



Quarterly update on

Estimated Solvency Funded Status of Defined Benefit Pension Plans in Ontario

Update as at June 30, 2025

Introduction

Each quarter, FSRA monitors the solvency funding position, and publishes the estimated solvency ratios of Ontario Defined Benefit (DB) pension plans that are subject to solvency funding. This is one of the supervisory tools FSRA utilizes to improve outcomes for pension plan beneficiaries and to proactively engage in a dialogue with plan sponsors where there may be a concern over the security of the pension benefits.

It should also be useful for plan fiduciaries who must adhere to a high standard of care in administering their pension plans and investing the plan assets. Having an effective governance framework in place with a good understanding of the key risks facing the plan, their impact and risk mitigation strategies are key to achieving the desired outcomes and enhancing the ability to withstand periodic stresses. For example, having due consideration to the plan's ability to absorb fluctuations in funding costs and the probability of delivering the promised benefits under a range of possible outcomes that may result from the funding and investment strategy are important elements of a plan administrator's duty as a fiduciary.

Projected Solvency Position as at June 30, 2025

The median solvency ratio rebounded to 122% as at June 30, 2025, a 3% increase from the previous quarter and returning to the same level observed at year-end 2024. Overall, plan solvency positions remain strong, although funded ratios fluctuated widely over the quarter.

- The median projected solvency ratio was 122% as at June 30, 2025, up from 119% as at March 31, 2025.
- The percentage of pension plans as at June 30, 2025 that were projected to be fully funded on a solvency basis is unchanged from last quarter, at 89%. Only 3% of plans had a solvency ratio below 85%, also unchanged from last quarter.
- The investment returns in Q2 2025 averaged a net return of 1.5%.
- Solvency discount rates increased since the last quarter resulting in a decrease in plan liabilities.

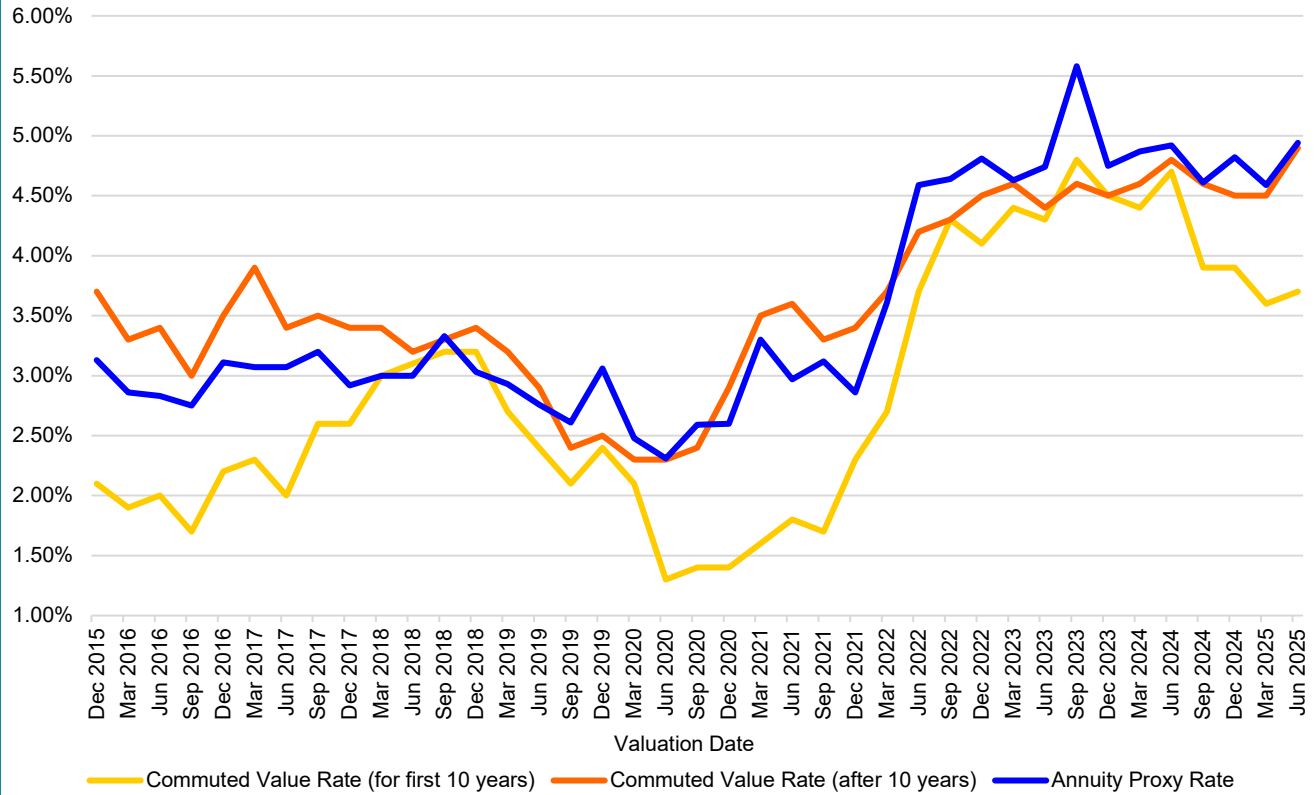
Due to the U.S. tariff announcement on April 2, 2025, global markets experienced heightened volatility. This led to a further 5% decline in the median solvency ratio in early April, followed by a recovery over the remainder of the quarter that saw it rise above its March 31 level, despite ongoing concerns about global trade and increased economic uncertainty. These fluctuations highlight the sensitivity of pension funding positions and reinforce the importance of ongoing vigilance and risk management, rooted in a perspective focused on long-term sustainability. It remains important for plan sponsors to continue applying strategies that reflect the specific characteristics of their plans.

Projected Solvency Position as at June 30, 2025	Q2 2025	Q1 2025	Q4 2024
Median solvency ratio	122%	119%	122%
Percentage of plans with a solvency ratio greater than 100%	89%	89%	91%
Percentage of plans with a solvency ratio between 85% and 100%	8%	8%	7%
Percentage of plans with a solvency ratio below 85%	3%	3%	2%

The projected solvency position, in aggregate, improved since last quarter. The 3 percentage point increase in the estimated median solvency ratio since March 31, 2025 is attributable to:

- Increase in solvency discount rates
 - The non-indexed commuted value discount rates, for the select and ultimate periods, increased by 10 bps and 40 bps, respectively and the non-indexed annuity purchase discount rate increased by 35 bps, resulting in a decrease in pension liabilities.
- Q2 2025 pension fund investment returns
 - The average second quarter 2025 gross and net, after expense, return estimates were 1.8% and 1.5%, respectively.

Non-indexed Commuted Value and Annuity Proxy Rates¹

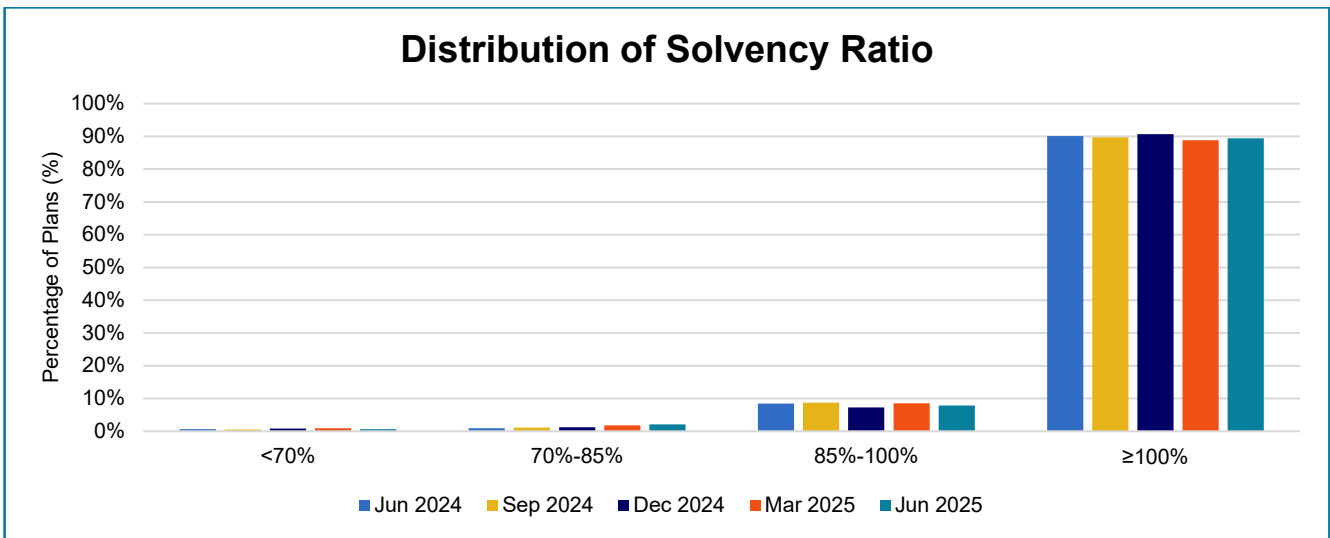
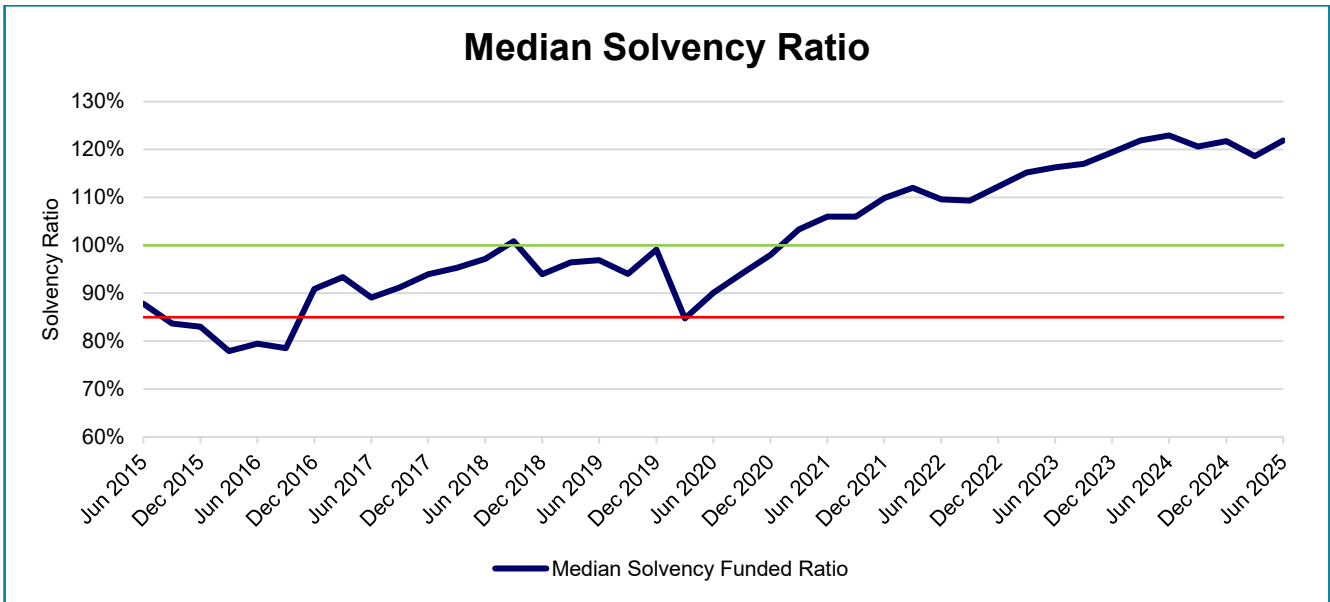


¹ based on a medium duration illustrative block

Canadians continued to experience economic uncertainty from tariff and global trade concerns in the second quarter of 2025, but ultimately equity indices increased, and the Canadian dollar strengthened relative to the US dollar. The Bank of Canada (BoC) outlined two scenarios in its April 2025 Monetary Policy Report: a first optimistic scenario where GDP growth briefly stalls from tariff concerns but then expands at a moderate pace (with GDP growth of 1.6% in 2025 and 1.4% in 2026), and a second pessimistic scenario where GDP is more adversely affected from tariff uncertainty (with GDP growth of 0.8% in 2025 and GDP reduction of 0.2% in 2026). Statistics Canada's data shows GDP increased 1.3% from April 2024 to April 2025. In May 2025, the CPI inflation rate declined to 1.7%, below the BoC's 2% midpoint inflation target. The unemployment rate decreased mildly to 6.9% in June, down from 7% in May.

The Canadian yield curve shifted up slightly and steepened, with the 2-year and 10-year benchmark government bond yields ending Q2 at 2.59% and 3.28%, respectively. In Q2, the FTSE Canada Universe Bond index returned -0.57% and the Canadian dollar strengthened by 5.7% relative to the US dollar. The S&P / TSX Composite Index experienced volatility in April and fell sharply after the so-called "Liberation Day" tariff impositions but then recovered to record highs. The S&P / TSX Composite Index returned 8.53% for the quarter.

In Q2, the Canadian policy interest rate held steady at 2.75% and the US Federal Funds Target Range remained unchanged at 4.25% to 4.50%. The US Federal Reserve proceeded with quantitative tightening and continued to reduce balance sheet holdings; during this time, the BoC's total assets also declined.



Methodology and assumptions

1. The results reported in each plan’s last filed actuarial valuation reports (assets and liabilities) were projected to June 30, 2025 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 normal cost contributions and special payments, if required, at the statutory minimum level.
 - Cash outflows were assumed to equal pension amounts payable to retired members as reported in the last filed valuation report. Plan administration costs were not directly reflected in cash outflows, but indirectly through net, after expense investment earnings.
 - Projected liabilities were calculated based on the Canadian Institute of Actuaries’ (CIA) Standards of Practice for Pension Commuted Values and the CIA annuity purchase guidance applicable at the projection date.

2. Each plan’s actual net rates of return are calculated based on its most recently filed Investment Information Summary (IIS) information. Where returns needed to be estimated, this was done using the IIS asset allocation in combination with market index returns, offset by a 25 basis point quarterly expense charge.

The following table summarizes the average IIS plan asset allocations by major asset class based on the most recent filed IIS:

Cash and Short-Term Investments	Canadian Equities	Foreign Equities	Fixed Income	Real Estate	Other
3.9%	17.5%	17.9%	53.3%	6.3%	1.1%

Market index returns on the major asset classes have been as follows:

	FTSE Canada 91-day T-Bill Index	S&P / TSX Total Return Index	MSCI World Total Net Return Index	FTSE Canada Universe Bond Index	FTSE Canada Long Term Bond Index	Cohen & Steers Global Realty Majors Index
Q2 2025	0.7%	8.5%	5.7%	-0.6%	-2.3%	-0.5%
Q1 2025	0.8%	1.5%	-1.7%	2.0%	1.8%	2.2%
Q4 2024	1.1%	3.8%	6.3%	0.0%	-0.8%	-4.6%
Q3 2024	1.2%	10.5%	5.0%	4.7%	5.8%	14.6%