FSRA
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 June 30, 2026

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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, 2026

Solvency positions strengthened significantly during the second quarter of 2026, with the median projected solvency ratio increasing by five percentage points to a record high of 127%. Strong investment performance was the primary driver of the improvement.

- The median projected solvency ratio was 127% as at June 30, 2026, up from 122% as at March 31, 2026.
- The percentage of pension plans that were projected to be fully funded on a solvency basis as at June 30, 2026 increased to 93%, compared to 90% as at March 31, 2026. Only 2% of plans had a solvency ratio below 85%, unchanged since last quarter.
- The investment returns averaged a net return of 5.8% during Q2 2026, reflecting favourable market performance, particularly in equity markets.
- Solvency discount rates moved in opposite directions for liabilities assumed to be settled by lump sum transfers versus annuity purchases, with the impacts largely offsetting each other. While the impact may have varied across individual plans, aggregate pension liabilities were largely unchanged during the quarter.

> The significant improvement in solvency statuses during the second quarter of 2026 is encouraging for pension stakeholders and provides plans with a larger buffer against adverse experience. However, strong funding levels should not diminish the importance of ongoing vigilance and sound governance. Pension plans continue to operate in an increasingly complex global environment, characterized by geopolitical tensions, evolving trade dynamics, inflationary pressures, and financial market volatility.

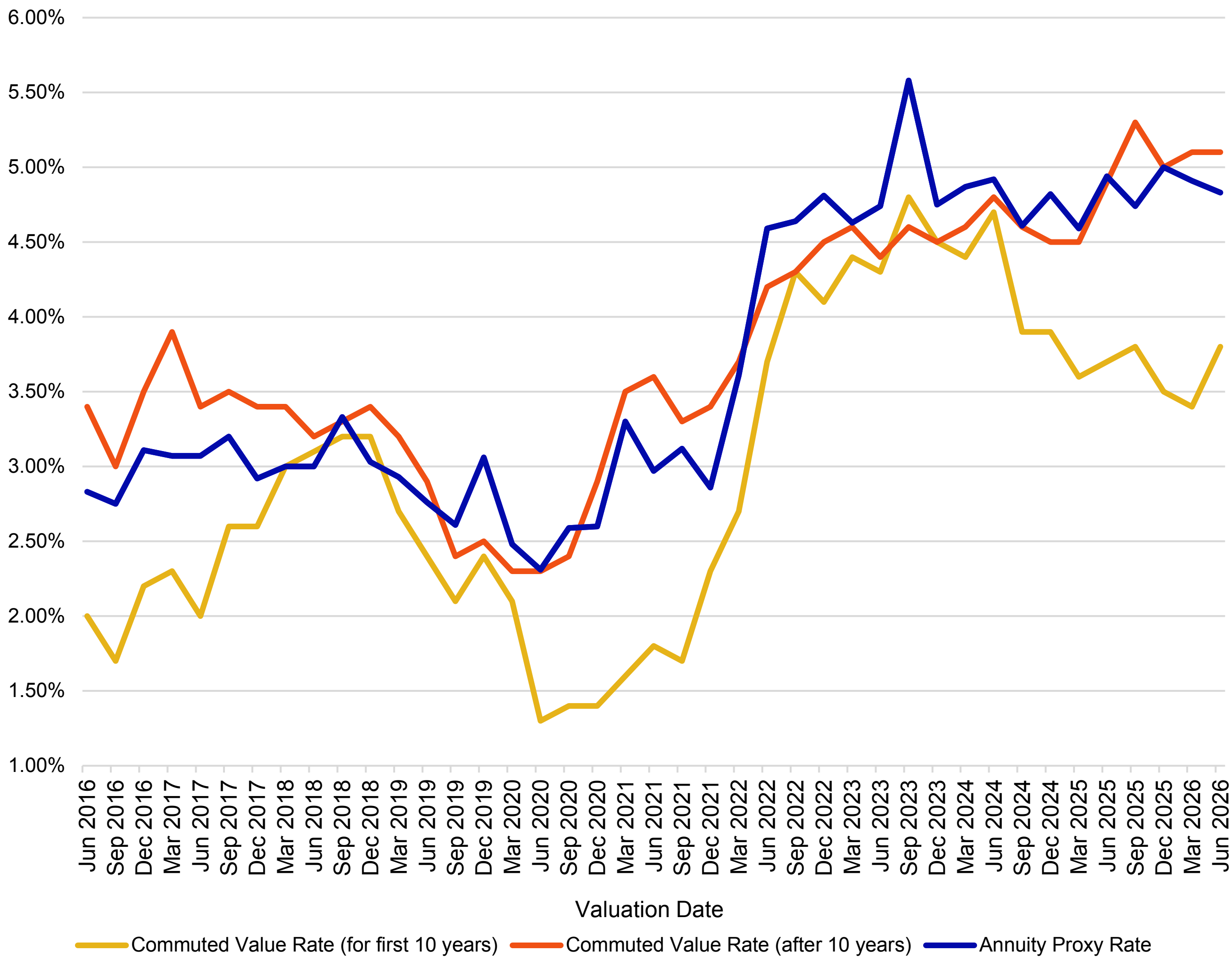
While future conditions are inherently uncertain, plan sponsors and administrators should continue to assess how emerging risks may affect their pension plans and ensure that appropriate funding, investment, communication, and risk-management strategies remain in place. Maintaining effective governance frameworks can enhance oversight, strengthen plan resilience, and help safeguard the long-term security of pension benefits.

Projected Solvency position as at June 30, 2026	Q2 2026	Q1 2026	Q4 2025
Median solvency ratio	127%	122%	124%
Percentage of plans with a solvency ratio greater than 100%	93%	90%	92%
Percentage of plans with a solvency ratio between 85% and 100%	5%	8%	6%
Percentage of plans with a solvency ratio below 85%	2%	2%	2%

The projected solvency position, in aggregate, increased since last quarter. The five-percentage point increase in the estimated median solvency ratio since March 31, 2026, is attributable to:

- Strong pension fund investment returns in Q2 2026
  - The average second quarter 2026 gross and net, after expense, return estimates were 6.0% and 5.8%, respectively.
- Change in solvency discount rates
  - The non-indexed commuted value discount rate for the select period, increased by 40 basis points (bps), and for the ultimate period, the discount rate remained unchanged. The non-indexed annuity purchase discount rate decreased slightly by 8 bps. The overall net impact on pension liabilities in aggregate was largely unchanged during the quarter.

Non-indexed commuted value and annuity proxy rates[1]



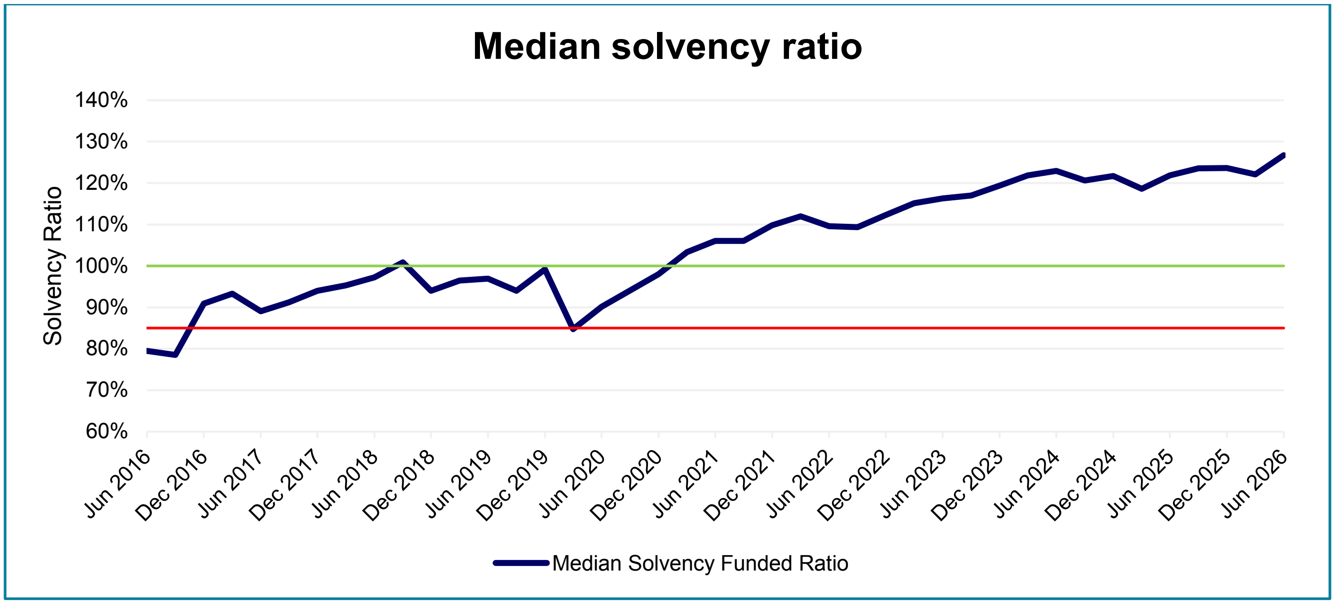
[1] based on a medium duration illustrative block

Market commentary

During the second quarter of 2026, the Canadian dollar declined compared to the US dollar, while oil prices declined, and equities provided positive returns. The conflict in Iran continued to impact global prices, with Canadian CPI inflation hitting 3.2% annualized in May, and the Bank of Canada (BoC) reporting that natural gas prices in Europe and Asia have risen sharply. The West Texas Intermediate oil price hit a peak over the last year in the second week of April but ultimately declined 13.2% in Canadian dollar terms during Q2 of 2026. Canadian GDP grew 1.1% from April 2025 to April 2026. The BoC's April 2026 Monetary Policy Report increased GDP growth expectations to 1.2% and 1.6% for 2026 and 2027, respectively, from 1.1% and 1.5% in the previous report. The unemployment rate was 6.5% in June 2026, slightly down from the end of Q1 2026.

The Canadian yield curve has shifted down slightly, with the 2-year and 10-year benchmark government bond yields ending Q2 at 2.74% and 3.38%, respectively. In Q2, the FTSE Canada Universe Bond index returned 2.0%, and the Canadian dollar weakened 2.0% relative to the US dollar. The S&P / TSX Composite Index provided a strong quarterly return of 7.0%, following a positive Q1 2026 return. The S&P Listed Private Equity Total Return Index returned 4.3% for the quarter.

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 Q2 2026. During the quarter, the Bank of Canada slightly reduced its total balance sheet assets, while the US Federal Reserve slightly increased its total balance sheet assets.


Median solvency ratio
Solvency Ratio
140%
130%
120%
110%
100%
90%
80%
70%
60%
Jun 2016
Dec 2016
Jun 2017
Dec 2017
Jun 2018
Dec 2018
Jun 2019
Dec 2019
Jun 2020
Dec 2020
Jun 2021
Dec 2021
Jun 2022
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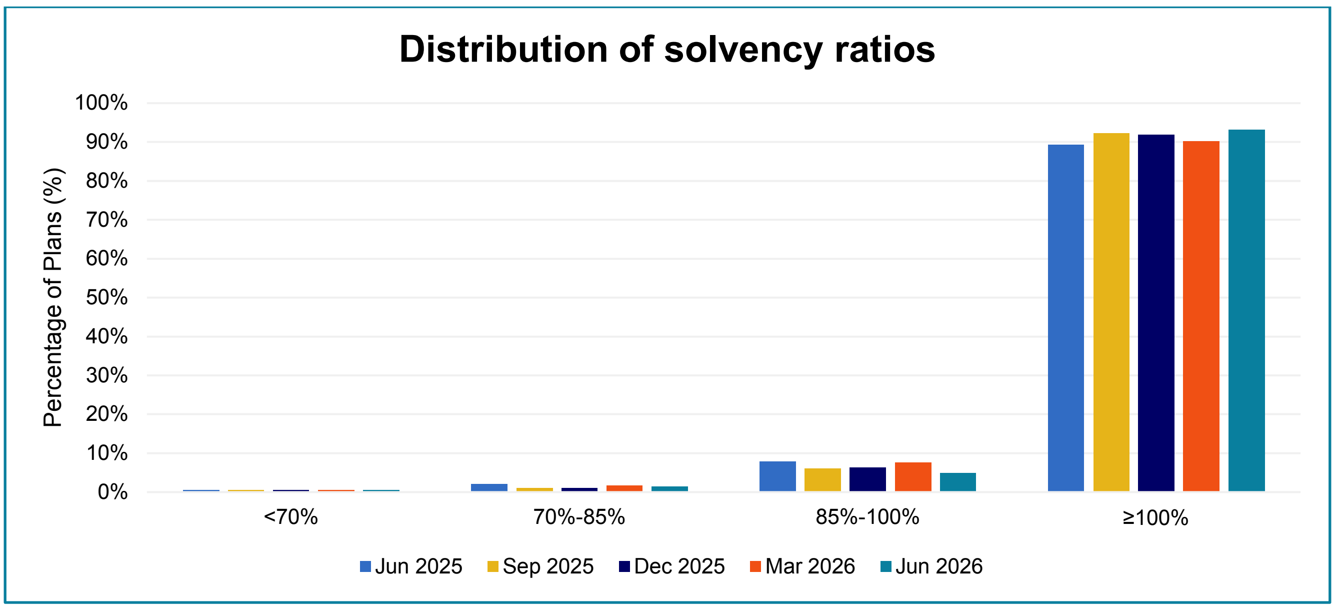
Jun 2026
Median Solvency Funded Ratio


Distribution of solvency ratios
Percentage of Plans (%)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
<70%
70%-85%
85%-100%
≥100%
Jun 2025
Sep 2025
Dec 2025
Mar 2026
Jun 2026

Methodology and assumptions

1. The results reported in each plan's last filed actuarial valuation report (assets and liabilities) were projected to June 30, 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.

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
5.5%	17.0%	18.0%	52.7%	5.4%	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
Q2 2026	0.6%	7.0%	15.6%	2.0%	3.4%	8.9%
Q1 2026	0.5%	3.9%	-1.8%	0.2%	-0.0%	2.9%
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%

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