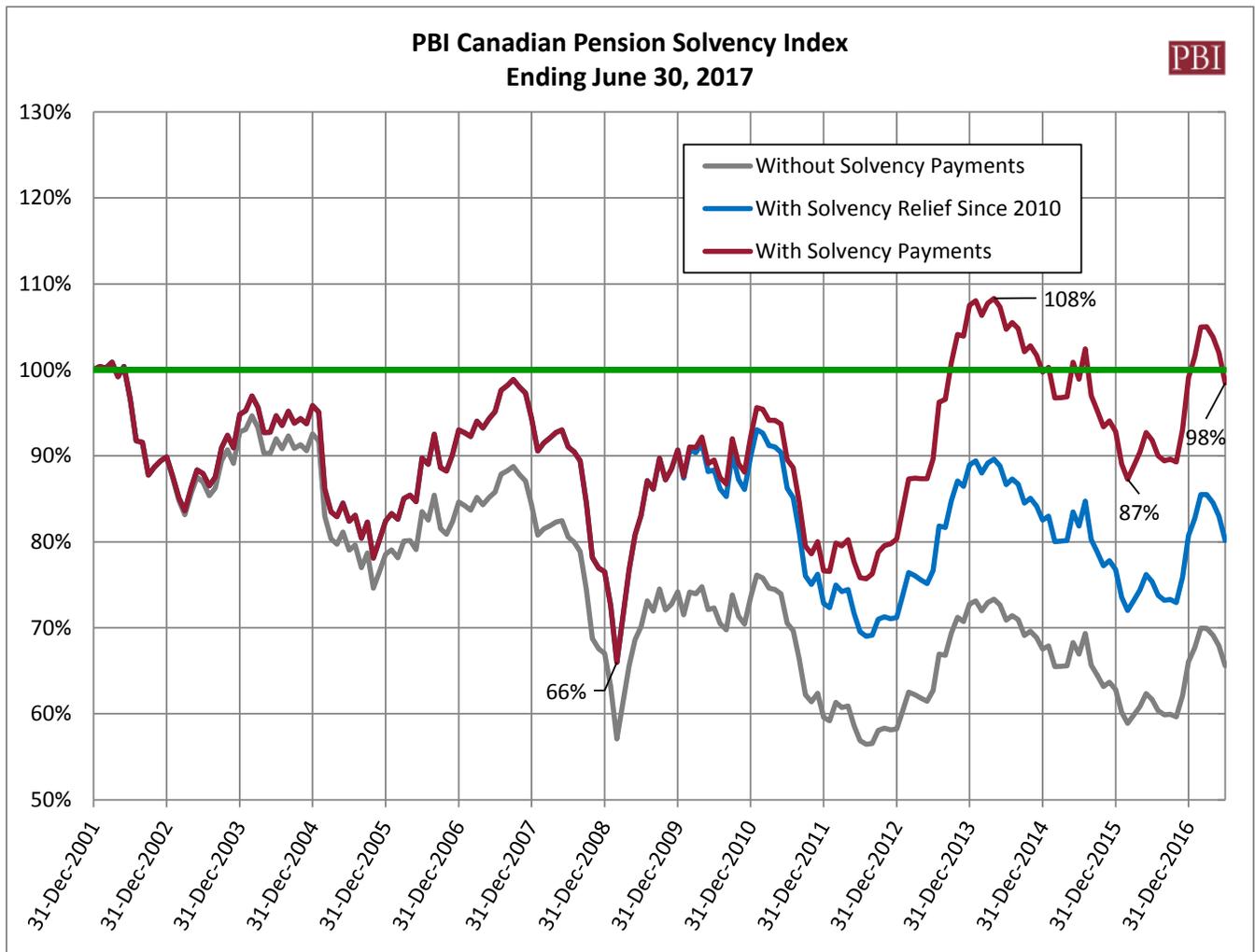


**THE PBI CANADIAN PENSION SOLVENCY INDEX
 FOR THE PERIOD ENDING JUNE 30, 2017**

The PBI Canadian Pension Solvency Index illustrates the development of solvency positions for a sample pension plan. The sample standard pension plan of the PBI Canadian Pension Solvency Index has the following characteristics:

1. A 100% solvency ratio as at December 31, 2001. This assumption is based on historical data indicating that most pension plans in Canada were fully solvent in 2001.
2. A membership demographic comprised of 50% active and 50% retired member liabilities at that same date.
3. Assets invested in a passive portfolio consisting of 40% Universe Bonds, 30% Canadian Equities, 12.5% U.S. Equities, 12.5% EAFE Equities and 5% Cash (rebalanced monthly). This portfolio was selected to mirror an industry standard asset mix and is not representative of PBI clients.
4. Contributions are assumed to equal benefit payments and amounts required to fund any solvency deficiencies.



Illustrative purposes only.

Canada's GDP rose an annualized 3.7% during the first quarter of the year with strong growth in consumption, residential construction, inventories and fixed investment, which outweighed negative net exports. Canada continues to lead the G7 countries in GDP growth since the 2008 credit crisis as Canada's recovery continues, with growth broadening across regions and sectors. As the economy approaches full capacity, the Bank of Canada (BoC) has been more optimistic in its outlook, causing it to raise interest rates from 0.50% to 0.75%, which was expected by the market. The BoC now expects economic growth to be 2.8% for 2017 (up from 2.6% in April and 2.1% in January), 2.0% for 2018 (from 1.9%) and 1.6% for 2019 (from 1.9%). On the other hand, the BoC cut its inflation forecast to 1.6% for 2017 (from 1.9%) and 1.8% in 2018 (from 2.0%). Any future rate hikes will be guided by incoming data and are expected to be gradual over the next couple of years

Since the end of 2013, gains made in a typical pension plan's solvency have been eroded by the combination of lower yields, lower capital market returns and the adoption of the CPM 2014 mortality table. Since reaching a cycle high of 108% funded status in March 2014, the Pension Solvency Index declined in almost every successive quarter to a low of 87% funded status in February 2016. Since then, pension plans' funded ratios have improved once again, beginning a reversal of the erosion experienced since 2014. At the end of June 2017, the PBI Canadian Pension Solvency Index has risen to 98%, up from 90% where it was a year ago.

Liabilities are calculated using the prescribed basis from the Canadian Institutes of Actuaries, valuations are done annually and any identified deficiency is funded on a monthly basis over a five (5) year period. Improvements in the solvency ratio over time reduce outstanding payments on a pro-rata basis.

It is important to note that the actual results of your pension plan (including funding results) may differ materially from those of the sample standard pension plan due to differences in the asset-mix of your pension plan, investment returns, the structure of the plan's liabilities, as well as differences in contributions paid. The PBI Canadian Pension Solvency Index is provided for informational purposes only.

If you have any questions regarding this index or would like to submit your comments, please do not hesitate to contact Karen Chen at 604-647-3246 or by e-mail at karen.chen@pbiactuarial.ca or Philip Falls at 604-647-3239 or by email at philip.falls@pbiactuarial.ca.

ABOUT PBI

PBI Actuarial Consultants Ltd. is a dynamic and growing company providing actuarial, administrative and investment consulting services for pension and benefit plans, as well as various trust funds. PBI serves clients across Canada from offices in Vancouver, Montreal and Toronto with a focus on multi-employer plans, non-profit and public sector organizations.

Visit our website at www.pbiactuarial.ca to learn about our services or connect with our experts for more information.

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