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# 2025 Top 100 Pension Funds Report: What are the latest trends in de-risking as DB plans enter surplus territory?

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## Read: [Pension risk transfer sales increase to \\$5.2BN in Q4 2024: report](#)

The push to de-risk is expected to grow in strength over the next year, despite a concurrent rise in global economic volatility, says Gavin Benjamin, a partner in the organization's retirement and benefits solutions practice. "What we're seeing so far in 2025 is an expectation that the number of transactions in the group annuity market will be high, possibly higher than usual, but so far, there don't appear to be as many for very large transactions in the pipeline compared to past years."

### A healthy status

In April, a report by [Aon](#) found the aggregate funded ratio for Canadian pension plans in the S&P/TSX composite index declined to 105.5 per cent in the first quarter of 2025, compared to 107.5 per cent at the end of the previous quarter.

Similarly, a report by the [Financial Services Regulatory Authority of Ontario](#) found in the third quarter of last year, the average funded position of DB pension plans in the province was 121 per cent, down just two per cent from the previous quarter. It also found the proportion of plans projected to be fully funded on a solvency basis was 90 per cent, unchanged from the second quarter.

### Strength in numbers

Plan sponsors are managing pension risks by joining multi-employer and jointly sponsored or pension plans, says Actuarial Solutions' Jason Vary.

For example, the Colleges of Applied Arts and Technology pension plan's membership grew by 17.5% in 2024, with 710 participating employers — up from 370 in 2023 — representing more than 111,000 plan members.

"It's a form of de-risking because it's like a windup — once you merge with a plan like the CAAT, you're not worried about it anymore. I think plans are doing this more often these days, because plans are relatively well-funded. We've had good investment returns for a number of years in a row."

Canadian DB plans' relatively strong financial positions are leading many plan sponsors to choose to de-risk, says Kimberly Hart, a principal in Eckler Ltd.'s investment consulting practice. "If you're underfunded and you don't have assets to cover your future [retirement] benefit payments, you have to close that gap with a combination of contributions or investment returns, but as you become better funded or fully funded, that incentive to take investment risk decline, which leads to some of the uptick in de-risking activity."

Prior to de-risking, plan sponsors with surplus funding must also determine how that extra money will be used, says Jason Vary, president of Actuarial Solutions Inc. In some cases, it may revert back to the employer to be

used for purposes such as contribution holidays, while in others, it must be shared with plan members.

### **Read: [Average funded ratio of Canadian DB pension plans down 2% in Q1 2025: report](#)**

“Well-funded plans are slightly easier to deal with [than plans with a funding deficit], but we caution our clients, if they’ve got a well-funded plan that has surplus, they need to think carefully about declaring it prior to winding up [the plan].”

### **Shifting gears**

For the Ontario-based Stratford Festival pension plan, annuity transfers have been the central de-risking strategy, says Darryl Huras, director of finance and facilities at the performing arts organization.

The festival’s DB plan, which was established in 2001 and closed to new members in 2006, is currently 135 per cent funded. So far, the plan sponsor has made annuity transfers — in 2009, 2018 and 2021 — at roughly \$5 million each. A fourth transfer is planned for some time in the next two years, he adds.

In terms of the growth seen in the risk transfer market in 2024, Telus Health’s report credited large-scale annuity transactions involving fully or partially indexed plans, with an overall cumulative transaction value of \$3 billion. In addition to these large-scale transfers, repeat buyers of annuities, such as the Stratford Festival plan, are also driving sales, says Brent Simmons, head of DB solutions at Sun Life Financial Inc.

“[In 2024], we saw more than 25 repeat buyers [and] that just speaks to the helpfulness of these sorts of solutions. Companies have tried them once, they’re tried and true and so they’re coming back to transact a second, third or even more times.”

### **Read: [DB pension plan sponsors facing “bottleneck” in annuities market: expert](#)**

However, Vary says the size and quantity of annuity transfers in 2024 also created a bottleneck for smaller plan sponsors looking to de-risk, with 2025 shaping up to be just as busy. “The challenges will still be there to get the attention of the insurance companies if you have a small- or medium-sized annuity. Last year, there were a number of jumbo annuity purchases, which took a lot of attention from the insurers, as well as more complex annuity purchases too, with indexing and things like that.”

Another factor that contributed to these transactions is a push for annuities linked to the consumer price index, says Simmons, noting CPI-linked annuities accounted for \$3 billion of the \$11 billion in annuity transfers. While these plan sponsors may have previously opted to de-risk through the purchase of real return bonds, he adds, the Bank of Canada ceased the issuance of new real return bonds in 2022.

### **A volatile economy**

After months of threats and delays, President Donald Trump enacted tariffs in early April against all U.S. trading partners on a variety of imported goods in an alleged attempt to rebalance trade deficits.

The move subsequently plunged global stock markets into chaos, wiping out trillions of dollars in gains in a matter of days, only to be paused for the majority of U.S. trading partners in the days following the initial announcement.

### **Read: [Are Canadian institutional investors reconsidering U.S. allocations amid ongoing trade war?](#)**

Amid the potential for ongoing chaos across global markets, annuities allow plan sponsors to mitigate much of that risk, says Simmons. “If members live longer than expected or something goes wrong with the investments backing the annuity, it’s now the insurance company’s responsibility to come up with the extra money to pay them.”

In addition to annuities, plan sponsors that are seeking to minimize risk are also looking at their asset mixes, a solution that may gain traction if volatile economic conditions persist. Indeed, the Stratford Festival pension plan has recently shifted to a mix of 80 per cent bonds and 20 per cent in Canadian and global equities, says Huras.

For plan sponsors opting to de-risk via their investment strategy versus annuity purchases, planning and timing are key, says Vary, noting sponsors of plans with surplus funds may want to consider de-risking amid the current chaos.

“Your investment strategy becomes more and more important as the time horizon for your plan gets shorter. You need to think, ‘When’s the next stock market crash coming? When’s the next interest rate shock coming?’ The markets are very volatile these days and it’s hard to predict when [shocks] are going to happen. But given that many plans are fairly well-funded today, maybe now is a good time to de-risk their investments.”

### **Key takeaways**

- The Canadian annuity market posted a record \$11 billion in transfers last year, driven by several jumbo transactions and \$3 billion in CPI-linked annuity purchases.
- The funded status of Canadian DB plans continues to improve, putting many plan sponsors in the position to de-risk.
- Global economic volatility, driven by factors such as U.S. import tariffs on its global trading partners, is also leading plan sponsors to de-risk via their investment strategies.

### **De-risking as good governance**

Last September, the Canadian Association of Pension Supervisory Authorities’ released its [guideline for risk management](#), encouraging plan administrators to create a framework to identify, evaluate, manage and monitor their plan’s material risks.

#### **Read: [Expert panel: How will CAPSA’s risk management guideline impact pension plan administrators?](#)**

The guideline encourages plan administrators to prepare a written statement with the plan’s risk appetite, risk tolerance and risk limits and ensure these elements are reflected in the plan’s risk management framework.

While most plan sponsors are still absorbing the guideline’s recommendations and its impact on risk management practices, says Benjamin, many are also ensuring their upcoming de-risking activities are consistent with the CAPSA’s document. “With respect to the potential effect on de-risking activity in 2025, I do see the guideline having a positive effect because as pension plan administrators review their risk management practices and objectives, they’re ensuring they’re aligned with the guideline. I anticipate that, in some cases, administrators will come to the conclusion that de-risking their pension plan is consistent with their objectives, which may lead to additional risk management activity in 2025.”

In addition, with the potential for more economic turbulence ahead, de-risking can help plan sponsors support members' financial well-being while mitigating any longevity risk, says Simmons. "As pension plan sponsors look into 2025 and what's on the horizon, we're hearing more interest in annuities because [they can] help decrease the risk they otherwise have to think about in a year like this."

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