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

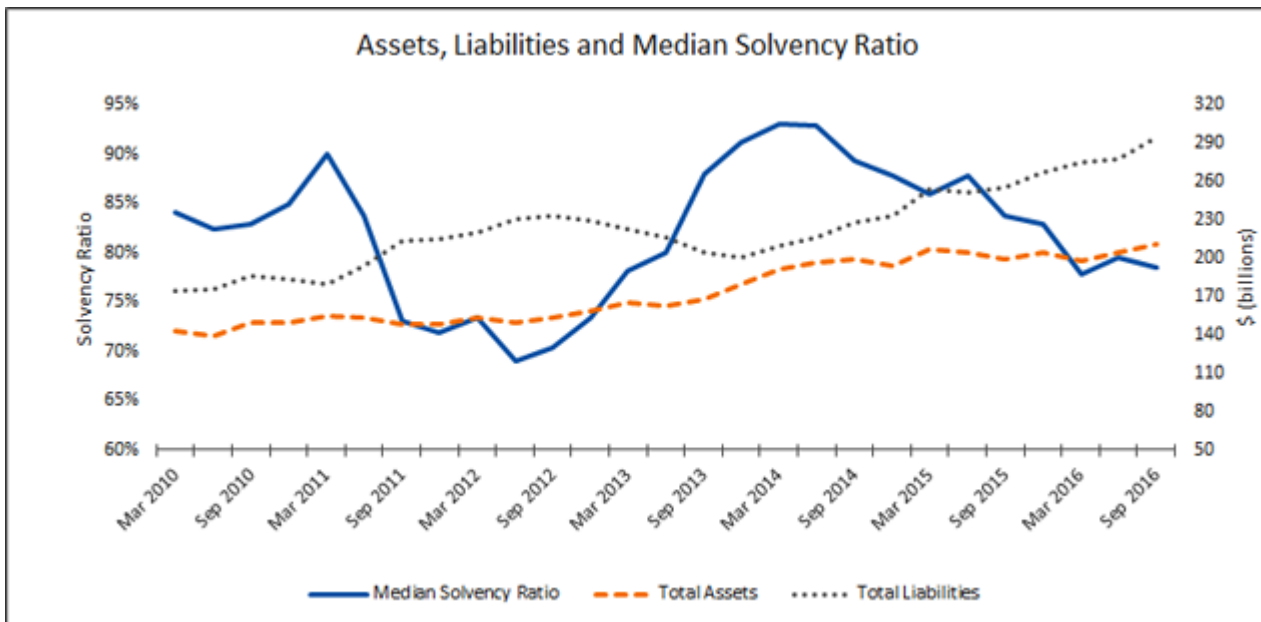
Update as at September 30, 2016

- **The median solvency ratio is 79% (compared to 80% as at June 30, 2016)**
- **21% of plans had a solvency ratio between 85% and 100%**
- **5% of plans had a solvency ratio greater than 100%**

The 1% decrease in the estimated median solvency ratio since June 30, 2016 was due to the following:

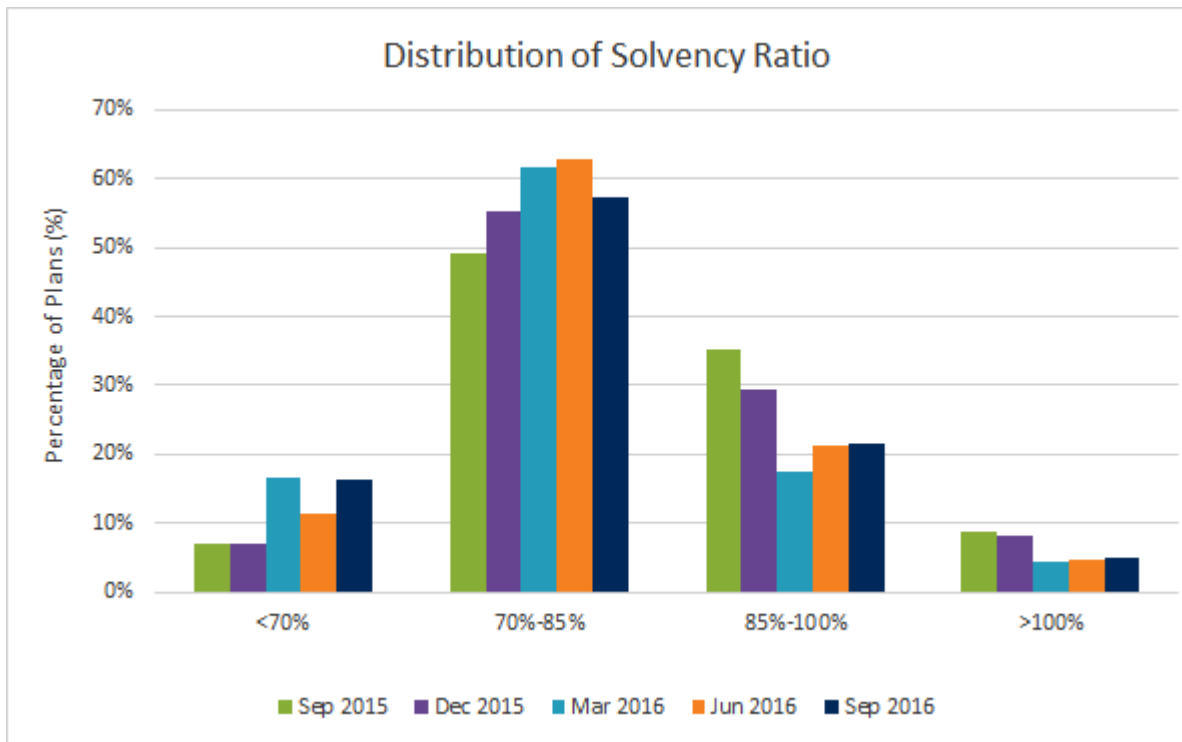
- investment return on the model pension fund of 3.7% in the third quarter of 2016 caused the ratio to increase by 2%;
- the change in solvency liabilities due to changes in the Commuted Value Discount Rate and the Annuity Purchase Discount Rate resulted in a 3% drop in the ratio.

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:

- The results reported in the last filed actuarial valuation reports (assets and liabilities) were projected to September 30, 2016 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.
- The assumed quarterly asset class returns for 2016 are shown in the table below. The model pension fund earned a year-to-date rate of return of 7.1% to the end of the third quarter of 2016. 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.

| 2016 | TSX Canada | MSCI World | FTSE TMX Bond | Total Return on model pension fund |
|-------------|------------|------------|---------------|------------------------------------|
| 1st Quarter | 4.5% | -7.2% | 1.4% | 0.2% |
| 2nd Quarter | 5.1% | 1.4% | 2.6% | 3.1% |
| 3rd Quarter | 5.5% | 6.1% | 1.2% | 3.7% |

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 |
|--------------------|--|--|
| September 30, 2016 | Interest: 1.70% for 10 years 3.00% thereafter Mortality: CPM2014 generational | Interest: 2.75% Mortality: CPM2014 generational |
| June 30, 2016 | Interest: 2.00% for 10 years, 3.40% thereafter Mortality: CPM2014 generational | Interest: 2.83% Mortality: CPM2014 generational |

1 based on a medium duration illustrative block