



Financial Services Regulatory  
Authority of Ontario



Ontario

## Pensions

Quarterly update on

# Estimated Solvency Funded Status of Defined Benefit Pension Plans in Ontario

Update as at March 31, 2026

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**Report date: April 23, 2026**

## 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 March 31, 2026

The median projected solvency ratio declined by two percentage points in the first quarter of 2026, decreasing to 122% as at March 31, 2026, following two consecutive quarters at a record-high of 124%. Inflationary pressures, geopolitical tensions, and slowing global growth continue to contribute to an uncertain economic and financial environment facing plan sponsors, administrators and members.

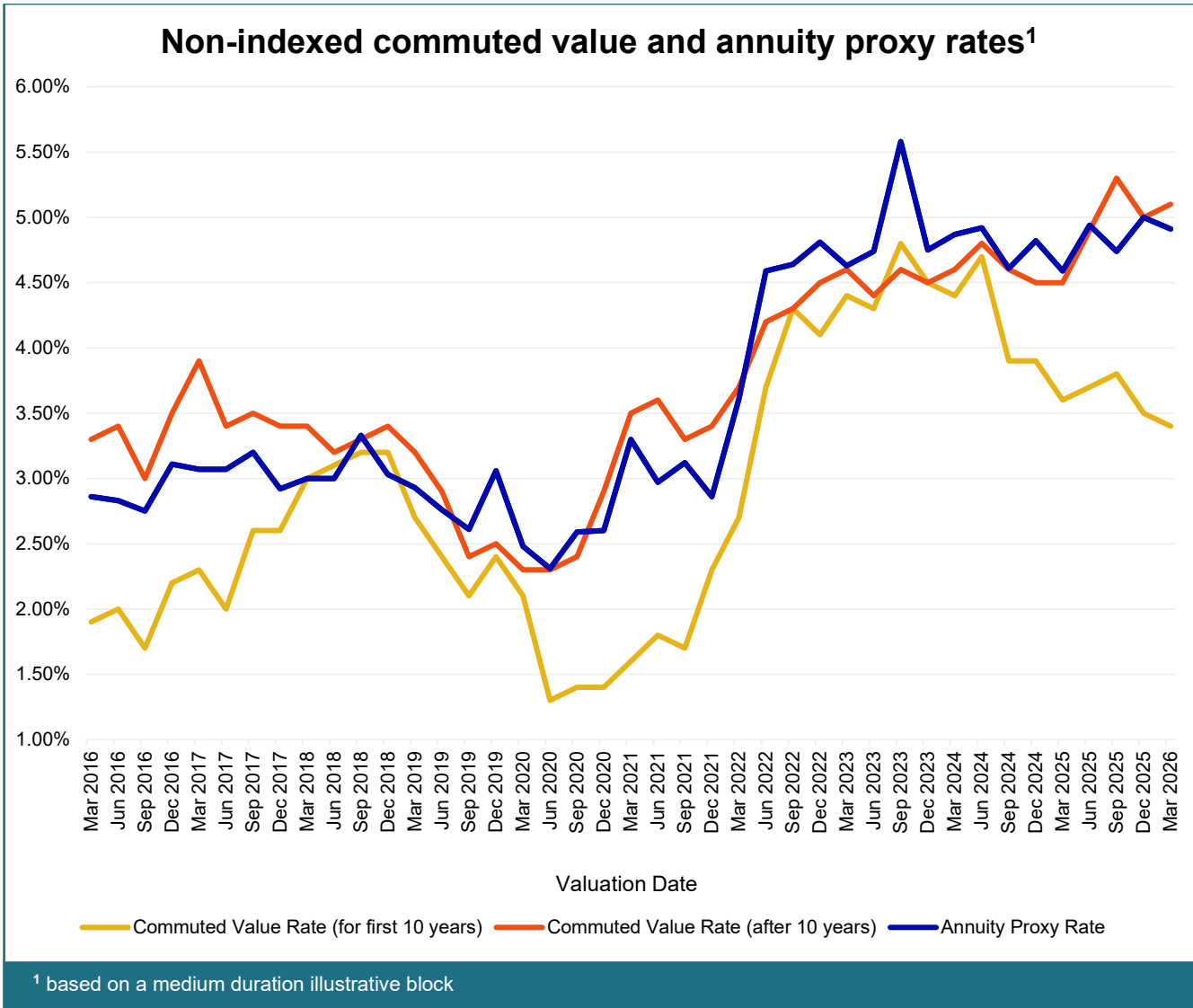
- The median projected solvency ratio was 122% as at March 31, 2026, down from 124% as at December 31, 2025.
- The percentage of pension plans that were projected to be fully funded on a solvency basis as at March 31, 2026 was 90%, compared to 92% as at December 31, 2025. Only 2% of plans had a solvency ratio below 85%, unchanged since last quarter.
- The investment returns in Q1 2026 averaged a net return of 0.3%.
- Overall solvency discount rates decreased since last quarter, resulting in most plans experiencing a slight increase in pension liabilities.

Although current funded levels remain strong overall, they can deteriorate rapidly under adverse market conditions or economic shocks. Plans currently in solvency surplus should exercise prudence in surplus management, recognizing that elevated solvency positions may be temporary and can reverse quickly under unfavourable market or economic circumstances. Plan sponsors and administrators are encouraged to maintain a disciplined approach to funding, investment and risk management to support plan resilience and safeguarding the long-term financial security of plan beneficiaries.

Projected Solvency Position as at March 31, 2026	Q1 2026	Q4 2025	Q4 2024
Median solvency ratio	122%	124%	122%
Percentage of plans with a solvency ratio greater than 100%	90%	92%	91%
Percentage of plans with a solvency ratio between 85% and 100%	8%	6%	7%
Percentage of plans with a solvency ratio below 85%	2%	2%	2%

The projected solvency position, in aggregate, decreased since last quarter. The two-percentage point decrease in the estimated median solvency ratio since December 31, 2025, is attributable to:

- Q1 2026 pension fund investment returns
  - The average first quarter 2026 gross and net, after expense, return estimates were 0.5% and 0.3%, respectively.
- Change in solvency discount rates
  - The non-indexed commuted value discount rate for the select period, decreased by 10 basis points (bps), and for the ultimate period increased by 10 bps, whereas the non-indexed annuity purchase discount rate decreased by 9 bps. As a result of these modest movements, most plans saw a slight increase in pension liabilities.

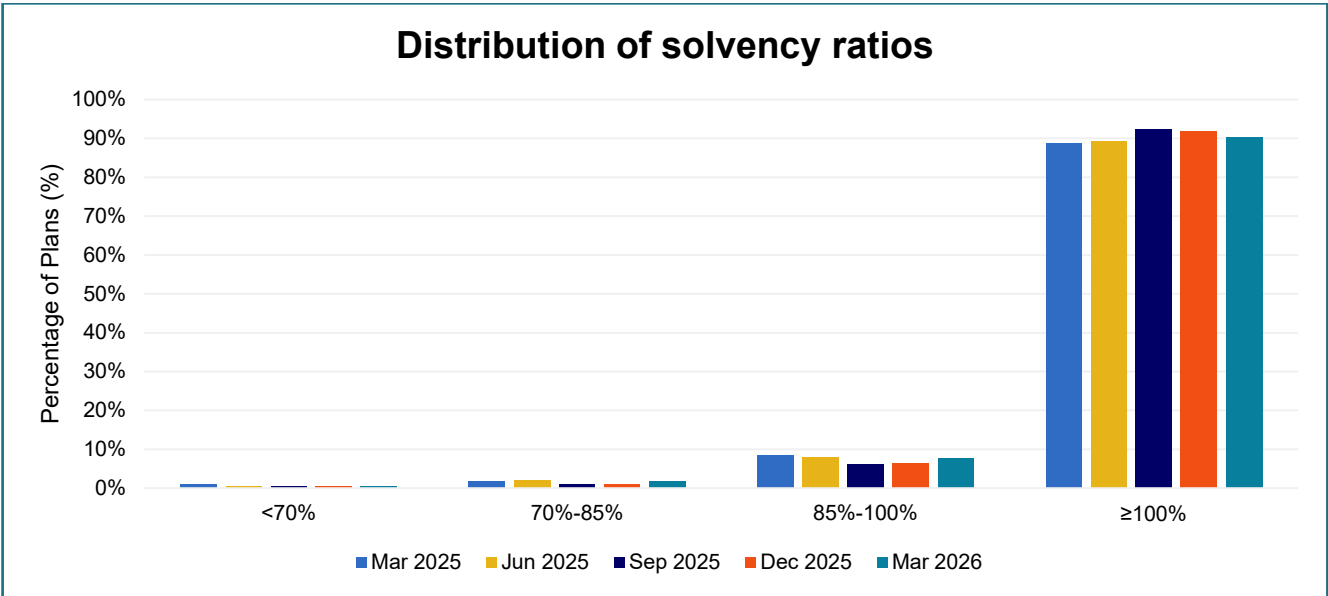
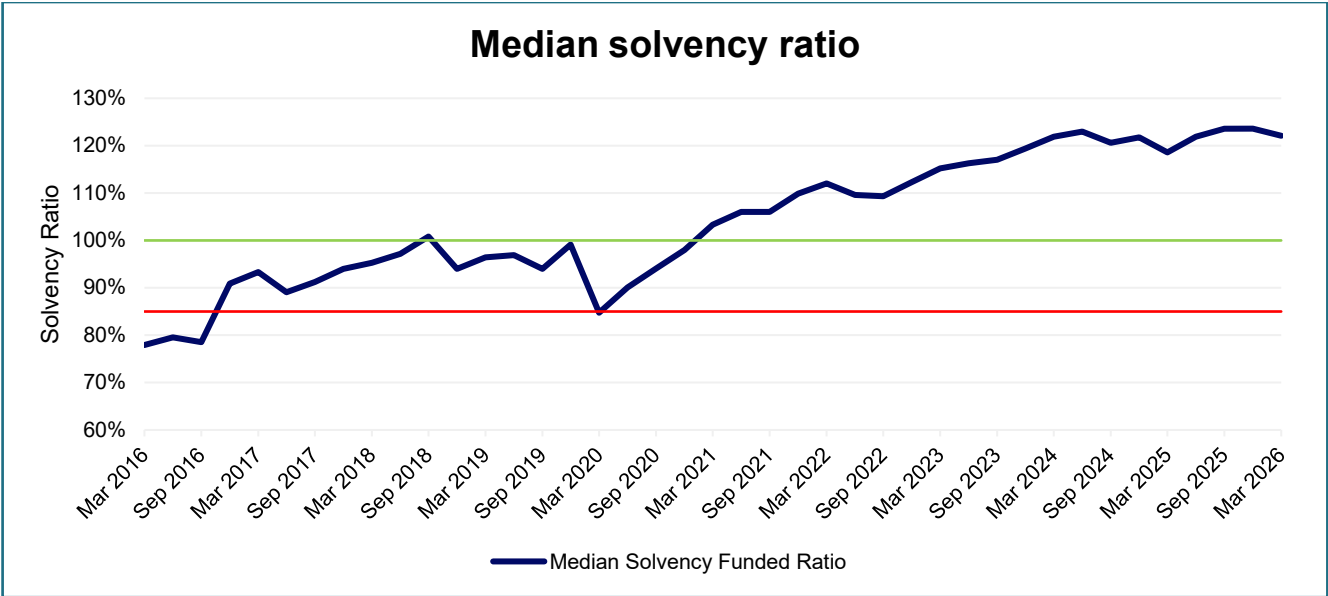


## Market commentary

Canadian markets benefited from a strong return from Canadian equities offset by a decline in the Canadian dollar and uncertainty from the war in Iran during the first quarter of 2026. The Bank of Canada's (BoC) January 2026 Monetary Policy Report maintained a 1.1% GDP growth projection for 2026. Statistics Canada's GDP data gave a 1.6% increase for 2025, and the quarterly population estimate saw a population decline for Q1 2026, which is a rare occurrence. In February, CPI inflation declined to 1.8%, down from 2.4% in December of 2025. The Bureau of Labor Statistics' US CPI index rose 3.3% for the 12 months ending March 2026, rising due to energy prices and the conflict in Iran (Canadian March CPI data has not been released at the time of writing). The unemployment rates in Canada and the US changed very little over the quarter, with unemployment at 6.7% and 4.3% in Canada and the US in March, compared to 6.8% and 4.4% in December 2025.

In Q1 2026, the Canadian government bond yield curve flattened and shifted up, with the 2-year yield at 2.82%, the 5-year yield at 3.05%, and the 10-year yield at 3.46%. The WTI crude oil spot price increased dramatically by 83% in Canadian dollar terms over Q1 2026. The Canadian dollar fell 1.4% compared to the US dollar. A balanced fund (60% equities, 40% bonds) consisting of 20% each in the S&P 500, the S&P / TSX Composite Index, and the MSCI World Equity Index, and 40% in the FTSE Canada Universe Bond Index would have returned -0.1% for the quarter. This loss would have been driven by poor performances for the MSCI World Equity Index and the S&P 500. The S&P Listed Private Equity Index (this index comprises the leading listed private equity companies) returned -15.3% for Q1 in Canadian dollar terms.

Both the BoC policy interest rate, at 2.25%, and the US Federal Funds Target Range, at 3.5% to 3.75%, remained unchanged in Q1 2026. During the quarter, the Bank of Canada reduced its total balance sheet assets, while the US Federal Reserve increased its total balance sheet assets.



## Methodology and assumptions

- The results reported in each plan's last filed actuarial valuation report (assets and liabilities) were projected to March 31, 2026 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.
- 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%	16.7%	18.7%	54.0%	4.3%	1.5%

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
<b>Q1 2026</b>	0.5%	3.9%	-1.8%	0.2%	-0.0%	2.9%
<b>Q4 2025</b>	0.6%	6.3%	1.6%	-0.3%	-1.4%	-2.9%
<b>Q3 2025</b>	0.7%	12.5%	9.4%	1.5%	1.2%	3.9%
<b>Q2 2025</b>	0.7%	8.5%	5.7%	-0.6%	-2.3%	-0.5%

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