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

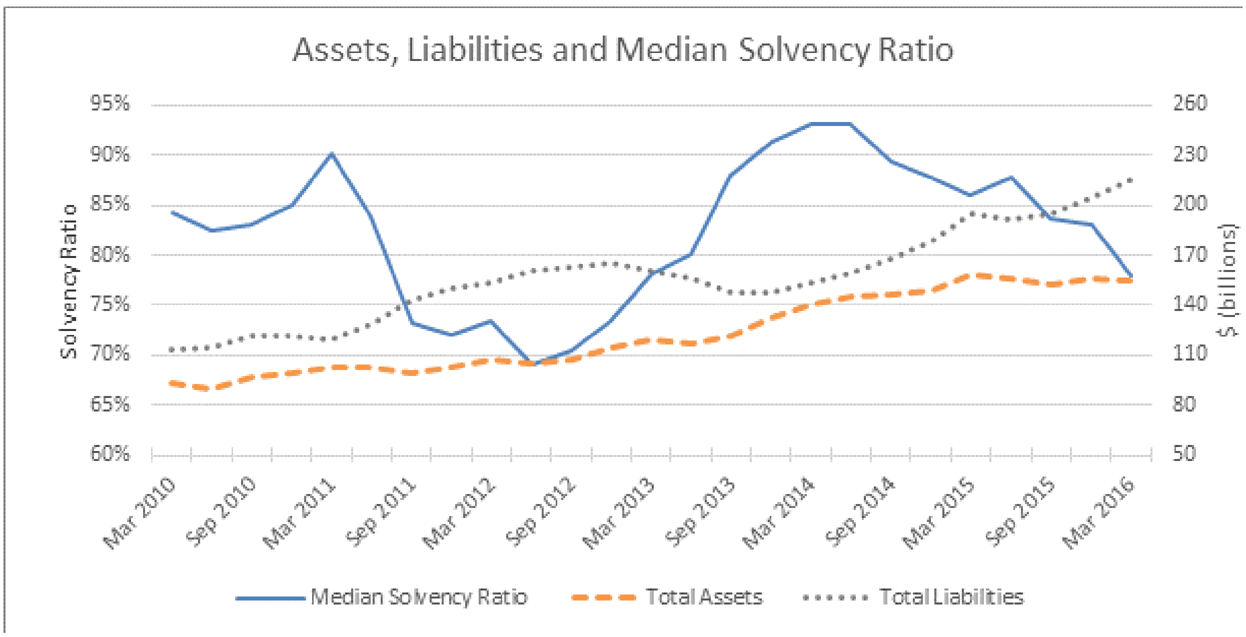
Update as at March 31, 2016

- **The median solvency ratio is 78% (compared to 83% as at December 31, 2015)**
- **18% of plans had a solvency ratio between 85% and 100%**
- **4% of plans had a solvency ratio greater than 100%**

The 5% decrease in the estimated median solvency ratio since December 31, 2015 was due to the following:

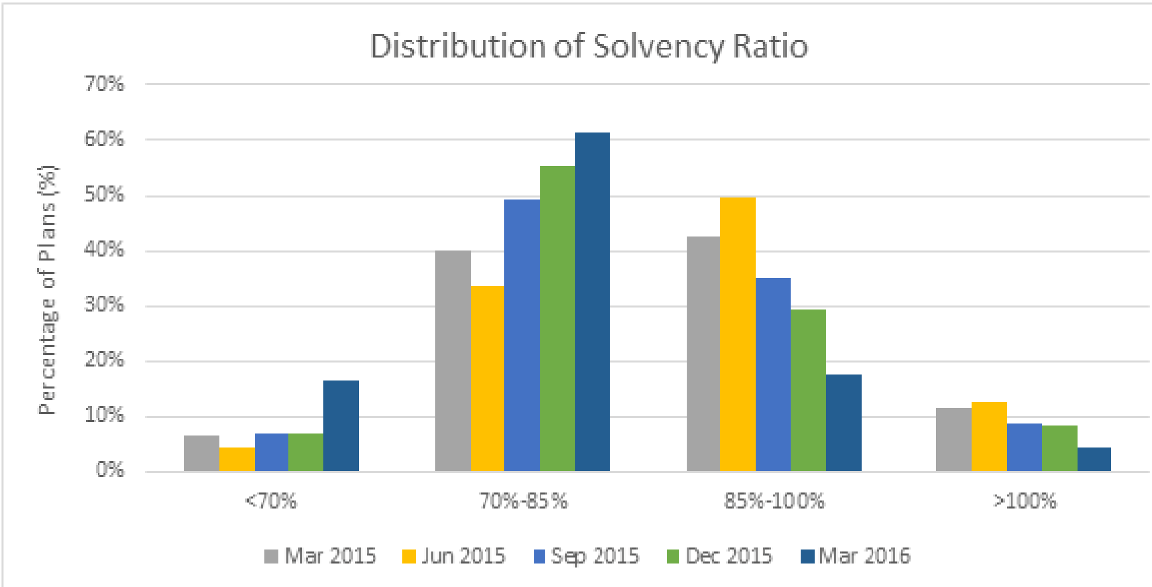
- investment return on the model pension fund of 0.2% in the first quarter of 2016 caused the ratio to decrease by 1%;
- the change in solvency liabilities due to changes in the Commuted Value Discount Rate and the Annuity Purchase Discount Rate resulted in a 4% drop in the ratio.

Assets, Liabilities and Median Solvency Ratio



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

Distribution of Solvency Ratio



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Methodology and Assumptions:

1. The results reported in the last filed actuarial valuation reports (assets and liabilities) were projected to March 31, 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.

2. 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 0.2% to the end of the first 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%

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]
Mar 31, 2016	Interest: 1.90% for 10 years, 3.30% thereafter Mortality: CPM2014 generational	Interest: 2.86% Mortality: CPM2014 generational
Dec 31, 2015	Interest: 2.10% for 10 years, 3.70% thereafter Mortality:CPM2014 generational	Interest: 3.13% Mortality: CPM2014 generational

[1] based on a medium duration illustrative block