FSRA
Financial Services Regulatory Authority of Ontario

Ontario

Pension Benefits Guarantee Fund (PBGF) Report

Year end March 31, 2026

About the PBGF

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

In May 2026, the Government of Ontario passed legislative amendments through the *Plan to Protect Ontario Act (Budget Measures), 2026 (Bill 97)*, increasing the Benefits Guarantee Limit (BGL) from $1,500 to $3,000 per month for plan wind-ups occurring on or after March 26, 2026. This change represents a significant enhancement to pension protection for Ontario members.

With the enhanced BGL, the PBGF remains well positioned to fulfill its mandate of protecting Ontario defined benefit pension beneficiaries. As at March 31, 2026, the PBGF continues to operate in a dynamic economic environment while maintaining strong solvency levels and prudent risk management practices, and enhanced monitoring capabilities.

Market value of PBGF*

The PBGF Assets achieved a net rate of return of 3.98% p.a. over 12-months ending March 31, 2026.

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

Cash / money market	$69MM	4.8%
Short term gov bonds	$449MM	31.6%
Mid term gov bonds	$250MM	17.6%
Long term gov bonds	$275MM	19.4%
Global equity pool	$232MM	16.3%
Global credit pool	$146MM	10.3%
Total	**$1,421MM**	**100.0%**

Projected plan deficits*

Solvency position of plans	Solvency surplus	Solvency deficit	Total PBGF eligible plans
No. of plans	699 [90%]	75 [10%]	774
No. of members	503,741 [85%]	91,899 [15%]	595,640
Assessment base	-	**$739MM**	**$739MM**

Projected solvency position*

Median solvency ratio increased from 119% as of Mar 31, 2025 to 122% as of Mar 31, 2026.

Median projected solvency ratio	**122%**
Percentage of plans with a solvency ratio:	
Greater than 100% →	90%
Between 85% and 100% →	8%
Below 85% →	2%

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

1. Review 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, 2026

PBGF analysis trends

A large portion of the **PBGF assessment base** is concentrated in three sectors based on the Global Industry Classification Standard: Materials, Health Care and Consumer Staples. The number of pension plans in these sectors make up about 34% of the total number of PBGF-eligible plans.

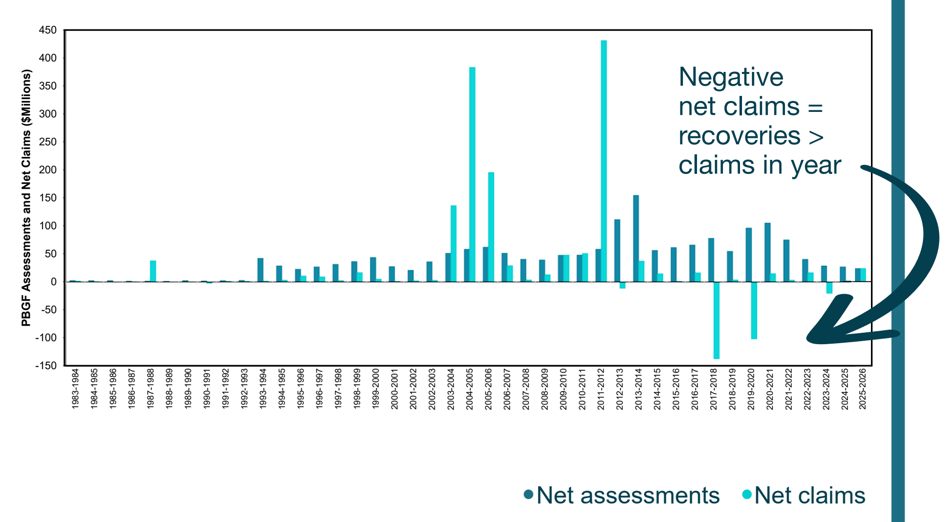
FSRA actively monitors employer sponsor health across all sectors and intervenes where there is a heightened concern as to benefit security.

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. The table below shows the sectors with the largest assessment base, including the number of plans in deficit in each sector, with the bracketed percentage representing the proportion of plans in deficit within that sector.

Plans in solvency deficit

Top 3 sectors	No. of Plans in deficit [% of Sector Plans]	Assessment base	No. of plan members
Consumer discretionary	10 [9%]	$395MM	22,675
Materials	24 [18%]	$203MM	23,146
Financials	7 [10%]	$55MM	14,419

PBGF assessments and net claims since inception



Pension Protection Act Canada (PPA)

The Pension Protection Act (Bill C-228), which received Royal Assent on April 27, 2023, will come into force for all plans on April 27, 2027.

The Act introduces enhanced priority for pension deficits in insolvency proceedings and may have implications for FSRA's role where an employer who sponsors a provincially registered pension plan defaults. FSRA is currently undertaking an internal legal review to assess its role in this context.

How is FSRA addressing PBGF risks?

With the support of FSRA, the CEO takes 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.
- Monitoring capital markets, the broader economy, and trends in merger / acquisition activity.
- Assessing the implications of the PPA on the PBGF, including potential impacts on claims outcomes, recoveries, and FSRA's role in insolvency and restructuring proceedings.
- Monitoring the governance and performance of Investment Management Corporation of Ontario (IMCO) on a regular basis.

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Pension Benefits Guarantee Fund (PBGF) Report

(continued)

About the Strategic Asset Allocation

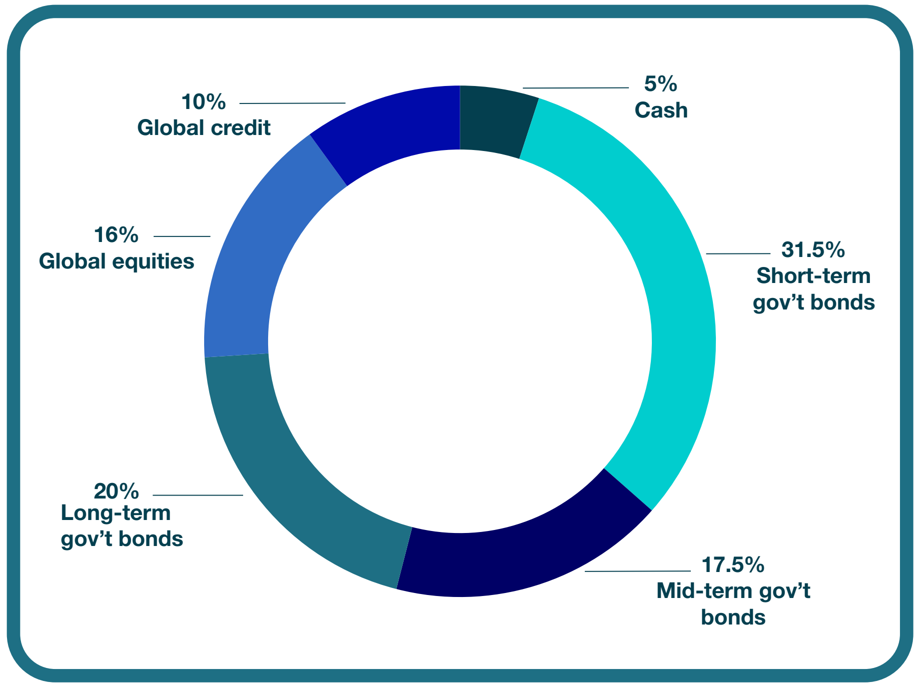
The Pension Benefits Guarantee Fund is dedicated to safeguarding the pension benefits of Ontario beneficiaries. Its assets have been managed by IMCO since June 25, 2024, with the current Strategic Asset Allocation (SAA) fully implemented on January 1, 2025. The Fund achieved a net return on assets of 3.98% p.a. for 12-month ending March 31, 2026, compared to an estimated net return of 2.10% p.a. under the previous strategy.

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.]

PBGF Strategic Asset Allocation

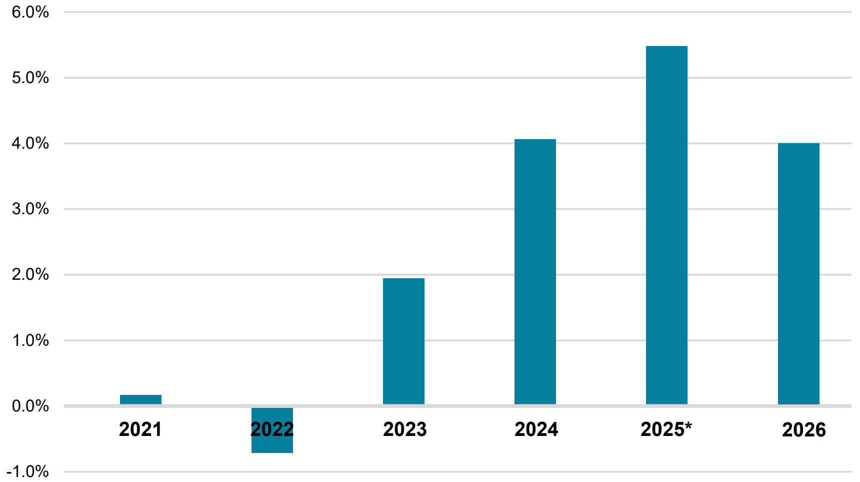
PBGF assets are diversified by asset type as per its Strategic Asset Allocation to achieve its investment and risk management objectives:



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 the 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



* Gradual implementation of SAA starting June 25, 2024

PBGF risk appetite statement

The PBGF is exposed to 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 available 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 and the objective is to maintain sufficient capital to achieve an investment-grade profile over a 10-year horizon.

The PBGF, at a benefit guarantee level of $3,000 per month, has exceeded this objective.

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.

Risk-based stress testing and analysis

FSRA employs modern risk management tools to assess the financial resilience of the Fund under a range of adverse economic scenarios. These include stress testing for potential impacts from shifts in U.S. trade policy, stagflation conditions, and major supply disruptions such as the closure of the Strait of Hormuz affecting global oil markets.

This analysis supports proactive risk identification and helps ensure the Fund remains well positioned under varying economic environments.

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