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

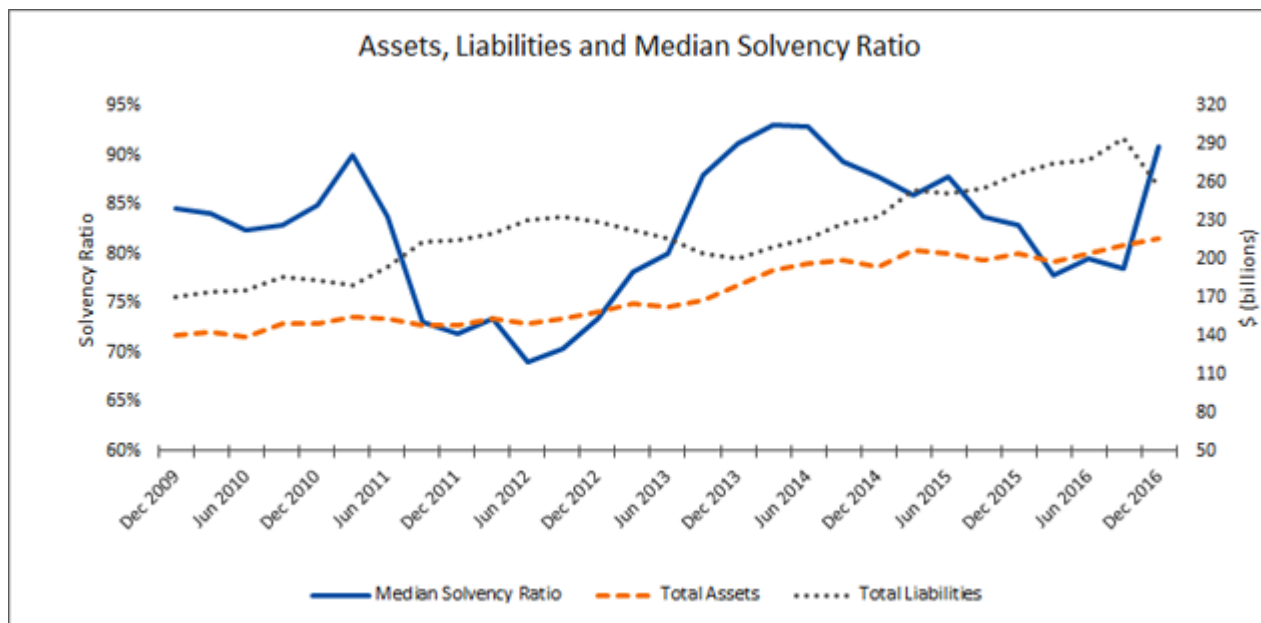
Update as at December 31, 2016

- **The median solvency ratio is 91% (compared to 79% as at September 30, 2016)**
- **62% of plans had a solvency ratio between 85% and 100%**
- **16% of plans had a solvency ratio greater than 100%**

The 12% increase in the estimated median solvency ratio since September 30, 2016 was due to the following:

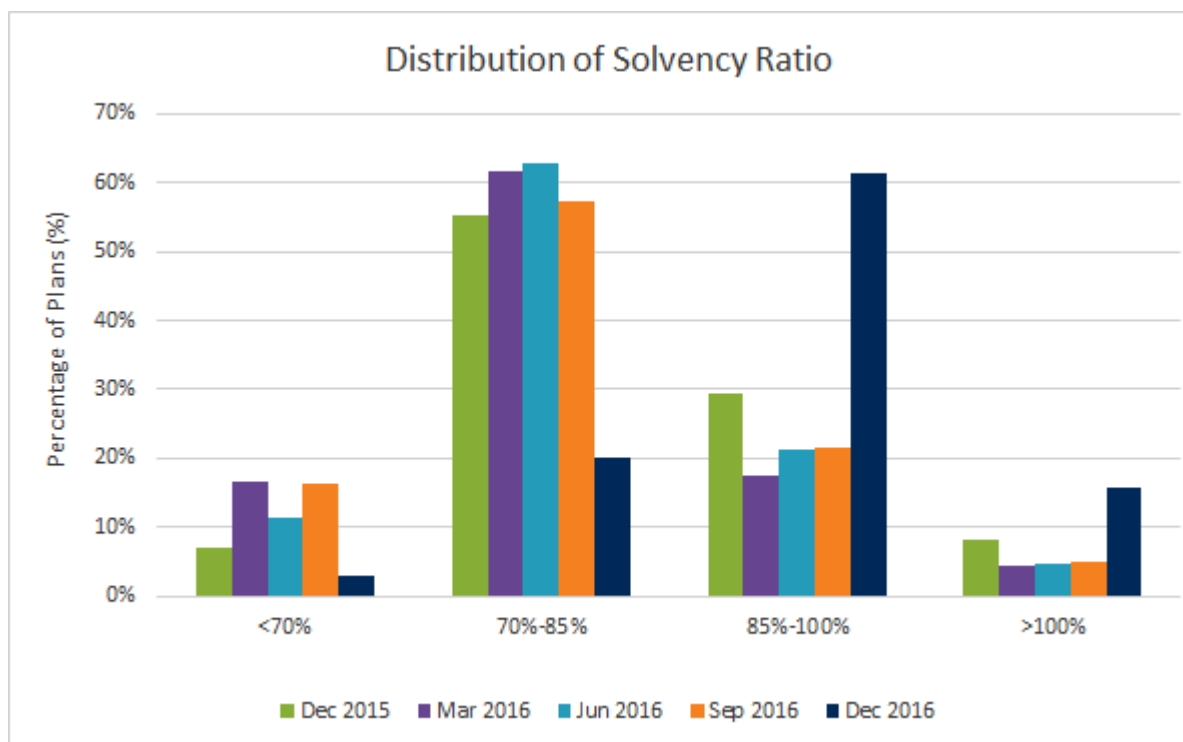
- investment return on the model pension fund of 0.8% in the fourth quarter of 2016 as well as data corrections and modelling changes caused the ratio to increase by 5%;
- the change in solvency liabilities due to changes in the Commuted Value Discount Rate and the Annuity Purchase Discount Rate resulted in a 7% increase 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 December 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.
- The assumed quarterly asset class returns for 2016 are shown in the table below. The model pension fund earned a yearly rate of return of 8.0% in 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%
4th Quarter	4.5%	3.9%	-3.4%	0.8%

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
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