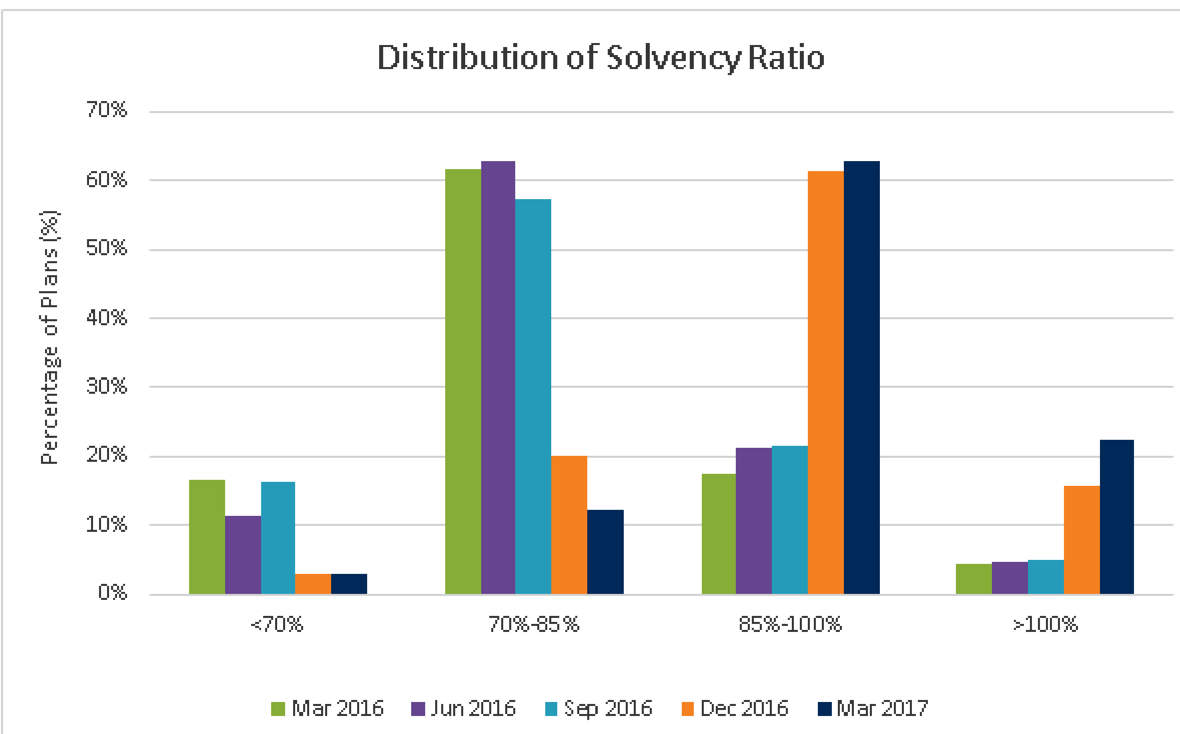
Plan sponsors should continue to monitor major characteristics of their plans' liability exposure and the risk/return profile of the asset portfolio from which benefits will be paid.

Assets, Liabilities and Median Solvency Ratio



View accessible description of Assets, Liabilities, and Median Solvency Ratio Line Chart

Distribution of Solvency Ratio



View accessible description of Distribution of Solvency Ratio Bar Chart

Methodology and Assumptions:

1. The results reported in the last filed actuarial valuation reports (assets and liabilities) were projected to March 31, 2017 based on these assumptions:

- sponsors would use all available funding excess and prior year credit balance for contribution holidays, subject to any statutory restrictions;
- sponsors would make the normal cost contributions and special payments, if required, at the statutory minimum level;
- the amounts of cash outflow would equal the pension amounts payable to retired members as reported in the last filed valuation report. Plan administration costs were not reflected.

2. The assumed quarterly asset class returns for 2017 are shown in the table below. The model pension fund earned a return of 2.7% in the first quarter of 2017. These rates of return (Canadian $) were developed based on the following asset mix: 45% in fixed income, 30% in Canadian equities, and 25% in foreign equities.

2017	TSX Canada	MSCI World	FTSE TMX Bond	Total Return on model pension fund
1st Quarter	2.4%	5.8%	1.2%	2.7%

3. The estimated solvency liabilities were calculated based on the Canadian Institute of Actuaries Standards of Practice and the Canadian Institute of Actuaries Educational Notes, with these key assumptions:

Valuation Date	Commuted Value Basis	Annuity Purchase Basis 1
March 31, 2017	Interest: 2.30% for 10 years 3.90% thereafter Mortality: CPM2014 generational	Interest: 3.07% Mortality: CPM2014 generational
December 31, 2016	Interest: 2.20% for 10 years, 3.50% thereafter Mortality: CPM2014 generational	Interest: 3.11% Mortality: CPM2014 generational

1 based on a medium duration illustrative block