### How the Funding Policy applies to universities

<table>
<thead>
<tr>
<th>Level</th>
<th>Reserves</th>
<th>Contributions</th>
<th>Conditional Benefits</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 6</td>
<td>Further build, up to tax limit</td>
<td>Consider reducing basic</td>
<td>Consider improving benefits</td>
<td></td>
</tr>
<tr>
<td>Level 5</td>
<td>Additional allocation to withstand up to a 7.5% increase in liabilities</td>
<td>Basic only</td>
<td>Conditional indexation paid for current period</td>
<td></td>
</tr>
<tr>
<td>Level 4</td>
<td>Allocate to withstand up to a 1% change in discount rate and to fund future inflation protection increases on post-2007 service</td>
<td>Basic + 1% - 2% stability</td>
<td>Conditional indexation paid for current period</td>
<td></td>
</tr>
<tr>
<td>Level 3*</td>
<td>Allocate to withstand up to a 0.5% change in discount rate</td>
<td>Basic + 3% stability</td>
<td>Conditional indexation paid for current period + catch-up on missed periods</td>
<td></td>
</tr>
<tr>
<td>Level 2</td>
<td>Fully used</td>
<td>Basic + 3% stability</td>
<td>Conditional indexation paid for current period</td>
<td>Restoration of any temporary reductions</td>
</tr>
<tr>
<td>Temporary Level 1 – until December 31, 2017**</td>
<td>Fully used</td>
<td>Basic + 3% stability</td>
<td>No increase permitted</td>
<td>Temporary reduction to benefits earned in future</td>
</tr>
<tr>
<td>Level 1</td>
<td>Fully used</td>
<td>Basic + 3% stability</td>
<td>No inflation protection</td>
<td>Consider reduction to benefits earned in future</td>
</tr>
</tbody>
</table>

* Level as at January 1, 2013

** Temporary Level 1 – until December 31, 2017