

FSRA

Financial Services Regulatory
Authority of Ontario



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Quarterly update on

Estimated Solvency Funded Status of Defined Benefit Pension Plans in Ontario

Update as at September 30, 2025

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Report date: October 24, 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 September 30, 2025

The median solvency ratio climbed to 124% at September 30, 2025, marking a 2-percentage point increase from 122% the previous quarter, driven by robust Q3 market performance amid ongoing global trade and economic uncertainties.

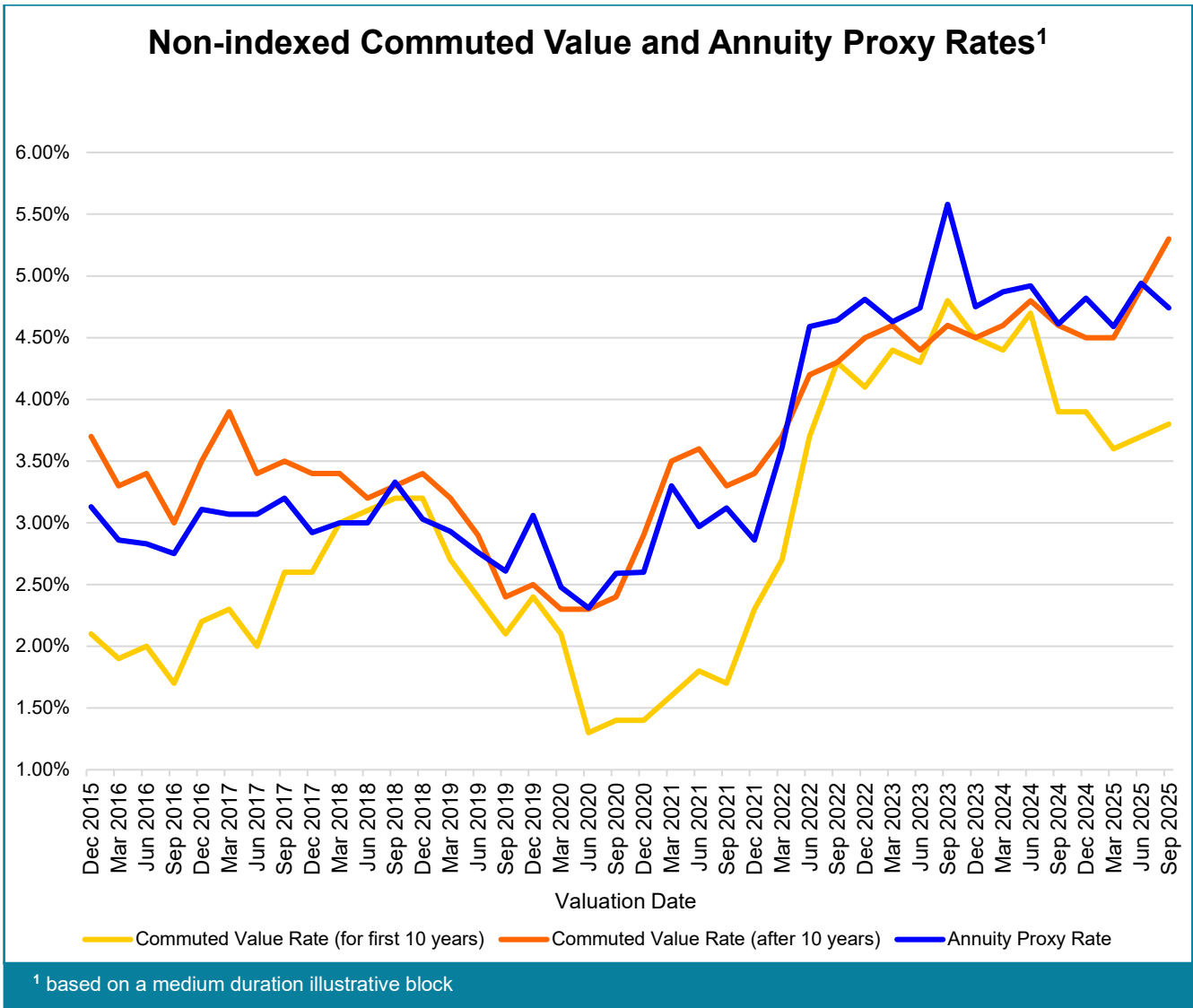
- The percentage of pension plans that were projected to be fully funded on a solvency basis as at September 30, 2025 was 92% compared to 89% as at June 30, 2025. Only 2% of plans had a solvency ratio below 85%, a decrease of one percentage point since last quarter.
- The investment returns in Q3 2025 averaged a net return of 4.6%.
- Discount rates for commuted values rose while annuity purchase rates fell, resulting in most plans experiencing a slight increase in pension liabilities.

Overall, pension plans remain financially strong, with the median solvency ratio reaching a new high, primarily driven by robust equity returns in Q3 2025. This strength underscores the importance of prudent governance and proactive risk management. In the face of ongoing trade uncertainties, market volatility and a potentially weakened Canadian economy, it serves as a reminder that achieving a pension plan's sustainability is not a one-time exercise; rather, it requires continuous commitment, strategic planning, and active oversight.

Projected Solvency Position as at September 30, 2025	Q3 2025	Q2 2025	Q4 2024
Median solvency ratio	124%	122%	122%
Percentage of plans with a solvency ratio greater than 100%	92%	89%	91%
Percentage of plans with a solvency ratio between 85% and 100%	6%	8%	7%
Percentage of plans with a solvency ratio below 85%	2%	3%	2%

The projected solvency position, in aggregate, improved since last quarter. The 2-percentage point increase in the estimated median solvency ratio since June 30, 2025 is attributable to:

- Q3 2025 pension fund investment returns
 - The average third quarter 2025 gross and net, after expense, return estimates were 4.9% and 4.6%, respectively.
- Change 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, whereas the non-indexed annuity purchase discount rate moved in the opposite direction, decreasing by 20 bps. As a result of these offsetting movements, most plans saw a slight increase in pension liabilities.

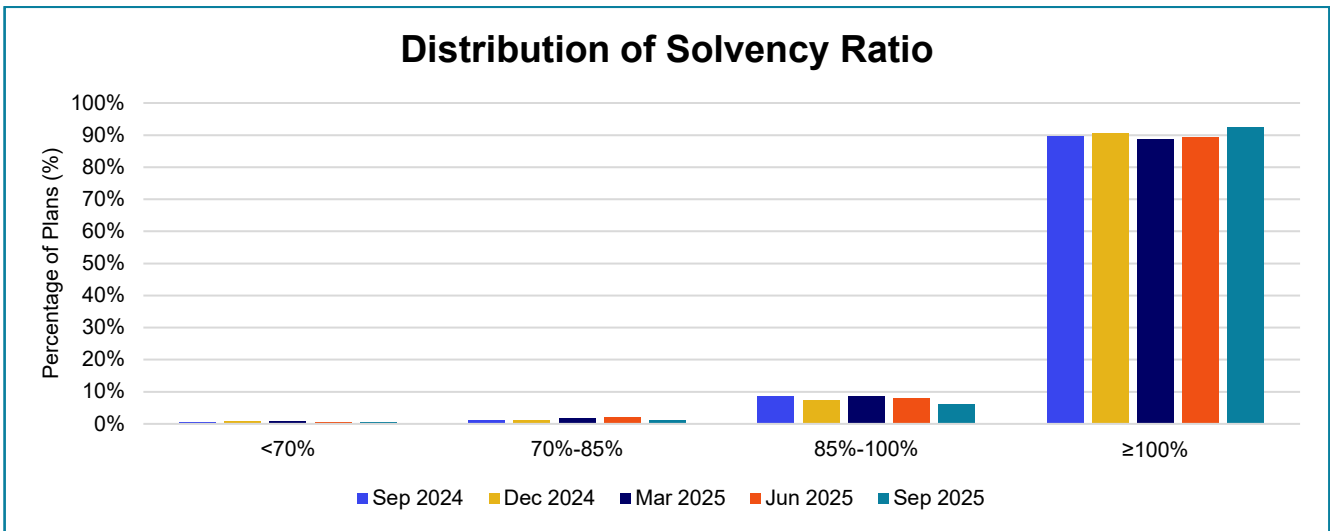
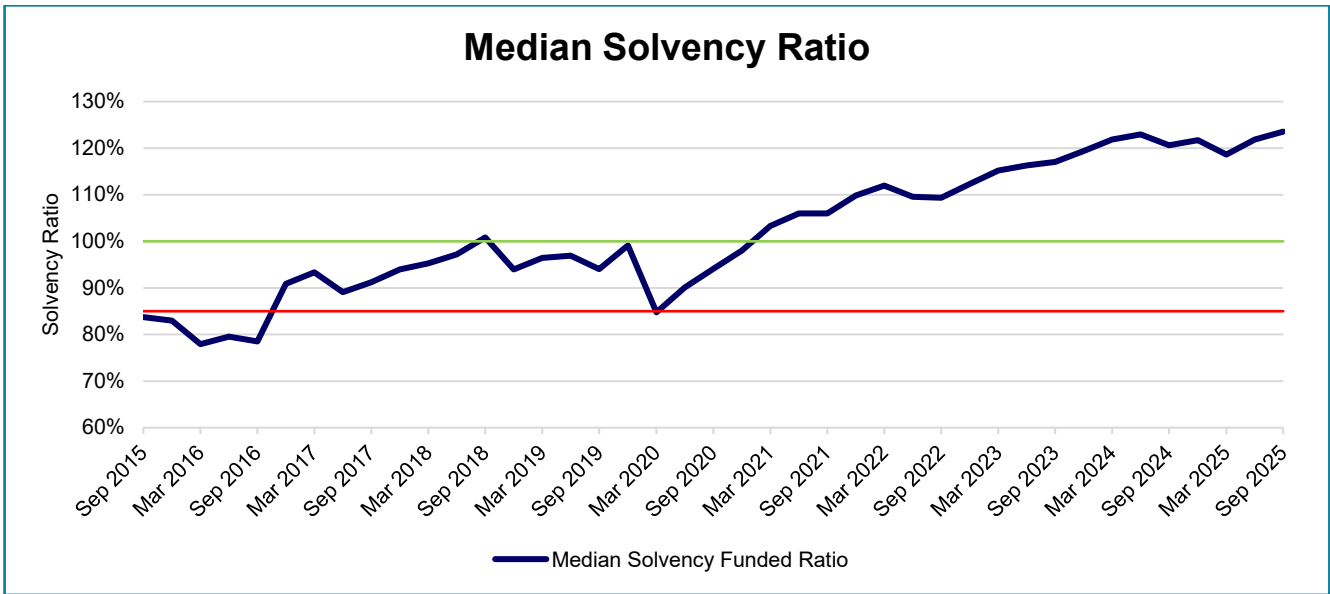


Market commentary

During the third quarter of 2025, the Canadian dollar declined compared to the US dollar, while Canadian equities provided strong returns. The price of gold increased to record highs, gaining 42% in Canadian dollars since end-of-2024. Canadian GDP grew 0.9% from July 2024 to July 2025. In August 2025, the People's Republic of China placed a 75.8% duty on Canadian canola seeds, in addition to the 100% tariff on Canadian canola oil imposed earlier in 2025, which is viewed as a retaliatory measure in response to Canada's tariff on Chinese-made electric vehicles. Canadian unemployment stands at 7.1% in September 2025, slightly up from 6.9% at end-of-Q2, while CPI inflation was 1.9% in August 2025.

The Canadian yield curve shifted slightly down in Q3, with the 2-year and 10-year benchmark government bond yields ending Q3 at 2.47% and 3.17%, respectively. In Q3, the FTSE Canada Universe Bond index returned 1.52%, and the Canadian dollar weakened 2.2% relative to the US dollar. The S&P / TSX Composite Index provided a strong quarterly return of 12.5%, following a very positive Q2 2025 return.

The BoC cut the Canadian policy interest rate by 25 bps on September 17th, to 2.5%. The US Federal Reserve also cut the US Federal Funds Target Range by 25 bps on September 17th, resulting in a range of 4.0% to 4.25%. The US Federal Reserve proceeded with quantitative tightening, continuing 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 report (assets and liabilities) were projected to September 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
4.2%	17.3%	17.7%	53.5%	6.1%	1.2%

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
Q3 2025	0.7%	12.5%	9.4%	1.5%	1.2%	3.9%
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%