

Pension Benefits Guarantee Fund (PBGF) Report

Year end March 31, 2025

About the PBGF

The PBGF is a fund that provides protection to Ontario beneficiaries of **single employer defined benefit (DB) pension plans** in the event of employer bankruptcy where plan assets are not sufficient to make pension payments.

Generally speaking, the PBGF works with the assets in the pension plan to guarantee the first \$1,500 of monthly benefits. Ontario is the only jurisdiction in Canada with a fund of this type.

The main source of inflows to the PBGF are returns on the PBGF investments and assessments paid annually by sponsors of PBGF-eligible plans at a rate set by the Ontario government.¹ Assessments are determined based on the PBGF **assessment base** (which corresponds to the plan deficits attributable to Ontario members) as well as plan membership.



Those interested to learn more about the PBGF, please visit [FSRA's website](https://www.fsrao.ca).

¹See Ontario Regulation 909

Market value of PBGF*

The PBGF Assets achieved a net rate of return of 5.48% p.a. over 12-months ending March 31, 2025

Cash / money market	\$71MM	5.1%
Short term gov bonds	\$440MM	31.9%
Mid term gov bonds	\$246MM	17.8%
Long term gov bonds	\$274MM	19.9%
Global equity pool	\$210MM	15.2%
Global credit pool	\$139MM	10.1%
Total	\$1,380MM	100.0%

Projected plan deficits*

Strategic Asset Allocation has been fully implemented as of January 1, 2025

Solvency position of plans	Solvency surplus	Solvency deficit	Total PBGF eligible plans
No. of plans	726 [89%]	92 [11%]	818
No. of members	538,968 [85%]	96,211 [15%]	635,179
Assessment base	-	\$857MM	\$857MM

Projected solvency position*

Median solvency ratio decreased from the 123% June 30, 2024, all-time high

Median projected solvency ratio	119%
Percentage of plans with a solvency ratio:	
Greater than 100% →	87%
Between 85% and 100% →	10%
Below 85% →	3%

What should I do as a member of a PBGF-eligible plan?



1. Review at your annual pension statement, it shows the funded status of your plan.
2. If you are concerned about the solvency of your employer: review FSRA's [bankruptcy guide](#) to understand what happens to your plan when your employer is bankrupt or insolvent.
3. If you believe your employer is facing material business or financial challenges, the plan administrator is not acting in the best interest of pension plan beneficiaries, or any other concerns about your pension rights and entitlements, you may [contact FSRA](#) at any point.

*As at March 31, 2025

PBGF analysis trends

A large portion of the **PBGF assessment base** is concentrated in three sectors based on the Global Industry Classification Standard: Consumer Discretionary, Materials and Consumer Staples. The number of pension plans in these sectors make up about 44% of the total number of PBGF-eligible plans.

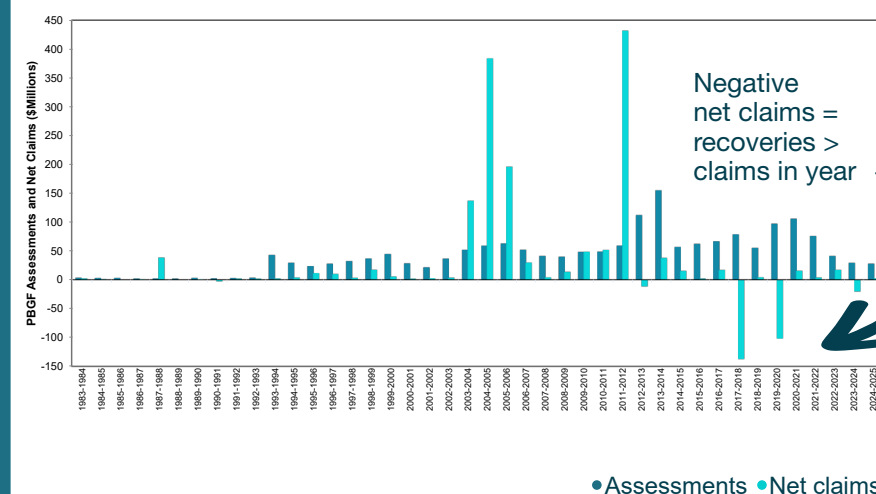
FSRA actively monitors employer sponsor health across all sectors and intervenes where there is a heightened concern as to benefit security.

In an average year, the PBGF receives 5 claims and pays out \$29 million in claims. Most claims are small relative to the total assets of the PBGF, but there have also been high profile insolvencies in the past that required much greater support from the PBGF. FSRA monitors for potential large claims that may be spread between a small number of plans, especially where multiple plans in one sector could be affected at the same time.

Plans in solvency deficit

Top 3 sectors	No. of Plans in deficit [% of Sector Plans]	Assessment base	No. of members
Consumer discretionary	14 [11%]	\$334MM	26,005
Materials	22 [16%]	\$300MM	25,225
Consumer staples	13 [14%]	\$74MM	9,023

PBGF assessments and net claims since inception



Stress test

A recent PBGF stress test conducted by FSRA indicates the PBGF has sufficient assets to pay potential future claims in the following twelve months even under the most severe historical scenario (the Global Financial Crisis).

FSRA continues to work to better understand the sufficiency of PBGF assets in the longer term.

How is FSRA addressing PBGF risks?

With the support of FSRA, the CEO has taken steps to support the PBGF's long term sustainability and adequacy that include:

- Continuing with the approach to supervision for PBGF-eligible plans where there may be a heightened concern with respect to benefit security.
- Adapting the PBGF predictive analysis by using deterministic stress testing for just in time market events.
- Refining the stochastic model, which allows the CEO to look at the impact of a wider range of scenarios on the PBGF.
- Monitoring capital markets, the broader economy, and trends in merger / acquisition activity.
- Reviewing the impact of the *Federal Pension Protection Act* which elevates claims relating to plan deficits on insolvency. FSRA expects that this may have a material positive impact on PBGF sustainability.
- Monitoring the governance and performance of Investment Management Corporation of Ontario (IMCO) on a regular basis

Pension Benefits Guarantee Fund (PBGF) Report

(continued)

About the Strategic Asset Allocation

The Pension Benefits Guarantee Fund is dedicated to safeguarding the pension benefits of Ontario beneficiaries. The PBGF assets have been invested by IMCO since June 25, 2024, and the Strategic Asset Allocation (SAA) was fully implemented as of January 1, 2025.

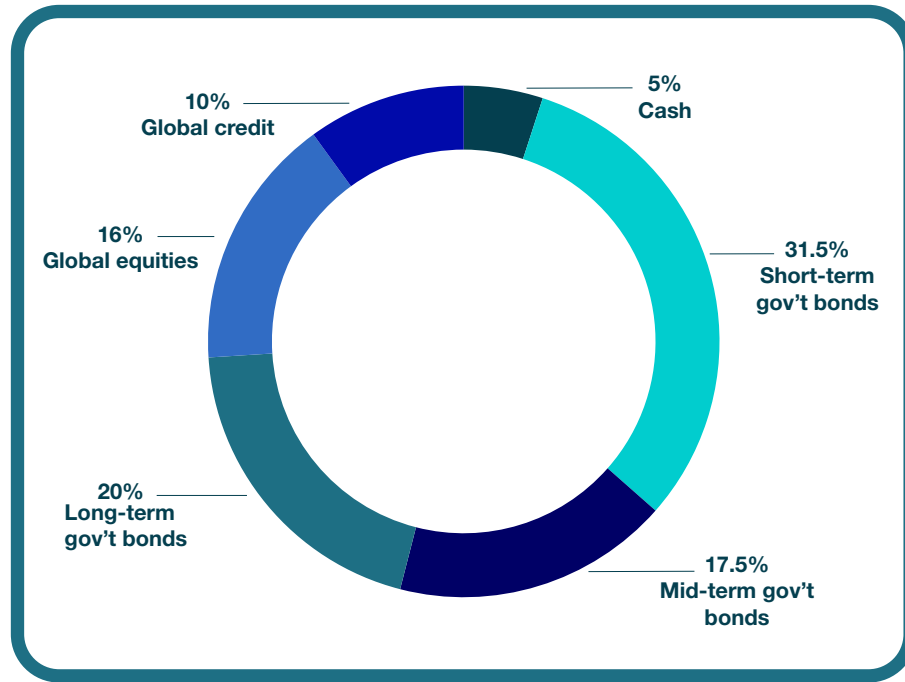
The SAA is a critical component of the investment strategy. It involves determining the optimal distribution of assets across various categories such as bonds, equities, and cash to achieve a balance between risk and return that aligns with the long-term investment objectives. The purpose of the SAA is to ensure the stability and growth of the fund while managing risks effectively.



For more information about this transition, please visit [FSRA announcement](https://www.fsra.ca).

PBGF Strategic Asset Allocation

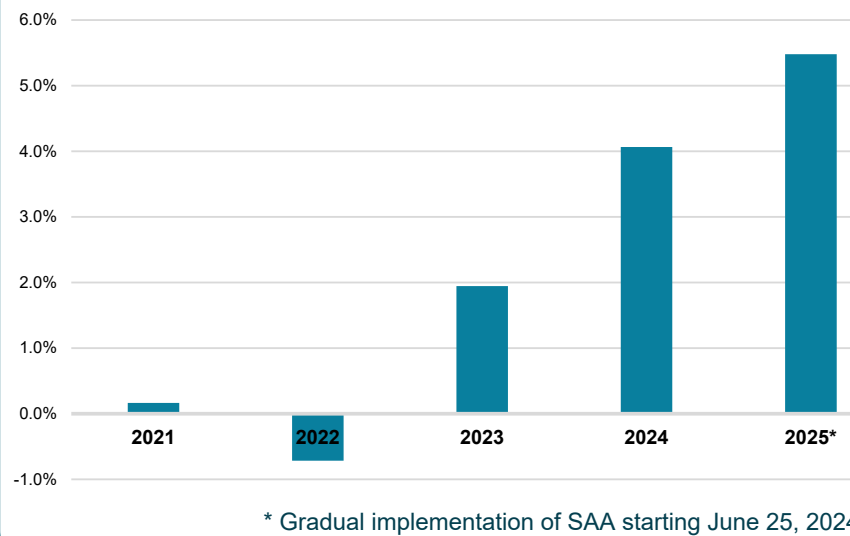
PBGF assets are diversified by asset type as per its Strategic Asset Allocation to achieve its investment and risk management objectives:



The new asset allocation is designed to align with PBGF's risk management strategy which focuses on mitigating potential risks and ensuring the fund's sustainability. FSRA employs advanced analytics and monitoring techniques to proactively manage and adjust PBGF investment strategy.

The CEO of FSRA, in his capacity as the administrator of the PBGF will continue to review and adjust the Strategic Asset Allocation as needed, based on the evolving economic environment. This proactive approach ensures that the investment strategy remains aligned with PBGF long-term objectives and adapts to changing market conditions.

PBGF annualized net rate of return as at March 31



PBGF risk appetite statement

The PBGF faces a broad range of market risks inherent in the activities of plan sponsors and challenges to pension plans arising from the changes to economic factors. The protection from the PBGF is limited to the extent of its assets.

Risks may arise and circumstances may call upon the CEO of FSRA to intervene and/or to respond in accordance with the PBGF risk appetite statement to protect public interest and ensure the efficient functioning and resiliency of the PBGF:

Long-term funding risk: PBGF has a **low** appetite for risks that may arise and affect the PBGF credit rating. Enough capital is sought to maintain an investment grade rating over 10 years.

Short-term funding risk: PBGF has a **medium** risk appetite with respect to the PBGF ability to pay expected potential future claims over 12 months under a stressed scenario.

Liquidity risk: PBGF has a **low** appetite to fail to pay claims and requires enough liquidity to pay claims under a stressed environment at any point in time.

Operational risk: PBGF has a **low** appetite for risks arising from sustaining appropriate talents and skills, operational policies, processes, systems and controls to support the efficiency and effectiveness of the PBGF operations and activities.

Governance risk: PBGF has a **low** risk appetite regarding FSRA's reputation and strives to build and maintain the trust and confidence of its stakeholders.

External risk: PBGF has a **medium-high** risk appetite related to external events. Judgement is used to effectively identify and monitor emerging risks and apply prudent approaches in strategies and monitoring.

The PBGF has met the Risk Appetite Statement thresholds as at March 31, 2025.

The CEO of FSRA may review the appropriateness of the risk appetite levels and metrics as well as proactive risk mitigation strategies from time to time in light of evolving market conditions.

PBGF investment objectives and principles

Investment objectives:

- Maintain sufficient high-quality liquid assets in order to meet claims when they fall due
- Obtain reasonable investment returns for the PBGF's long-term prudent financial management
- Restrain the investment risk taken to generate reasonable investment returns to a low to moderate risk tolerance

Investment principles:

- **Sufficient liquidity:** The PBGF must have sufficient liquidity to pay claims and expenses incurred in the administration of the PBGF.
- **Reasonable investment return:** The PBGF should be allowed to take some investment risk in order to:
 - generate the investment returns that are, together with PBGF assessments, needed to cover expected claims on an on-going basis, and
 - build a reasonable amount of reserve for unexpected, extraordinary claims over the long term
- **Low to moderate risk tolerance:**
 - the PBGF should not take excessive investment risk to generate reasonable investment returns, and
 - the PBGF risk tolerance should remain low to moderate