

**FINANCIAL SERVICES REGULATORY  
AUTHORITY OF ONTARIO**

**PENSION BENEFITS GUARANTEE FUND**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

**Financial Services Regulatory  
Authority of Ontario**

5160 Yonge Street  
16th Floor  
Toronto, Ontario M2N 6L9

Tel.: 416-590-7030  
[www.fsrao.ca](http://www.fsrao.ca)

**Office ontarien de réglementation des  
services financiers**

5160, rue Yonge  
16e étage  
Toronto (Ontario) M2N 6L9

Téléphone : 416-590-7030  
[www.fsrao.ca/fr](http://www.fsrao.ca/fr)

## **Management's Responsibility for Financial Statements**

The accompanying financial statements have been prepared by management in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Chief Executive Officer of the Financial Services Regulatory Authority of Ontario (FSRA) assumed responsibility for administering the Pension Benefits Guarantee Fund (the Fund) on June 8, 2019. Prior to that time, the Financial Services Commission of Ontario (FSCO) had responsibility for the Fund. The Board of Directors of FSRA has established the Pension Benefits Guarantee Fund Advisory Committee (the PBGFAC) to advise the Chief Executive Officer of FSRA on matters related to the Fund. Since formation, the PBGFAC meets periodically with FSRA senior management. The Office of the Auditor General of Ontario has met with the Board and its representatives to discuss audit, internal control, accounting policy, and financial reporting matters related to the Fund. The Fund financial statements are reviewed by the PBGFAC before approval by the Board of Directors.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards for Government Not-For-Profit organizations. The auditor's report outlines the scope of the auditor's examination and opinion.



---

Stephen Power, EVP-Corporate Services



---

Randy Nanek, Chief Financial Officer

Toronto, Ontario, June 23, 2020



## INDEPENDENT AUDITOR'S REPORT

To the Financial Services Regulatory Authority of Ontario

### Opinion

I have audited the financial statements of the Pension Benefits Guarantee Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and fund surplus, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2020, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario  
June 23, 2020

Bonnie Lysyk, MBA, FCPA, FCA, LPA  
Auditor General

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Statement of Financial Position**  
**As at March 31, 2020**  
**(\$000)**

	Note(s)	March 31, 2020	March 31, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash		1	1
Accounts receivable		106,866	235,494
Investments	4	<u>1,035,931</u>	<u>826,892</u>
<b>Total assets</b>		<b><u>1,142,798</u></b>	<b><u>1,062,387</u></b>
 <b>LIABILITIES AND FUND SURPLUS</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		8,810	10,152
Current portion of loan payable	5	11,000	11,000
Claims payable		<u>107,052</u>	<u>5,912</u>
<b>Total current liabilities</b>		<b><u>126,862</u></b>	<b><u>27,064</u></b>
 Claim payable - Long term		 -	 96,600
Loan payable - Long term	5	<u>97,629</u>	<u>102,893</u>
<b>Total liabilities</b>		<b><u>224,491</u></b>	<b><u>226,557</u></b>
 <b>FUND SURPLUS</b>			
Fund surplus from operation		919,742	842,927
Accumulated re-measurement losses		<u>(1,435)</u>	<u>(7,097)</u>
<b>Total fund surplus</b>		<b><u>918,307</u></b>	<b><u>835,830</u></b>
<b>Total liabilities and fund surplus</b>		<b><u>1,142,798</u></b>	<b><u>1,062,387</u></b>

*See accompanying notes to the financial statements.*

On Behalf of the Board of the Financial Services Regulatory Authority of Ontario:



Board Chair



PBGF Advisory Committee Chair

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Statements of Operations and Fund Surplus**  
**For the year ended March 31, 2020**  
**(\$000)**

	Note(s)	March 31, 2020	March 31, 2019
<b>Revenue</b>			
Premium revenue	3	70,686	102,348
Pension plan recoveries	7	1,031	1,022
Investment income	4	18,246	17,814
		<u>89,963</u>	<u>121,184</u>
<b>Expenses</b>			
Claims	3	5,166	(5,469)
Bad debt expenses		-	10,740
Amortization of loan discount	5	5,737	5,989
Pension consulting services	8	1,082	2,546
Administration fee	9	810	715
Investment management fees	9	353	306
		<u>13,148</u>	<u>14,827</u>
<b>Excess of revenue over expenses</b>		<b>76,815</b>	<b>106,357</b>
<b>Fund surplus, beginning of year</b>		<b>842,927</b>	<b>736,570</b>
<b>Fund surplus, end of year</b>		<u><b>919,742</b></u>	<u><b>842,927</b></u>

*See accompanying notes to the financial statements.*

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Statement of Re-measurement Gains and Losses**  
**For the year ended March 31, 2020**  
**(\$000)**

		<b>March 31, 2020</b>	<b>March 31, 2019</b>
	<b>Note(s)</b>		
<b>Accumulated re-measurement losses, beginning of year</b>		<b>(7,097)</b>	<b>(7,670)</b>
Unrealized losses attributed to portfolio investments	4	(891)	(2,901)
Realized losses reclassified to the statement of operations	4	6,553	3,474
<b>Accumulated re-measurement losses, end of year</b>		<b>(1,435)</b>	<b>(7,097)</b>

*See accompanying notes to the financial statements.*

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Statement of Cash Flows**  
**For the year ended March 31, 2020**  
**(\$000)**

	Note(s)	March 31, 2020	March 31, 2019
<b>Cash flows from / (used in) operating activities:</b>			
Excess of revenue over expenses		76,815	106,357
Adjustments for non-cash expense items:			
Amortization of loan discount	5	5,737	5,989
Realized losses on disposal of investments	4	6,553	3,474
		<u>89,105</u>	<u>115,820</u>
Changes in non-cash working capital:			
Accounts receivable		128,628	(41,440)
Claims payable		4,540	(10,033)
Accounts payable and accrued liabilities		(1,342)	2,745
		<u>220,931</u>	<u>67,092</u>
<b>Cash flows from / (used in) investing activities:</b>			
Purchases of investments		(3,533,313)	(3,102,613)
Proceeds from sale of investments		3,323,382	3,046,516
		<u>(209,931)</u>	<u>(56,097)</u>
<b>Cash flows used in financing activities:</b>			
Loan repayments	5	(11,000)	(11,000)
		<u>(11,000)</u>	<u>(11,000)</u>
<b>Net increase / (decrease) in cash position</b>		-	(5)
Cash, beginning of year		1	6
<b>Cash, end of year</b>		<u><b>1</b></u>	<u><b>1</b></u>

See accompanying notes to the financial statements.



**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

**1. STATUTORY AUTHORITY**

The Pension Benefits Guarantee Fund (the “Fund” or “PBGF”) is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the “Act”). On June 8, 2019, the Financial Services Regulatory Authority of Ontario (“FSRA”) assumed substantially all of the Financial Services Commission of Ontario (“FSCO”) responsibilities, including the administration of the Fund.

**2. FUND OPERATIONS**

The purpose of the Fund is to guarantee the payment of pension benefits of certain defined benefit pension plans that are wound up under conditions specified in the Act and regulations thereto. The regulations also prescribe an assessment payable into the Fund by plan registrants.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans or grants on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund including any loans or grants received from the Province.

The CEO of Financial Services Regulatory Authority of Ontario (“FSRA”) pursuant to the *Financial Services Regulatory Authority of Ontario Act, 2016* and specifically, subsection 82(2) of the *Pension Benefits Act*, is responsible for the administration of the Fund, and the Fund reimburses FSRA for the costs of the services provided to the Fund. The investments of the Fund are managed by the Ontario Financing Authority, on a fee-for-service basis which is paid by the Fund.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Fund have been prepared by the management of FSRA in accordance with Public Sector Accounting Standards for Government Not-For-Profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). Accordingly, management has used the following significant accounting policies in their preparation.

**(a) Financial Instruments**

The Fund follows PSA-GNFPO accounting standards relating to financial instruments. Under these standards, all financial instruments are included on the balance sheet and are measured either at fair value or at cost or amortized cost as follows:

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the statement of re-measurement gains and losses until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable, account payable and accrued liabilities are valued at cost which approximate fair value given their short term maturities.
- The non-interest bearing loan payable is reflected at amortized cost using the effective interest rate method due to the concessionary nature of the loan. The initial valuation was determined by discounting future cash flows using the provincial cost of borrowing. The resulting benefit (the difference between the face value of the loan and the net present value) was accounted for as a grant in the year received and is amortized to loan discount expense over the term of the loan.
- Fair value measurements are classified using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:
  - Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
  - Level 2 – observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
  - Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

**(b) Claims Payable**

Claims payable are estimates of the liabilities in respect of those defined benefit pension plans prescribed by the Act that are wound up, or in the process of being ordered wound up under conditions specified in the Act, where the claim amounts can be reasonably estimated. Claims payable liabilities are also recognized when there is a high probability that a company will not emerge from creditor protection and the pension plan will be wound up on a specified date and the claim can be reasonably estimated. Claims payable are based on information provided by appointed pension plan administrators from estimates provided by actuarial consultants. These estimates represent the present value of future payments to settle claims for benefits and expenses by pension plans.

Differences in the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to claims expense in the year when the actual amounts are determined.

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

**(c) Premium Revenue**

Premium revenue is based on an assessment formula set out in section 37 of Regulation 909 of the Act. An estimate of the premium revenue due from defined benefit pension plans at rates prescribed by the Act is recorded when earned. The annual assessment certificate is due nine months after the plan's fiscal year end.

Differences in premium revenue, if any, between the estimated amounts recognized and the actual revenues due, are charged or credited to premium revenue in the year.

	2020	2019
Estimated revenue	81,700	109,200
Actual revenue related to current and prior years received in current year	98,186	62,448
Less: prior year's estimated revenue	(109,200)	(69,300)
	<u><b>70,686</b></u>	<u><b>102,348</b></u>

**(d) Use of Estimates**

The preparation of financial statements in accordance with PSA-GNFPO accounting standards requires that FSRA's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates and the differences could be material. The infectious coronavirus ("COVID-19") pandemic has added to the Fund's measurement uncertainty. Areas where significant estimates must be made include premium revenue, claims payable and pension plan recoveries receivable. See Note 10 for further information.

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

**4. INVESTMENTS**

As required by legislation, FSRA has established a Pension Benefits Guarantee Fund Advisory Committee of its Board of Directors to advise the FSRA CEO on the administration and investment of the Fund. The Committee has reviewed the Statement of Investment Policies and Guidelines developed by FSRA management. This Statement is reviewed regularly and provides operational objectives, investment principles, policies and guidelines for the management of the Fund's investments.

Investments consist of:

	2020		2019	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Discounted notes	457,880	457,880	274,284	274,284
Government bonds	578,051	579,486	552,608	559,706
<b>Total Investments</b>	<b>1,035,931</b>	<b>1,037,366</b>	<b>826,892</b>	<b>833,990</b>

	Fair Value Hierarchy	2020	2019
		Discounted notes	Level 1
Government bonds	Level 2	578,051	552,608
<b>Total</b>		<b>1,035,931</b>	<b>826,892</b>

No investments have moved between hierarchy levels during the fiscal period.

Investment income includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. Unrealized gains and losses are reported on the Statement of Re-measurement Gains and Losses.

	2020	2019
Interest income	24,799	21,288
Realized losses from the sale of securities	(6,553)	(3,474)
<b>Total</b>	<b>18,246</b>	<b>17,814</b>

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

The Fund's investment portfolio is exposed to various risks, which are mitigated by the type of investment and therefore risk is low.

Discounted notes with maturities between April 2020 and March 2021 had yields in the range of 0.900% to 1.950% (2019 – maturities between April 2019 and June 2019, had yields in the range of 1.652% to 2.374%).

The government bonds maturing between June 2020 and March 2023 had yields in the range of 0.722% to 2.526% (2019 – maturing between June 2019 and March 2022, had yields in the range of 0.980% to 2.526%).

**5. LOAN PAYABLE TO THE PROVINCE**

**Non-interest Bearing Loan**

On March 31, 2004, the Fund obtained a \$330 million loan from the Province, a related party. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of \$11 million. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years total \$55 million.

The face value of this non-interest bearing loan has been discounted at an effective interest rate of 5.0368% to reflect its amortized cost outstanding as of March 31, 2020 as follows:

	2020	2019
Face Value	154,000	165,000
Less: Discount	(45,371)	(51,107)
Amortized Cost	<b>108,629</b>	<b>113,893</b>
Classified as:		
Current Portion	11,000	11,000
Long-Term Portion	97,629	102,893
Balance	<b>108,629</b>	<b>113,893</b>

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

The unamortized discount of \$45.4 million is amortized to loan discount expense over the remaining term of the loan, based on the effective interest rate method. The amortization schedule for the subsequent five fiscal years is as follows:

Fiscal Year	Amount (\$'000)
2021	5,471
2022	5,193
2023	4,901
2024	4,593
2025	4,271

**6. RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The main risks that the Fund's financial instruments, including its portfolio investments, are exposed to are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Fund is exposed to credit risk relating to the collection of receivables and the repayment of portfolio investments. The Fund considers this risk to be low.

With respect to portfolio investments, they are all investment grade debt securities with low credit risk.

The Fund's accounts receivable consists of premium revenue receivable of \$93.5 million, RST receivable of \$7.5 million, investment income receivable of \$5.8 million, and HST receivable of \$0.1 million.

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

The premium revenue receivable recorded is based on an assessment formula set out in section 37 of Regulation 909 of the Act and is calculated as the lesser of:

- \$600 per Ontario plan beneficiary, or
- .015% of the plan's PBGF liabilities plus a varying percentage (0.75% - 2.25%) of the plan's PBGF assessment base.

FSRA actively monitors underfunded pension plans with plan sponsors at risk and, based on this knowledge, estimates that the probability for a pension plan to become insolvent and not pay the premium within a year is low. In addition, in the event that a pension plan would become insolvent within a year, there are legal options for the Fund that can be exercised to collect the premiums. Historically, the Fund has been able to collect the amounts estimated as premium receivable.

The risk of not collecting the investment income receivable and the HST receivable is considered to be minimal.

#### Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its cash flow obligations as they fall due. The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in its investment portfolio to settle all current liabilities and the Fund's exposure is limited to the assets in the Fund including any loans or grants received from the Province. As at March 31, 2020, the Fund has an investment balance of \$1,036 million (2019 - \$827 million) to settle current liabilities of \$127 million (2019 - \$27 million). In addition, subject to realizing losses due to market declines, the Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs.

#### Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Fund. Short-term financial instruments (receivables, accounts payable) are not subject to significant market risk. The Fund manages its market risk by investing assets in low-risk and liquid securities. The Fund's market risk is considered to be low.

The market value sensitivity of the Money Market Portfolio at the end of the last quarter was \$1.27 million for a 1.00% change in rates. The market value sensitivity of the Government Bond Laddered Portfolio at the end of the last quarter was \$8.00 million for a 1.00% change in rates.

**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

**7. PENSION PLAN RECOVERIES**

Following the settlement of all benefits, payment of expenses and the submission of the final wind up report for a pension plan whose beneficiaries received payments from the Fund, any remaining funds in such wound-up pension plan are recovered by the Fund. During fiscal 2020, the Fund had \$1.0 million (2019 – \$1.0 million) in recoveries from such pension plans.

**8. PENSION CONSULTING SERVICES**

The Fund periodically engages the services of external experts to represent the Fund's interests in, or in anticipation of, insolvency proceedings respecting employers who are unable to meet their funding obligations under the *Pension Benefits Act*. For fiscal 2020, \$1.1 million was incurred to such external experts (2019 - \$2.5 million paid).

**9. RELATED PARTY TRANSACTIONS**

For fiscal 2020, an administration fee of \$0.8 million (2019 - \$0.7 million) was incurred for management salaries and benefits, accounting, information technology, legal, pension and other services. Prior to June 8, 2019, when the Chief Executive Officer of FSRA assumed FSCO's responsibility to administer the Fund and commenced charging administration fees to the fund, administration fees were paid to FSCO for its administration of the Fund. The Fund and FSRA (FSCO) are (were) related parties.

Investment Management fees consist mainly of fees paid to the Ontario Financing Authority, a related party.

The costs of processing premium revenue transactions are absorbed by FSCO and FSRA without charge to the Fund.

Other related party transactions during the year have been disclosed in note 5.



**FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**  
**Pension Benefits Guarantee Fund**  
**Notes to the Financial Statements**  
**For the year ended March 31, 2020**  
**(\$000)**

**10. COVID-19 Impact**

The financial health of plan sponsors in the pension sector are dependent on the economy and viability of the sector in which the sponsor operates. There is no immediate increase in plan sponsor failure and corresponding plan failure in the pension sector due to the COVID-19 environment. As the pandemic term prolongs, there is potential heightened risk of plan sponsor and plan failure that might result in claims against the Fund. The substantive impact on the Fund cannot be determined at this time.

The estimated premiums receivable are based on valuations and an assessment base in a pre-COVID-19 environment.

**11. Subsequent Event**

There is a pending settlement, which is still subject to court approval, of a subrogated claim on behalf of the Fund in the Sears Canada matter. The amount of the settlement which will ultimately be recovered then needs to be allocated amongst various interests, including the pension plan. The Fund will then be entitled to a portion of the amount allocated to the pension plan. The estimate of the claims payable in relation to the pension plan has been included as a liability on the financial statements. While PBGF expects a recovery, the amount is not determinable at this time.