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 September 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 September 30, 2026

Ontario defined benefit pension plans remained financially strong on a solvency funded basis as at September 30, 2026, despite the first negative quarterly investment return since Q3 2023. For most plans, the decline in solvency liabilities associated with higher discount rates surpassed the impact of the asset losses, resulting in an overall improvement in the median funded status. The median projected solvency ratio reached a new record high of 129%. The highlights of the results, are as follows:

- The median projected solvency ratio was 129% as at September 30, 2026, up from 127% as at June 30, 2026.
- The percentage of pension plans that were projected to be fully funded on a solvency basis as at September 30, 2026 increased to 94%, compared to 93% as at June 30, 2026. Only 1% of plans had a solvency ratio below 85%, down from 2% as at the last quarter.
- The investment returns in Q3 2026 averaged a net return of -2.5%. This marked the first negative quarterly return since Q3 2023, ending an 11-quarter streak of positive returns. Losses in fixed income investments outweighed equity gains.
- Solvency discount rates increased, leading to a decrease in plan liabilities which more than offset the impact of asset losses over the quarter, resulting in an improvement in the median solvency ratio.

> Strong funded positions provide an important buffer against adverse experience, but they do not eliminate funding risk. While funding levels remain very favourable for most plans, these conditions will not persist indefinitely as economic and financial market conditions evolve. Ongoing geopolitical uncertainty, inflationary pressures, and market volatility underscore the importance of maintaining vigilance in pension plan management. Plan sponsors and administrators should remain attentive to

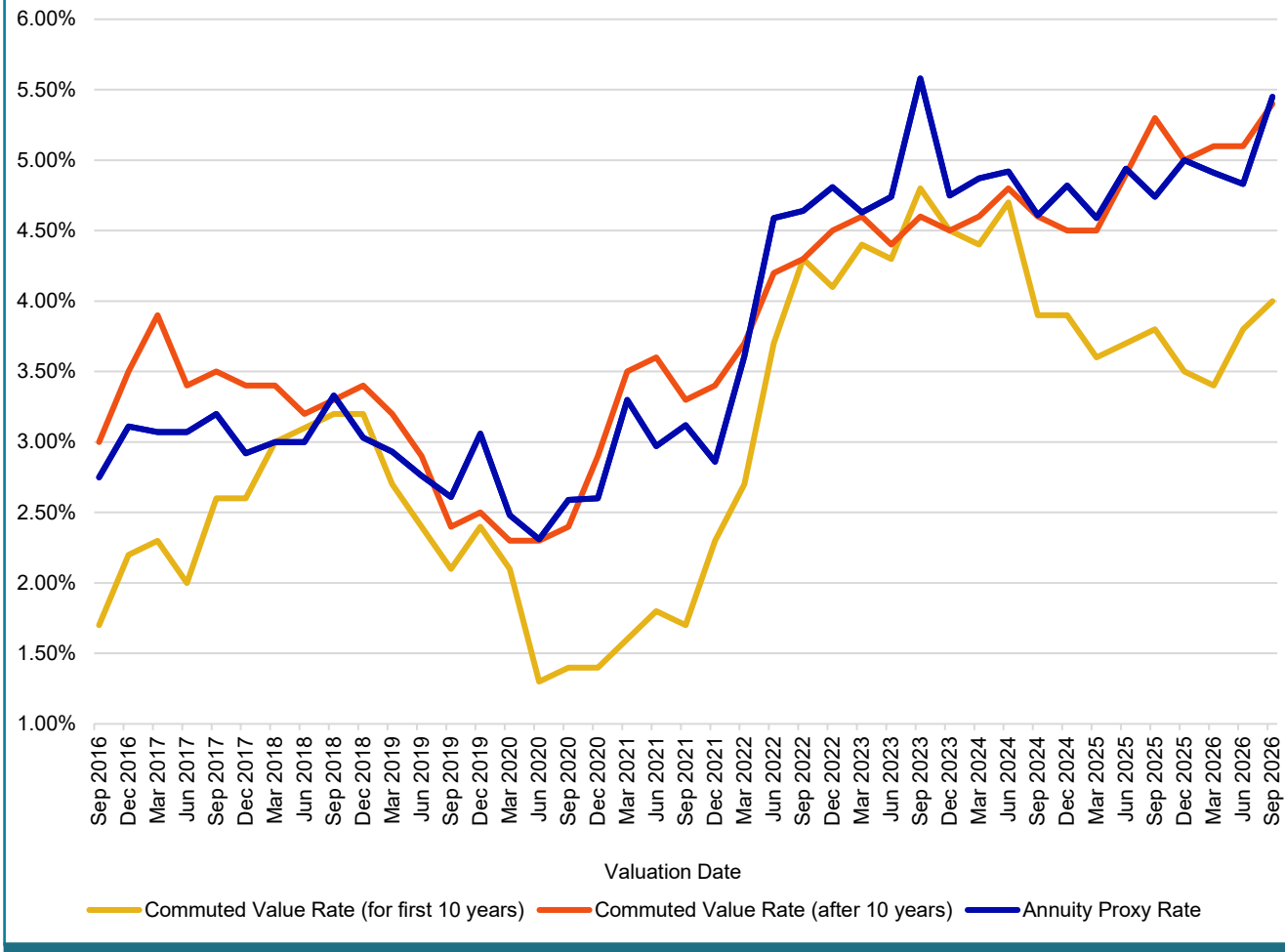
> the potential impact of these developments on a plan's solvency funded status. Maintaining prudent governance, robust risk management practices, and regular assessments of the plan's funding position remain essential to supporting the long-term sustainability and resilience of pension plans.

Projected solvency position as at September 30, 2026	Q3 2026	Q2 2026	Q4 2025
Median solvency ratio	129%	127%	124%
Percentage of plans with a solvency ratio greater than 100%	94%	93%	92%
Percentage of plans with a solvency ratio between 85% and 100%	5%	5%	6%
Percentage of plans with a solvency ratio below 85%	1%	2%	2%

The projected solvency position, in aggregate, increased since last quarter. The two-percentage point increase in the estimated median solvency ratio since June 30, 2026, is attributable to:

- Increase in solvency discount rates
    - The non-indexed commuted value discount rates, for the select and ultimate periods increased by 20 basis points (bps) and 30 bps, respectively and the non-indexed annuity purchase discount rate increased substantially by 62 bps, resulting in a decrease in pension liabilities.
    - This favourable impact more than offset the reduction in plan assets from the negative pension fund investment returns.
- Negative Q3 2026 pension fund investment returns
    - The average third quarter 2026 gross and net, after expense, return estimates were -2.3% and -2.5%, respectively.

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



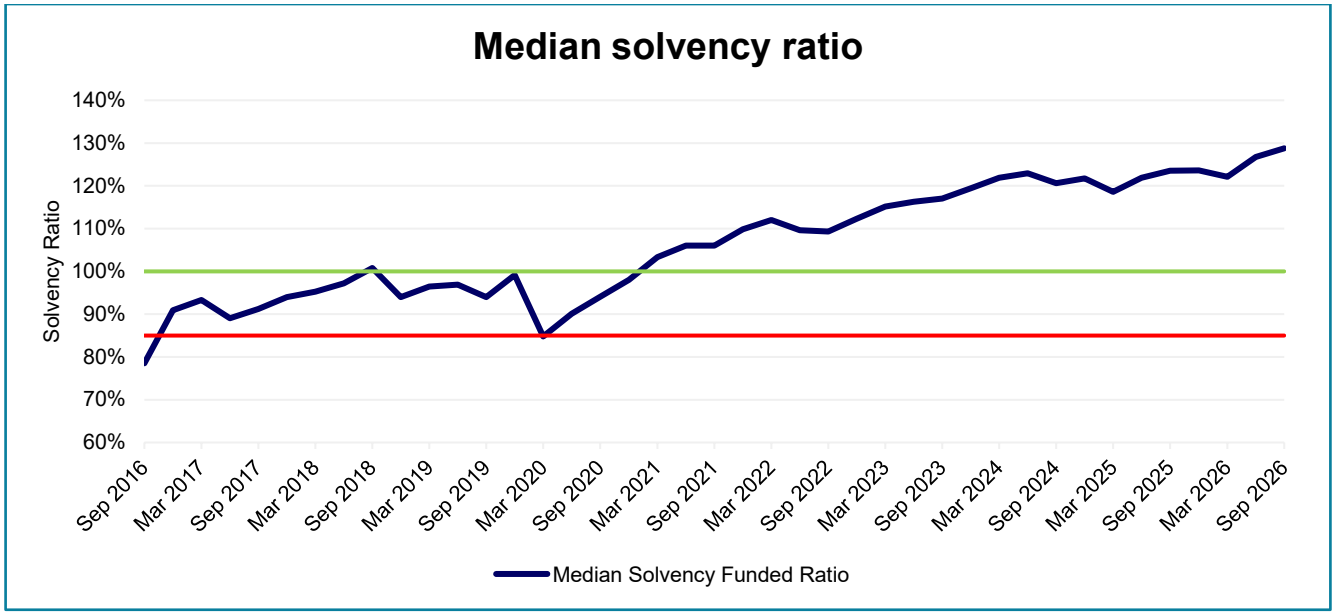
[1] based on a medium duration illustrative block

Market commentary

In Q3 2026, the Canadian government bond yield curve shifted up while the West Texas Intermediate crude oil spot price increased 38.1% in Canadian dollar terms. The BoC's July Monetary Policy Report revised the GDP growth projections for 2026 and 2027 to 0.7% and 1.8%, from 1.2% and 1.6%, respectively, in the April report. The unemployment rate was 6.5% in September, and the CPI inflation rate was 3.0% in August. In September, a Canadian counter-tariff on approximately $28 billion of American products was put into effect in response to a previous 50% American tariff on approximately $28 billion of Canadian goods.

In terms of specific asset classes and market movements, the Canadian yield curve has shifted up, with the 2-year and 10-year benchmark government bond yields ending Q3 at 3.37% and 3.99%, respectively. In Q3, the FTSE Canada Universe Bond index returned -3.0%, and the Canadian dollar weakened 0.2% relative to the US dollar. The S&P / TSX Composite Index returned 1.6% for the quarter. The S&P Listed Private Equity Index returned 0.7% for Q3 in Canadian dollar terms.

On September 16th, the US Federal Funds Target Range increased by 25 basis points, to a range of 3.75% to 4.00%. The BoC's policy interest rate remains at 2.25%. In Q3 2026, the Bank of Canada slightly increased its total balance sheet assets, and the US Federal Reserve also increased its total balance sheet assets.


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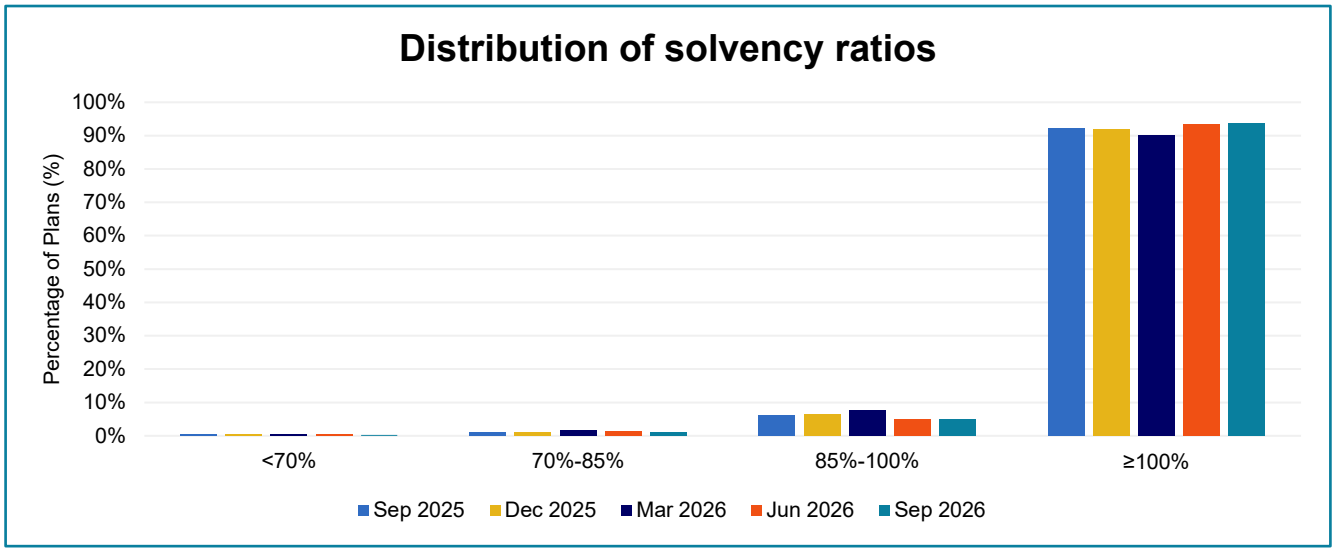
Sep 2026
Median Solvency Funded Ratio


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

Methodology and assumptions

1. The results reported in each plan's last filed actuarial valuation report (assets and liabilities) were projected to September 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
4.8%	16.9%	17.5%	53.4%	5.9%	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
Q3 2026	0.6%	1.6%	1.9%	-3.0%	-6.3%	-6.8%
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%

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