FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.

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2018 Report on the Funding of Defined Benefit Pension Plans in Ontario - 15th Annual Report

This is FSCO's 15th annual **Report on the Funding of Defined Benefit Pension Plans in Ontario**.

As part of FSCO's efforts to deliver on our mandate to provide regulatory services that protect the public interest and enhance public confidence in the pension sector, this report provides pension stakeholders with funding, investment and actuarial information on the Ontario registered defined benefit (DB) pension plans we regulate.

The Report uses data from the latest filed funding valuation reports (AR) and Actuarial Information Summaries (AIS) with valuation dates between July 1, 2015 and June 30, 2018 and financial statements and Investment Information Summaries (IIS) for plan years ending in the period from July 1, 2017 to June 30, 2018. The trends analysis is based on data from ARs with valuation dates between July 1, 2014 and June 30, 2018.

Highlights of the Report include:

- the median going concern funded ratio remained approximately the same at 111% as at December 31, 2018;
- the percentage of fully funded plans on a going concern basis increased to 80% from 78% in the **2017 Report**;
- 693 plans have transitioned to the new 2018 funding regime. The number of plans identified as closed and open are 545 and 148 respectively. The median Provision for Adverse Deviations (PfAD) for all 693 plans is 9.9%.
- the projected median solvency ratio decreased to 94% as at December 31, 2018 versus 96% as at December 31, 2017;
- while there was no significant change to the overall allocation between fixed and non-fixed income, alternative assets as a proportion of the asset mix of pension funds grew to 10.7% from 8.4% as reported in the **2017 Report**; and
- larger pension funds tend to allocate more assets to real estate and alternative investments –

on average, pension funds with over $1 billion in assets invest 25.3% in real estate and alternative investments combined (compared to an average allocation of 7.4% for those with less than $1 billion in assets).

On May 1, 2018, a new funding framework for DB pension plans became effective. Key features include:

- Shortening the amortization period from 15 years to 10 years for funding a going-concern unfunded liability in the plan;
- Consolidating going-concern special payments into a single schedule when a new report is filed;
- Requiring the funding of a reserve, called a Provision for Adverse Deviations (PfAD), within the plan;
- Requiring additional funding if needed to attain a funded status of 85% on a solvency basis ; and
- Providing funding rules for benefit improvements and restricting contribution holidays to improve benefit security.

These changes apply to valuation reports filed on or after May 1, 2018 with a valuation date on or after December 31, 2017. However, these changes do not apply to jointly sponsored pension plans that are listed in subsection 1.3.1(3) of the Regulation (Listed JSPPs) – these JSPPs remain exempted from solvency funding. In addition, these changes also do not apply to Specified Ontario Multi-Employer Pension Plans (SOMEPPs). Effective July 1, 2018, temporary funding relief previously granted for SOMEPPs was extended to the earlier of the first anniversary of the date on which section 81.0.2 of the PBA (Conversion to Target Benefits) comes into force and January 1, 2024. During this period, SOMEPPs are exempt from the requirement to fund on a solvency basis.

This funding reform substantially ends a series of temporary solvency funding relief measures that were introduced over the past decade. The remaining solvency funding relief measures are generally of a transitional nature.

Andrew Fung
Chief Actuary, Pensions

Previous Reports:

- **2017 Report (2014-2017)** (released August 2018)
- **2016 Report (2013-2016)** (released April 2017)
- **2015 Report (2012-2015)** (released April 2016)
- **2014 Report (2011-2014)** (released March 2015)
- **2013 Report (2010-2013)** (released March 2014 - Table 5.5 was revised on April 10,

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Please consult our **outage schedule** for more details.

2014)

- **2012 Report (2009-2012)** (released August 2013)
- **2011 Report (2008-2011)** (released March 2012 - Chart 4.2 was revised on May 1, 2012)
- **2010 report (2007-2010)** (released March 2011)
- **2009 report (2006-2009)** (released March 2010)
- **2008 report (2004-2008)** (released March 2009)
- **2007 report (2003-2007)** (released March 2008)
- **2006 report (2002-2006)** (released March 2007)
- **2005 report (2001-2005)** (released June 2006)
- **2004 report (2000-2004)** (released Sept 2005)

May 2000 Paper on Risk-Based Supervision of Pension Plan Funding