**Solvency Funding Relief for Broader Public Sector Pension Plans – Update on Application for Solvency Funding Relief for The University of Toronto Pension Plan ("Pension Plan")**

In December 2011, a memo was posted on the University of Toronto (the "University") website to notify you that the University had made an application to the Ontario Ministry of Finance for the Pension Plan to be included in stage one of the solvency funding relief measures available to pension plans in the broader public sector under Ontario Regulation 178/11 (the "Regulation"). The application was approved effective February 16, 2012. The collective bargaining agents and associations representing members of the Pension Plan were notified, and a stage one actuarial valuation report as at July 1, 2011 was filed with the Financial Services Commission of Ontario (the "Regulator") as required on March 29, 2012.

On December 17, 2014, the University submitted an application for the Pension Plan to participate in stage two of the solvency relief measures applicable to broader public sector pension plans. On March 6, 2015, the application was approved and a stage two actuarial valuation report as at July 1, 2014 was filed with the Regulator as required on March 27, 2015. The collective bargaining agents and associations representing members of the Pension Plan have also been provided with this notice regarding stage two solvency relief.

In accordance with Section 9(4) of the Regulation, the University has made an election to fund the interest payments only on the solvency deficiency determined in this report for three years, and make special payments to fund the remaining solvency deficiency over seven years thereafter. In accordance with Section 9(5) of the Regulation, the next required valuation will be as at July 1, 2017.

A solvency valuation looks at the funded status of a pension plan as if it were wound up on the valuation date. Very low long-term interest rates together with significantly longer expected longevity of plan participants, as well as the stock market downturn of 2008-2009, which has been partly but not completely offset since then by good investment market returns and significant University special payments, have resulted in a significant solvency deficit in the Pension Plan as of July 1, 2014. Many other university pension plans find themselves in a similar position and are participating in Stage two. Under regular funding rules, the solvency deficit would have to be funded over five years, which for the Pension Plan would have meant special payments of approximately $210 million per year over five years. With the solvency funding relief rules, the period over which the solvency deficit can be funded has been extended. For the period from July 1, 2014 to June 30, 2015, the University made special payments of $63,516,000 to the pension plan. From July 1, 2015 to June 30, 2018, the University will make special payments of $75,168,000 to the Pension Plan each year. The next valuation to be filed with the pension regulator as of July 1, 2017 will determine the special payments starting July 1, 2018.

The ratio of the market value of assets in the pension fund to the hypothetical wind-up liabilities is called the transfer ratio. As of July 1, 2014, the transfer ratio for the Pension Plan was 0.56. Since the stage one and stage two solvency funding relief rules lengthen the period over which the Pension Plan will be fully funded, if the Pension Plan were to be wound up (an unlikely event) before the Pension Plan is fully funded, there could be fewer assets in the Pension Plan's fund at the date of wind-up because of the longer funding period provided by the solvency funding relief.

In addition to the funding of the deficit for benefits earned for pensionable service prior to the valuation date, there are also contributions made by members and the University for pension benefits being earned for service after the valuation date. Based on the July 1, 2014 actuarial valuation, the actual combined contributions by members and the University for the period from July 1, 2014 to June 30, 2015 for the benefits earned in respect of this period was $157,452,000.

An update on the funded status of the Pension Plan will be provided on an ongoing basis with each annual pension statement.

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