

# **FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO**

**PENSION BENEFITS GUARANTEE FUND  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR  
ENDED MARCH 31, 2025**

**Financial Services Regulatory  
Authority of Ontario**

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## **Pension Benefits Guarantee Fund**

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

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"). The Chief Executive Officer ("CEO") of the Financial Services Regulatory Authority of Ontario ("FSRA") is responsible for the administration of the Fund including the investment of the assets of the Fund. FSRA acts as an agent of the PBGF Administrator in accordance with the Agency Agreement between the PBGF's Administrator and FSRA.

FSRA management ("Management") is responsible for the integrity, consistency, objectivity and reliability of financial statements. These financial statements were prepared in accordance with Canadian public sector accounting standards, and FSRA management has exercised its judgement and made best estimates where appropriate, particularly when the transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances.

Management is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the financial records are relevant, reliable and accurate, and that assets are properly accounted for and safeguarded. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.


The Board of Directors of FSRA oversees management's responsibilities for financial reporting through an Audit, Finance and Risk Committee, which is composed entirely of independent directors. This Committee reviews the financial statements and recommends them to the Board for approval. The Audit, Finance and Risk Committee is also responsible for reviewing FSRA's internal controls and advising the directors on auditing matters and financial reporting issues.

The Office of the Auditor General, appointed by our Board on recommendations of the Audit, Finance and Risk Committee has audited the financial statements for the Fund in accordance with Canadian generally accepted auditing standards, as stated in their Independent Auditor's Report. The Office of the Auditor General has full and unrestricted access to the Audit, Finance and Risk Committee to discuss their audit and related findings.



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Dexter John  
Chief Executive Officer



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Andrew Fung  
Interim Executive Vice President - Corporate  
Services

Toronto, Ontario  
June 24, 2025

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Financial Services Regulatory Authority of Ontario**

#### **Opinion**

I have audited the consolidated financial statements of the Pension Benefits Guarantee Fund and its subsidiaries (the "Fund"), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of operations and changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at March 31, 2025, and consolidated 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 Consolidated 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 consolidated 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements**

My objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

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 24, 2025

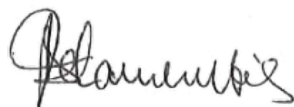
Shelley Spence, FCPA, FCA, LPA  
Auditor General

**Pension Benefits Guarantee Fund**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2025**

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	9	901	435
Accounts receivable	10	28,746	30,006
Investments	3	1,373,136	1,291,422
<b>Total assets</b>		<b>1,402,783</b>	<b>1,321,863</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		2,377	2,885
Current portion of long-term debt	4	11,000	11,000
Claims payable	11	28,201	34,500
<b>Total current liabilities</b>		<b>41,578</b>	<b>48,385</b>
Long-term debt	4	67,058	73,787
<b>Total liabilities</b>		<b>108,636</b>	<b>122,172</b>
<b>Net Assets</b>			
Accumulated operating surplus		1,277,056	1,209,987
Accumulated rereasurement gains/ (losses)		17,091	(10,296)
<b>Total net assets</b>		<b>1,294,147</b>	<b>1,199,691</b>
<b>Total liabilities and net assets</b>		<b>1,402,783</b>	<b>1,321,863</b>

*The accompanying notes are an integral part of these financial statements.*

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



Joanne De Laurentiis  
Board Chair



Rob Wellstood  
Chair, Audit, Finance & Risk Committee

**Pension Benefits Guarantee Fund**  
**Consolidated Statement of Operations and Changes in Net Assets**  
**For the year ended March 31, 2025**

(Thousands of dollars)	Note(s)	March 31, 2025	March 31, 2024
<b>Revenues</b>			
Assessments		25,502	16,641
Investment income	3	44,539	45,298
Pension plan recoveries	6	333	20,016
<b>Total revenues</b>		<b>70,374</b>	<b>81,955</b>
<b>Expenses</b>			
(Recovery of claims provision)/Claims	6	(4,190)	(3,400)
Interest expense	4	4,271	4,593
Administration fee	7	1,931	1,706
Investment management fees	7	1,267	489
Professional services	8	26	365
<b>Total expenses</b>		<b>3,305</b>	<b>3,753</b>
<b>Excess of revenues over expenses</b>		<b>67,069</b>	<b>78,202</b>
<b>Net assets, beginning of year</b>		<b>1,209,987</b>	<b>1,131,785</b>
<b>Net assets, end of year</b>		<b>1,277,056</b>	<b>1,209,987</b>

*The accompanying notes are an integral part of these financial statements.*

**Pension Benefits Guarantee Fund**  
**Consolidated Statement of Remeasurement Gains and Losses**  
**For the year ended March 31, 2025**

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
<b>Accumulated remeasurement gains (losses), beginning of year</b>		<b>(10,296)</b>	<b>(14,224)</b>
Unrealized gains (loss) attributable to:			
Investments designated to fair value	3	<b>31,837</b>	<b>2,267</b>
Derivatives		<b>(859)</b>	<b>-</b>
<b>Total unrealized gains (losses)</b>		<b>30,978</b>	<b>2,267</b>
Amounts reclassified to the statement of operations and change in net assets:			
Investments designated to fair value	3	<b>(6,794)</b>	<b>1,661</b>
Derivatives		<b>3,203</b>	<b>-</b>
<b>Total amounts reclassified to the statement of operations and change in net assets</b>		<b>(3,591)</b>	<b>1,661</b>
<b>Net remeasurement gains for the year</b>		<b>27,387</b>	<b>3,928</b>
<b>Accumulated remeasurement gains (losses), end of year</b>		<b>17,091</b>	<b>(10,296)</b>

*The accompanying notes are an integral part of these financial statements.*

**Pension Benefits Guarantee Fund  
Consolidated Statement of Cash Flows  
For the year ended March 31, 2025**

(Thousands of dollars)	Note(s)	March 31 2025	March 31 2024
<b>Cash flows from operating activities:</b>			
Excess of revenues over expenses		67,069	78,202
Adjustments for non-cash items:			
Interest expense on loan payable	4	4,271	4,593
Interest income	3	(40,943)	(46,957)
Realized losses on disposal of investments	3	(3,592)	1,661
		<u>26,805</u>	<u>37,499</u>
Changes in working capital items:			
(Increase) decrease in accounts receivable	10	1,876	14,622
Increase (decrease) in claims payable	11	(6,299)	(3,400)
Increase (decrease) in accounts payable		(509)	(198)
		<u>21,873</u>	<u>48,523</u>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investing activities:</b>			
Purchases of investments		(3,806,877)	(6,725,936)
Proceeds from sales and maturities of investments		3,768,909	6,649,297
Interest received		27,561	39,523
		<u>(10,407)</u>	<u>(37,116)</u>
<b>Net cash flows used in investing activities</b>			
<b>Cash flows from financing activities:</b>			
Repayment of long-term debt	4	(11,000)	(11,000)
		<u>(11,000)</u>	<u>(11,000)</u>
<b>Net cash flows used in financing activities</b>			
<b>Net increase (decrease) in cash position</b>		<b>466</b>	<b>407</b>
Cash, beginning of year		<u>435</u>	<u>28</u>
<b>Cash, end of year</b>		<u><b>901</b></u>	<u><b>435</b></u>

*The accompanying notes are an integral part of these financial statements.*

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

## **1. Statutory authority and fund operations**

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”).

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 employers required to make contributions to defined benefit pension plans.

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 of Ontario.

Pursuant to the *Financial Services Regulatory Authority of Ontario Act, 2016* and subsection 82(2) of the Act, the Chief Executive Officer (“CEO”) of the Financial Services Regulatory Authority (“FSRA”) is responsible for the administration of the Fund including the investment of the assets of the Fund. The CEO may charge the Fund for reasonable expenses incurred in the administration of the Fund.

## **2. Significant accounting policies**

### **(a) Basis of preparation**

These financial statements are prepared in accordance with the CPA Public Sector Accounting Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Fund has chosen to use the standards for not-for-profit organizations that include Sections PS 4200 to PS 4270. The significant accounting policies are summarized below.

### **(b) Measurement uncertainty**

The preparation of financial statements requires that Management make estimates and assumptions that affect the amount of assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates include assessment revenue, accounts receivable and claims payable. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. By their nature, estimates are subject to measurement uncertainty. Therefore, actual results may differ materially from the estimates.

### **(c) Basis of consolidation**

The Fund’s consolidated financial statements include the financial statements of all its

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

subsidiaries. The subsidiaries are entities that are controlled by the Fund. Where necessary, adjustments are made to the financial statements of subsidiaries to reflect accounting policies consistent with those of the Fund. All inter-company transactions and balances are eliminated.

**(d) Revenue recognition**

Assessment revenue is based on an assessment formula set out in *section 37 of Regulation 909* of the Act. An estimate of the assessment 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 Fund's fiscal year end.

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

(\$000)	March 31, 2025	March 31, 2024
Estimated revenue	\$ 25,300	\$ 28,300
Actual revenue related to current and prior years received in current year	28,502	29,341
Less: prior year's estimated revenue	(28,300)	(41,000)
Total Assessment Revenue	<u>\$ 25,502</u>	<u>\$ 16,641</u>

**(e) Financial instruments**

Financial assets and liabilities are recognized on the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

All financial instruments should be assigned to one of the two measurement categories at initial recognition: fair value, or cost/amortized cost.

<u>Financial assets</u>	<u>Measurement basis</u>
Cash	Amortized cost
Investments	Fair value (Note 4)
Accounts receivable	Amortized cost
<u>Financial liabilities</u>	<u>Measurement basis</u>
Accounts payable and accrued liabilities	Amortized cost
Loan Payable	Amortized cost

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

*(i) Financial instruments measured at cost or amortized cost*

Financial assets and liabilities measured at cost or amortized cost are initially recognized at acquisition cost, including transaction costs that are directly attributable to the acquisition or issuance.

Financial assets measured at amortized cost are assessed for collectability at each financial statement date. A valuation allowance is used to reflect financial assets measured at amortized cost at their net realizable value. Losses (gains) arising from changes in valuation allowances are recognized as expenses (revenues from recoveries of previously recognized allowances) in the statement of operations and changes in net assets in the period in which they arise.

Financial assets at amortized cost are subject to impairment. At each financial statement date, the Fund assesses financial assets to determine whether there is any objective evidence of impairment. When a decline is determined to be other than temporary, the carrying amount of the financial asset is reduced and the amount of the impairment is recognized as a loss in the statement of operations and changes in net assets.

*(ii) Financial instruments measured at fair value*

When a financial instrument is in the fair value category, transaction costs are expensed upon initial recognition. Financial assets and liabilities at fair value are remeasured at their fair value at the end of each reporting period. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in net assets. The Fund has defined and implemented an investment and risk management strategy to manage and evaluate the performance of its investments on a fair value basis. As a result, the Fund has elected to designate its investments to the fair value category.

Fair value measurements are classified using a fair value hierarchy based on the market observability of the valuation inputs 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.

*(iii) Derecognition of a financial instrument*

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the benefits and risks of ownership of the asset to another organization. The Fund derecognizes a financial liability or part of a financial liability when the obligation specified in the contract is discharged or cancelled or expires. On derecognition, the difference between the financial instrument's carrying amount

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

and the sum of the consideration received and receivable is recognized in the statement of operations and changes in net assets.

*(iv) Transaction costs*

Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or financial liability. Transaction costs include fees and commissions paid to agents, advisors, brokers, and transfer taxes and duties.

**(f) 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. 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.

**(g) Pension plan recoveries**

Recoveries of actual claims paid are considered revenues in the year when recovery notices are received from appointed pension plan administrators.

**(h) Current assets**

Assets not subject to external restrictions limiting their use to beyond one year from the date of the statement of financial position are classified as current assets.

**3. Cash**

Cash is a balance with chartered financial institutions in Canada.

**4. Accounts Receivable**

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

Accounts receivable consist of:

(\$000)	March 31, 2025	March 31, 2024
PBGF Assessment receivable	22,462	24,218
Investment income receivable	6,284	5,668
HST rebate receivable	-	120
Total	<u>28,746</u>	<u>30,006</u>

## 5. Investments

As required by legislation, the FSRA Board established a Statutory Funds Advisory Committee (the "Committee") to advise the CEO on the administration and investment of the Fund. The Committee reviewed the PBGF Investment Policy Statement developed by Management. This Policy is reviewed regularly and provides operational objectives, investment principles, policies and guidelines for the management of the Fund's investments.

Investments consist of the following:

(\$000)	Fair Value Hierarchy	March 31, 2025 Fair Value	March 31, 2024 Fair Value
Discount notes	Level 1	79,374	427,464
Government bonds	Level 2	945,024	863,959
Global public equity pooled fund	Level 2	209,600	-
Global credit pooled fund	Level 3	139,997	-
Derivative liabilities	Level 2	(859)	-
Total		<u>1,373,136</u>	<u>1,291,423</u>

During the years ended, March 31, 2025, and 2024, there were no transfers of assets between Level 1, Level 2 and Level 3.

Derivatives are forward currency contracts to exchange currencies at a pre-determined rate on a future date as hedging tool used to protect against future fluctuations in exchange rates, allowing PBGF to lock in a specific rate for a future receipt related to investments in the Global Credit pooled fund.

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
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The fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

Investment income includes interest earned from interest-bearing securities and realized gains and losses from the sale of securities. Changes in the fair value of investments are recognized as unrealized gains and losses in the Statement of Remeasurement Gains and Losses.

Investment income consists of:

<b>(\$000)</b>	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Interest income	\$ 40,943	\$ 46,957
Net realized gain(losses) from the sale of securities	3,595	(1,659)
Total	<b>\$ 44,539</b>	<b>\$ 45,298</b>

Discount notes have yield to maturity of 2.91% (2024 – had yields in the range of 4.946% to 5.170%). The government bonds have yield to maturity of 3.2% (2024 – had yields in the range of 1.370% to 4.638%).

During fiscal 2025, IMCO established the following subsidiaries wholly owned by the Fund to hold units of IMCO Global Equity and Global Credit Pools: PBGF GC Pool LTD. and PBGF Pool Holdings LTD. The Fund's consolidated financial statements include the financial statements of all its subsidiaries.

## **6. Claims Payable**

As at March 31, 2025, the PBGF estimated two claims with total value of \$26,447.

The PBGF Estimated Claims as at March 31, 2025 are expected to be paid in the 2025-2026 fiscal year.

The PBGF Estimated Claims are prepared by the FSRA, based on information provided by appointed plan administrators and/or the plan sponsors' actuaries. The administrators' and/or plan sponsors' actuaries calculate the estimated claims based on regulatory requirements for determining the PBGF liability and in accordance with accepted actuarial practice.

These estimated claims represent the present value of future payments to settle claims for benefits and expenses by pension plans.

## **7. Long-term debt**

### **Non-interest-bearing loan**

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

On March 31, 2004, the Fund obtained a \$330 million loan from the Province of Ontario (the "Province"), a related party. At that time, the Fund used the proceeds from the loan to facilitate the restructuring of the pension obligations of Algoma Steel Inc. 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, 2025 as follows:

<b>(\$000)</b>	<b>March 31, 2025</b>	<b>March 31, 2024</b>
Face value	\$ 99,000	\$ 110,000
Less: Discount	(20,942)	(25,213)
Amortized cost	<b>\$ 78,058</b>	<b>\$ 84,787</b>
Classified as:		
Current portion	\$ 11,000	\$ 11,000
Long-term portion	67,058	73,787
Balance	<b>\$ 78,058</b>	<b>\$ 84,787</b>

The unamortized discount of \$20.9 million (2024 – \$25.2 million) is recorded as interest expense in the Statement of Operations and Changes in Net Assets 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:

<b>Fiscal Year</b>	<b>(\$000)</b>
2026	3,932
2027	3,576
2028	3,202
2029	2,809
2030	2,396

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

## 8. Financial instrument risks

The Fund's financial instruments are subject to financial risks as a result of its investing activities that could impact its cash flows, income and assets available to meet the Fund's obligations. These risks include market risk (including interest rate risk, currency risk and other price risk), credit risk, liquidity risk, and other risks as applicable. The Fund manages these risks in accordance with the Fund Risk Appetite Statement (RAS) and the Investment Policy Statement (IPS), which prescribes the Strategic Asset Allocation (SAA), performance measurement, permitted investments, shareholder rights and environmental, social and governance issues, conflicts of interest and related party transactions, and valuation of infrequently traded assets. The Fund has delegated the investment of substantially all of the Fund's assets to Investment Management Corporation of Ontario (IMCO), which may further sub-delegate to other investment managers and service providers. IMCO must act in accordance with any written directions of the Fund, as well as all applicable IMCO policies. In investing the assets of the Fund, IMCO must comply with the IPS, IMCO's internal policies and all relevant laws and regulations.

### (a) Market risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market factors.

The following Table 1 provides a market value sensitivity of the Fund's investments which are based on one standard deviation in the return of each fund investment as at March 31, 2025.

#### – Market Risk Sensitivity on Investment Portfolio

	One Standard deviation	Impact on investments	
		%	(\$000)
Interest rate	Interest rate up 110bps	-4.6%	(63,457)
	Interest rate down 110bps	5.2%	71,734
United States dollar	USD +9.84%	1.1%	15,175
	USD -9.84%	-1.1%	(15,175)
Credit spread	Spread up 70 bps	-2.5%	(34,488)
	Spread down 70 bps	2.8%	38,626
Global public equity price	Price up 22.85%	3.7%	51,042
	Price down 22.85%	-3.7%	(51,042)

**Pension Benefits Guarantee Fund**  
**Notes to the consolidated financial statements**  
**For the year ended March 31, 2025**  
**(Thousands of dollars)**

Market risk comprises the following:

### **1. Interest rate risk**

Interest rate risk refers to the effect on the fair value of the Fund's assets and potential future claims (PFC) due to fluctuations in market interest rates. The value of the Fund's investments is affected by changes in nominal and real interest rates. The Fund's PFC are exposed to fluctuations in long-term interest rates and inflation.

#### *Management*

The Fund has established an asset mix policy that balances interest-rate-sensitive investments with other investments as well as partially offsetting the interest rate risk with the Fund's PFC. The Fund's fixed income investments have exposure to interest rate risk. Duration and weighting for the fixed income portfolio are managed in accordance with the respective fixed income segregated fund's IPS.

#### *Measurement*

Effective duration is a measure of the sensitivity of the price of a financial instrument to a change in interest rates. As illustrated in Table 1 parallel shift in the interest rate curve of -110/+110bps would result in an effective duration of 4.4 years with all other variables held constant. In practice, actual results may differ materially from this sensitivity analysis.

### **2. Currency risk**

Currency exposure arises from the Fund holding foreign currency denominated investments and entering in contracts that provide exposure to currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can have an impact on the fair value of investments.

#### *Management*

Currency risk is managed by IMCO through currency hedging. Implementation of any currency hedging strategy is accomplished through the use of instruments such as forwards, futures, options, and swaps.

#### *Measurement*

As illustrated in Table 1, the impact to the Fund of a +/-9.84% absolute change in US dollar to the Canadian dollar exchange rate would impact the investment portfolio by +/- \$15.2 million.

### **3. Other Price Risk**

Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all

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securities traded in the market.

*Management*

IMCO manages other price risk through diversification and regular monitoring of the performance of the Fund against approved benchmarks.

*Measurement*

An absolute change in the fair value of portfolio investments that are exposed to other price risk will have a direct proportional impact on the fair value of the investments. The Fund's investments in the Global Equity pooled fund holding public equities have the most significant exposure to other price risk. As illustrated in Table 1, the impact of a +/-22.85% absolute change in the price of the Global Equity pooled fund, holding all other variables constant, would have a +/- \$51.0 million impact to the investment portfolio.

**(b) Credit risk**

Credit risk is the risk of loss resulting from a borrower's failure to repay or meet contractual obligations. The Fund is exposed to credit risk through investments in fixed income instruments as there is a risk of default.

*Management*

In accordance with the SAA, 5% and 65% the portfolio investments are investment grade money market and government fixed-income securities respectively with low credit risk, while 10% of the portfolio investments are invested in IMCO Global Credit pooled fund which invests in a globally diversified portfolio of public and private credit securities.

IMCO manages credit risk by creating a diversified portfolio of investments and employing a multi-sector strategy. In creating a diversified portfolio, IMCO will invest according to a risk strategy outlining specified target allocation ranges by risk strategy (i.e., investment grade), geographical focus and investment vehicle. The risks of net investment losses and not receiving investment income are considered minimal.

The risk of not collecting assessment receivables is considered low due to the importance of pensions benefits guarantees to Pensions, Management's effective collection measures and that payment is an obligation under the Act. The assessment revenue receivable recorded is based on an assessment formula set out in section 37 of Regulation 909 of the Act. In the event that a pension plan would become insolvent within a year, there are legal options the Fund can exercise to collect the assessment revenue receivable. Historically, the Fund has been able to collect the amounts estimated as assessment revenue receivable.

*Measurement*

The use of credit ratings allows the Fund to assess the creditworthiness of counterparties using an independent source. As illustrated in Table 1, the credit risk exposure by +/-70bps in credit

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spreads would impact the investment portfolio by  $-\$34.4/+\$38.6$  million.

The Fund's accounts receivable consists of assessment revenue receivable of \$22.5 million with Retail Sales Tax (RST), and investment income receivable of \$6.3 million.

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset.

*Management*

The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in the investment portfolio to settle all current liabilities. The Fund's exposure is limited to the assets in the Fund including any loans or grants received from the Province.

When the administrator of a single employer pension plan has properly made a claim against the PBGF, the CEO may decide to pay such claim over a period of time such as 10 years and is not obligated to make the payment to the administrator when the claim is established. The CEO can manage the PBGF's liquidity risk by delaying payment and liquidating investments in an orderly manner.

*Measurement*

As at March 31, 2025, the Fund has an investment balance of \$1,373 million (2024 – \$1,291 million) to settle current liabilities of \$41.6 million (2024 – \$48.4 million).

In accordance with the SAA, the Fund has 5% and 31.5% of its investment portfolio in highly liquid discount notes and short-term government bonds totaling \$511 million as at March 31, 2025 that can be easily liquidated to cash without delay or significant transaction costs to meet any unexpected claims or obligations.

**9. Pension plan recoveries**

Any funds remaining from a wound-up pension plan are recovered by the Fund after the settlement of all benefits, payment of expenses and the submission of the final wind up report for such pension plan that had received payments from the Fund.

During fiscal 2025, the Fund had \$0.3 million (2024 – \$20 million) in recoveries from such pension plans.

**10. Related party transactions**

FSRA is a related party due to its obligation to administer the PBGF, in addition to the PBGF being controlled by FSRA. FSRA collects assessments on behalf of the PBGF, and the two entities pay certain expenses on behalf of each other. Any unsettled receivable and payable balances as at the year-end are netted and reported on the Statement of Financial Position as accounts receivable or accounts payable. For fiscal 2025, \$1.4 million out of \$1.9 million are administration fees (2024 – \$1.2 million) charged by FSRA for management salaries and

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benefits, accounting, information technology, legal, pension and other services.

IMCO and OFA are related parties in their capacity as the PBGF investment manager. Investment Management fees of \$0.1 million were paid to the OFA in fiscal 2025 (2024 – \$0.5 million) and \$1.1 million to the IMCO (2024 – nil). Other related party transactions during the year have been disclosed in note 4.

As defined by Public Sector Accounting Standards for Government Not-For-Profit Organizations (“PSAS-GNFPO”), FSRA controls the PBGF. FSRA has elected to not consolidate controlled entities. Therefore, the PBGF’s financial statements have not been consolidated with FSRA’s financial statements. A summary of PBGF’s financial information has been disclosed in the FSRA notes to the financial statements.

The investments of the Fund are managed by the Investment Management Corporation of Ontario (“IMCO”) on a fee for service basis, such fees being paid by the Fund. PBGF changed its investment manager from the Ontario Financing Authority (“OFA”) to IMCO effective June 2024.

#### **11. Professional services**

The CEO 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 2025, \$0.03 million was incurred to such external experts (2024 – \$0.4 million).

#### **12. Subsequent events**

Subsequent to year end, PBGF paid out the claims in April 2025 and June 2025 for a total value of \$26.4 million.