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

The Financial Services Commission of Ontario (FSCO) publishes an annual Report on the funding of defined benefit (DB) pension plans that provides funding, investment and actuarial information on DB plans registered in Ontario.

As the solvency position of pension plans continues to be of significant interest, FSCO is publishing quarterly updates on the solvency funded status of DB plans in Ontario, to provide stakeholders with more frequent information on the health of pension plans in Ontario.

As the regulator of pension plans in Ontario, FSCO has a large database of information on every Ontario registered pension plan. The projected solvency ratio is estimated based on approximately 1300 defined benefit pension plans, including hybrid plans that have a defined benefit provision. Each update uses information from the latest filed valuation reports projected to the end of the quarter in question. We have excluded designated plans, frozen plans and plans that have been wound up or are in process of winding up.

The information is presented on an aggregate basis for all pension plans registered in Ontario. While there is no disclosure of plan-specific information, the updates will give stakeholders a framework to see how their plan performed compared to other plans and relevant benchmarks.

Previous Reports

2015 Third Quarter

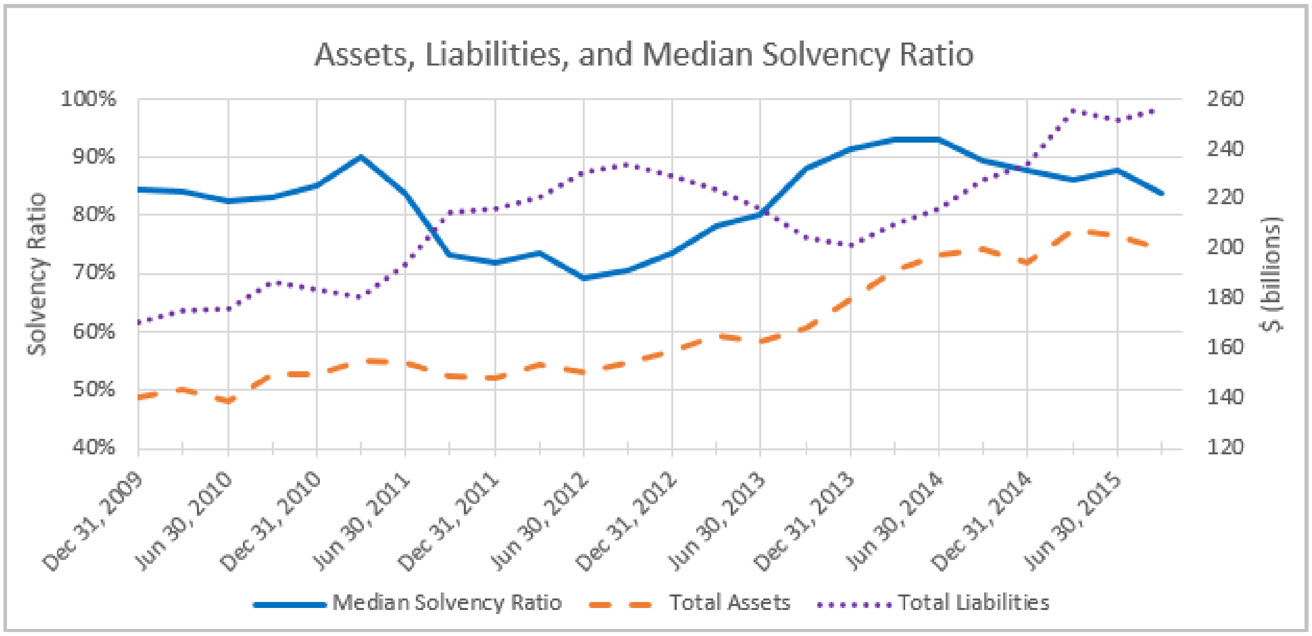
Update as at September 30, 2015

- **The median solvency ratio is 84% (compared to 88% as at June 30, 2015)**
- **35% of plans had a solvency ratio between 85% and 100%**
- **9% of plans had a solvency ratio greater than 100%**

The 4% decrease in the estimated median solvency ratio since June 30, 2015 was due to:

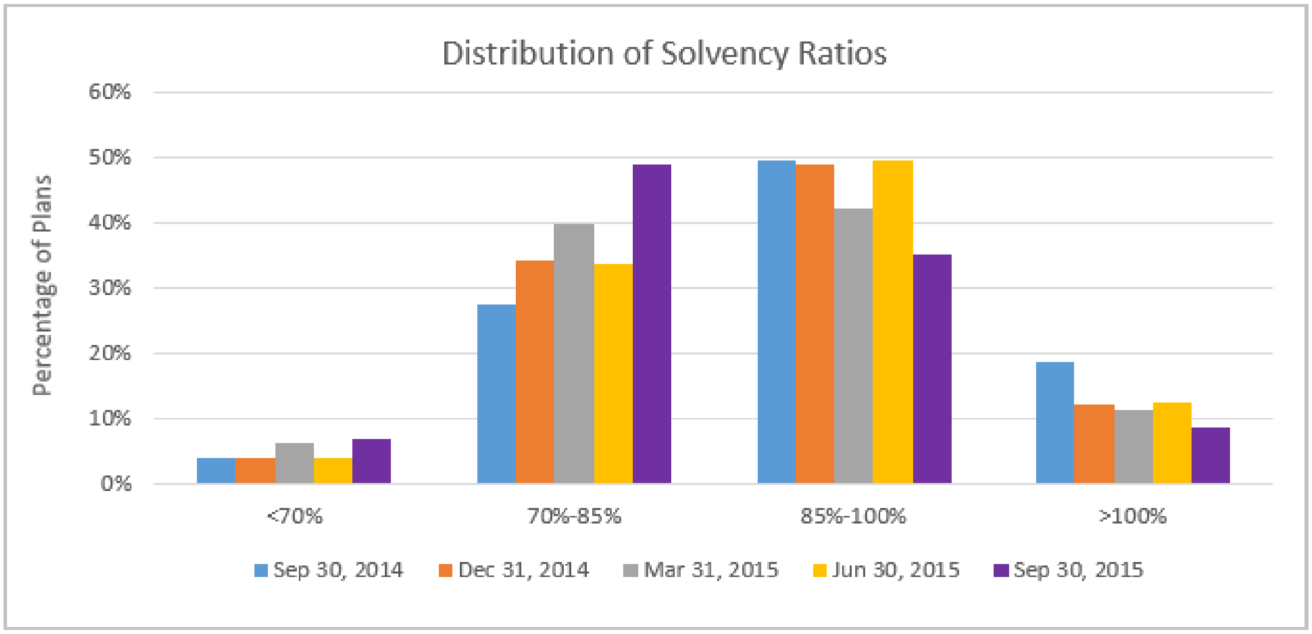
- investment return on the model pension fund of -2.8% in the third quarter of 2015 caused the ratio to drop by 3%
- the net effect of the change in the Commuted Value Discount Rate and the Annuity Purchase Discount Rate resulted in another 1% drop in the ratio

Assets, Liabilities and Median Solvency Ratio



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

Distribution of Solvency Ratios



View accessible description of Distribution of Solvency Ratios Bar Chart

Methodology and Assumptions:

1. The results reported in the last filed actuarial valuation reports (assets and liabilities) were projected to September 30, 2015 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 2015 are shown in the table below. The model pension fund earned a year-to-date rate of return of 1.2% to the end of the third quarter of 2015. 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.

2015	TSX Canada	MSCI World	FTSE TMX Bond	Total Return on model pension fund
1st Quarter	2.6%	11.9%	4.2%	5.7%
2nd Quarter	-1.6%	-1.1%	-1.7%	-1.5%
3rd Quarter	-7.9%	-1.7%	0.1%	-2.8%
Year-to-date	-7.0%	8.8%	2.5%	1.2%

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]
June 30, 2015	Interest: 2.20% for 10 years, 3.60% thereafter Mortality: 1994 UP generational	Interest: 2.51% Mortality: 1994 UP generational
Sept 30, 2015	Interest: 2.00% for 10 years, 3.70% thereafter Mortality: 1994 UP generational	Interest: 2.39% Mortality: 1994 UP generational

[1] based on a medium duration illustrative block