



Memorandum

To: Our Ontario Pension Clients

From: Actuarial Department

Date: August 17, 2011

Re: Current Financial Market Volatility

The recent volatility in the global financial markets has no doubt affected the pension plans sponsored by our clients. Recent market events have not only negatively affected the value of the equities typically held in pension plan portfolios but have also resulted in lower long-term bond yields which increase the value of the plan's liabilities. As a result, for plans with a traditional asset mix (i.e. a blend of equities and short/medium term bonds), the recent volatility would have caused the funded status to deteriorate.

The purpose of this memorandum is to remind clients of our role in monitoring the financial position of their pension plans and that we will contact individual clients should any particular concerns arise that require immediate attention. It is also important to remember that pension plans are long term financial commitments and therefore plan sponsors should be prepared for short and medium term volatility in the funded status of their plans.

Transfer Ratio Monitoring

As outlined in our previous memorandum dated August 6, 2009 (copy attached), plan administrators are required to monitor the funded status of their pension plans on at least a quarterly basis and to seek approval from the Financial Services Commission of Ontario ("FSCO") prior to making transfers if the transfer ratio has decreased by more than 10% since the last valuation.

We monitor the transfer ratio for all of our clients' pension plans on a monthly basis and contact clients on an "as needed" basis. We expect that the recent market events will negatively influence the transfer ratio at the end of July, but the most significant impacts may not be felt until the end of August or September (assuming current market trends continue).

Timing of Funding Valuations

In addition, some of our clients whose plans were relatively well funded at the most recent funding valuation date are not required to perform the next funding valuation until three years have elapsed. (Less well funded plans are required to prepare funding valuations on an annual basis.) There is however the opportunity to perform an early funding valuation in advance of the next required valuation date; provided that the report is filed with FSCO within nine months of the valuation date. The potential benefits of performing an early valuation include the extension of the triennial valuation period.

Please contact us if you wish to explore the possibility of performing an early valuation of your pension plan.

Risk Management

The recent market events highlight the need for all clients to maintain risk management policies surrounding their pension plans. This policy could involve elements of plan design (i.e. closing or freezing the plan), investments (i.e. reviewing the asset mix, annuitizing certain benefits, liability driven investing, etc.) and governance (i.e. more frequent pension committee meetings).

While ASI does not provide investment advice, we would be pleased to work with your investment and other advisors to review the risk management policies of your pension plans. For some clients we work directly with their investment advisors to ensure that those advisors have relevant information regarding the plan's liabilities in support of the investment process.

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Again, we will contact individual clients should any particular concerns arise that require immediate attention; however in the meantime, please feel free to contact your consultant (Jason, Dean or Joe) if you would like to discuss recent market events, valuation timing, or your risk management strategy.

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