



Quarterly update on

Estimated Solvency Funded Status of Defined Benefit Pension Plans in Ontario

Update as at December 31, 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 December 31, 2025

Pension plan solvency positions remained strong at the end of 2025, with the median projected solvency ratio holding steady at 124% as at December 31, 2025 – matching the record high reached in the previous quarter and up from 122% a year earlier.

- The median projected solvency ratio was 124% as at December 31, 2025, unchanged from September 30, 2025 (and a two percentage point increase from 122% as at December 31, 2024).
- The percentage of pension plans that were projected to be fully funded on a solvency basis as at December 31, 2025 was 92%, unchanged from September 30, 2025. Only 2% of plans had a solvency ratio below 85%, also unchanged since last quarter and since the end of 2024.
- The investment returns in Q4 2025 averaged a net return of 0.6%. Overall, pension plans achieved an average net return of 7.7% in 2025.
- Discount rates for commuted values fell while annuity purchase rates rose, resulting in most plans experiencing a slight decrease in pension liabilities.

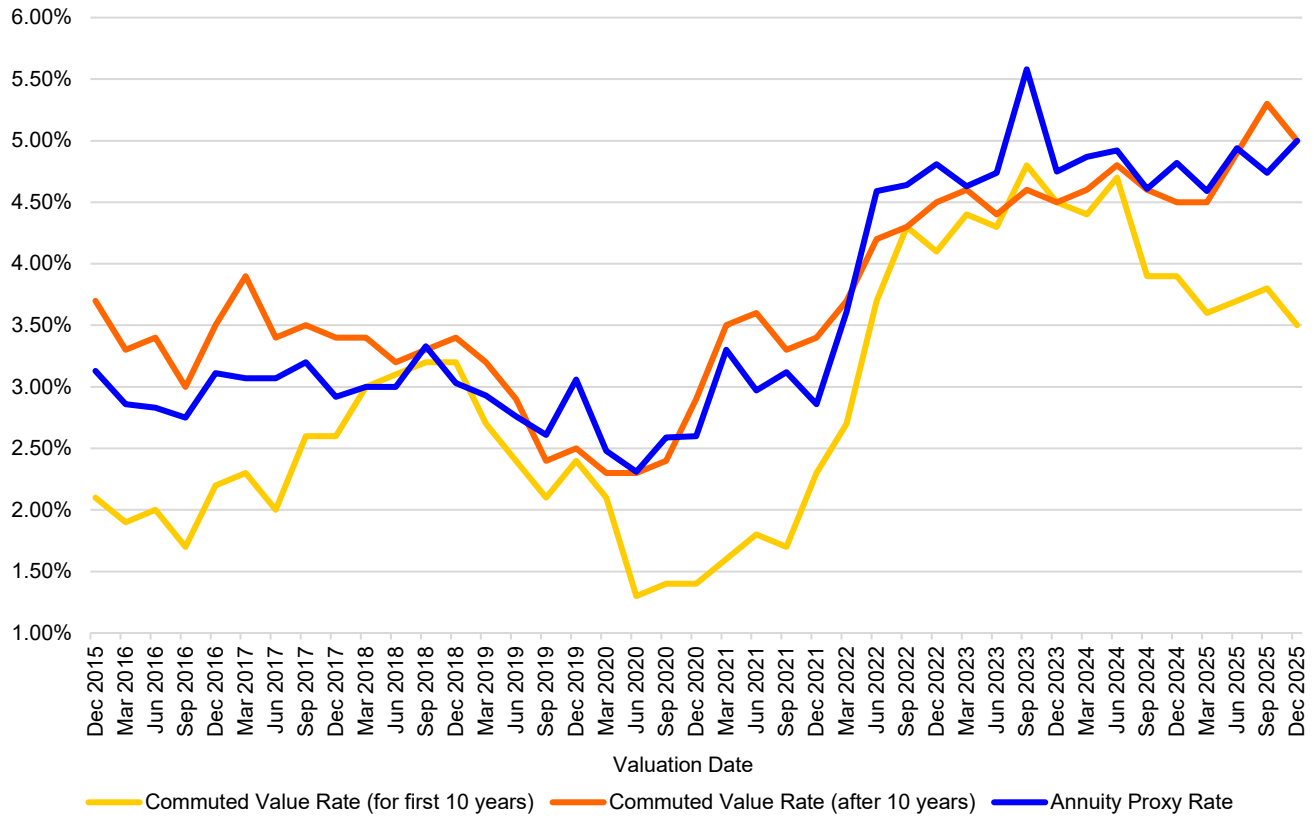
Following periods of volatility in the first half of 2025, funded levels finished the year strong overall, supported by positive market performance, particularly in equities. As plans move into 2026, plan sponsors and administrators should continue to be vigilant regarding potential headwinds, including interest rate movements, equity market corrections, and broader geopolitical and economic uncertainty. While current funded levels are strong, they can deteriorate rapidly under shocks or continued adverse conditions. FSRA encourages plan sponsors and administrators to regularly assess their funded position under adverse scenarios, review and update risk mitigation strategies, and ensure that investment policies remain aligned with their plan's specific profile and risk tolerance to maintain resilience in uncertain times ahead.

Projected Solvency Position as at December 31, 2025	Q4 2025	Q3 2025	Q4 2024
Median solvency ratio	124%	124%	122%
Percentage of plans with a solvency ratio greater than 100%	92%	92%	91%
Percentage of plans with a solvency ratio between 85% and 100%	6%	6%	7%
Percentage of plans with a solvency ratio below 85%	2%	2%	2%

The projected solvency position, in aggregate, remained the same since last quarter. The steady position of the estimated median solvency ratio since September 30, 2025 is attributable to:

- Q4 2025 pension fund investment returns
 - The average fourth quarter 2025 gross and net, after expense, return estimates were 0.8% and 0.6%, respectively.
- Change in solvency discount rates
 - The non-indexed commuted value discount rates, for the select and ultimate periods, decreased by 30 basis points (bps), whereas the non-indexed annuity purchase discount rate moved in the opposite direction, increasing by 26 bps. As a result of these offsetting movements, most plans saw a slight decrease in pension liabilities.

Non-indexed Commuted Value and Annuity Proxy Rates¹



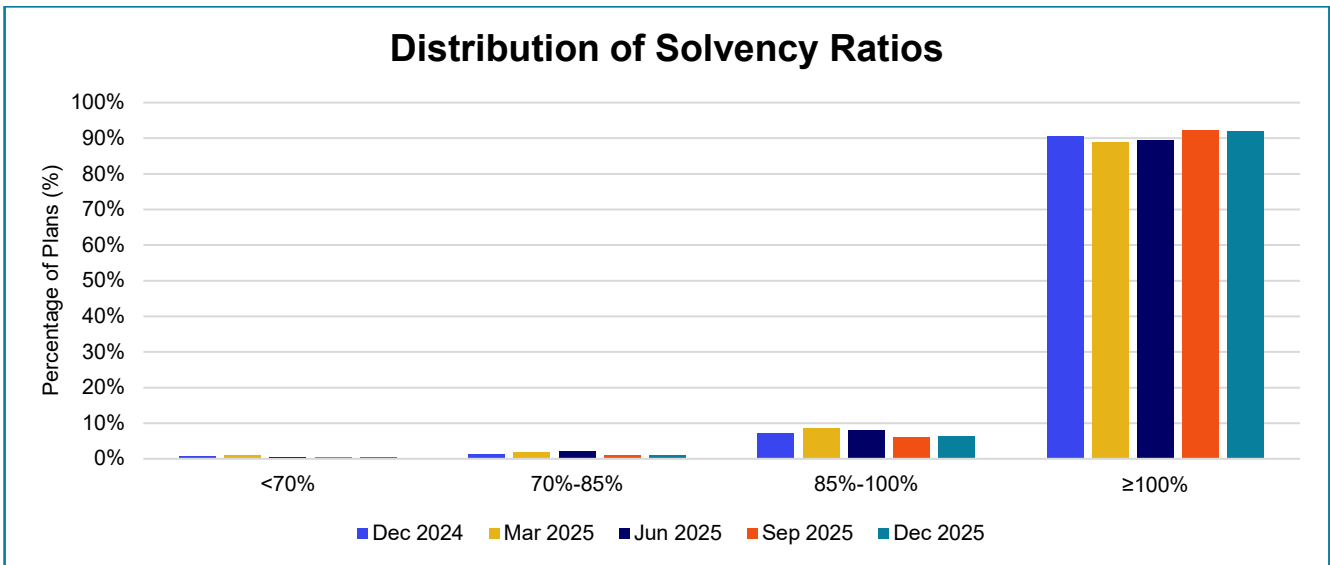
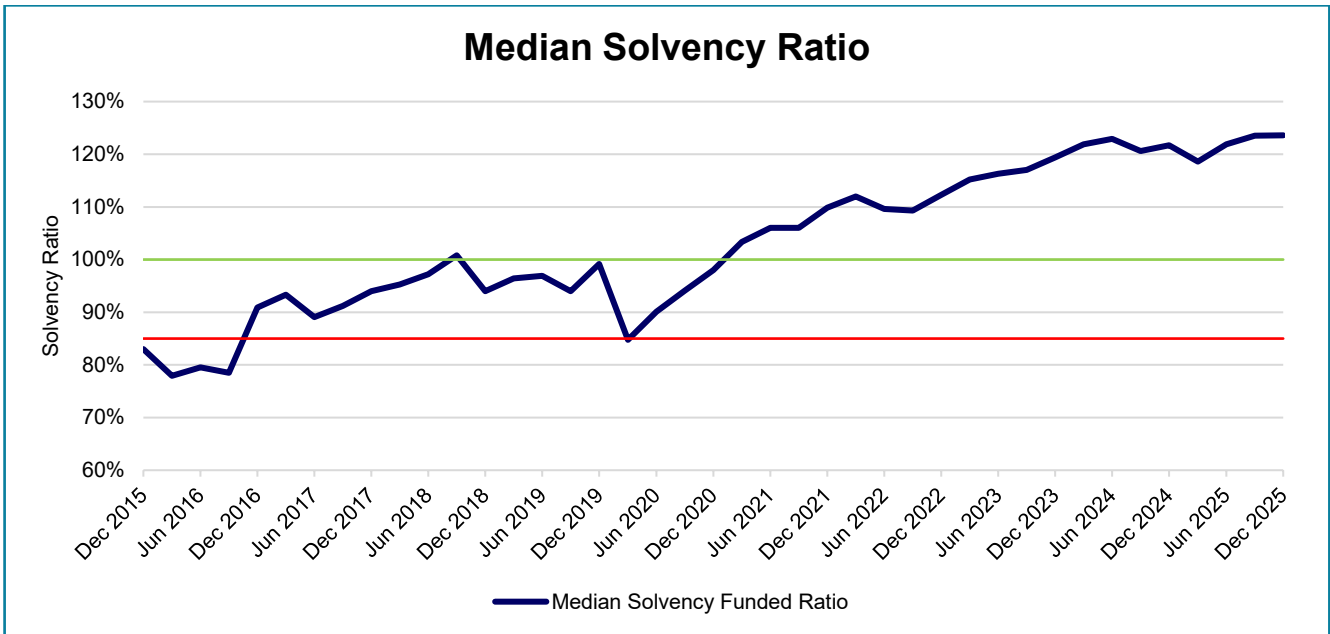
¹ based on a medium duration illustrative block

Market commentary

In Q4 2025, Canadian equities continued to provide strong returns, and the Canadian dollar strengthened, however the Bank of Canada (BoC) revised downward its projected GDP growth for 2025. The BoC's October Monetary Policy Report revised the GDP growth projections for 2025 and 2026 to 1.2% and 1.1%, from 1.3% and 1.1%, respectively, in the July report. The BoC notes that Canadian population growth is projected to be much lower in 2026 and 2027 compared to 2025 and 2024. The unemployment rate dropped from 7.1% in September to 6.8% in December 2025, and the CPI inflation rate was 2.2% in November, slightly lower than at the end of Q3. Gold prices increased substantially in Q4 2025, and the BoC has commented that international demand for gold as a reserve asset has grown.

The Canadian yield curve has shifted up slightly and steepened, with the 2-year and 10-year benchmark government bond yields ending Q4 at 2.58% and 3.42%, respectively. In Q4, the FTSE Canada Universe Bond index returned -0.32%, and the Canadian dollar strengthened 1.4% relative to the US dollar. The S&P / TSX Composite Index provided a strong quarterly return of 6.25%, following a very positive Q3 2025 return.

The BoC cut the Canadian policy interest rate by 25 bps on October 29th, to 2.25%. The US Federal Reserve cut the US Federal Funds Target Range twice by 25 bps each, on October 29th and December 10th, resulting in a range of 3.5% to 3.75%. During Q4 of 2025, the US Federal Reserve and BoC both increased their total assets balance sheet holdings.



Methodology and assumptions

1. The results reported in each plan's last filed actuarial valuation reports (assets and liabilities) were projected to December 31, 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 bps 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
4.8%	16.8%	18.6%	54.0%	4.4%	1.4%

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
Q4 2025	0.6%	6.3%	1.6%	-0.3%	-1.4%	-2.9%
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%