

# Pension Benefits Guarantee Fund (PBGF) Report

Year end March 31, 2023

## 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 assessments paid annually by sponsors of PBGF-eligible plans at a rate set by the Ontario government.<sup>1</sup> 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).



<sup>1</sup>See Ontario Regulation 909

## Market Value of PBGF\*

Money Market	\$360MM	30%
Government Bonds	\$851MM	70%
<b>Total</b>	<b>\$1,211MM</b>	<b>100%</b>

## Projected Plan Deficits\*

Solvency Position of Plans	Solvency Surplus	Solvency Deficit	Total PBGF Eligible Plans
No. of plans	785 [86%]	129 [14%]	<b>914</b>
No. of members	556,567	97,546	<b>654,113</b>
Assessment Base	-	-	<b>\$785MM</b>

## Projected Solvency Position\*

Median solvency ratio is at an all time high.

Median projected solvency ratio	115%
Percentage of plans with a solvency ratio:	
Greater than 100%	86%
Between 85% and 100%	12%
Below 85%	2%

## 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, 2023

## PBGF Analysis Trends

A large portion of the **PBGF assessment base** is concentrated in three sectors – industrials, materials, consumer discretionary. The number of pension plans in these sectors make up about 55% of the total number of PBGF-eligible plans.

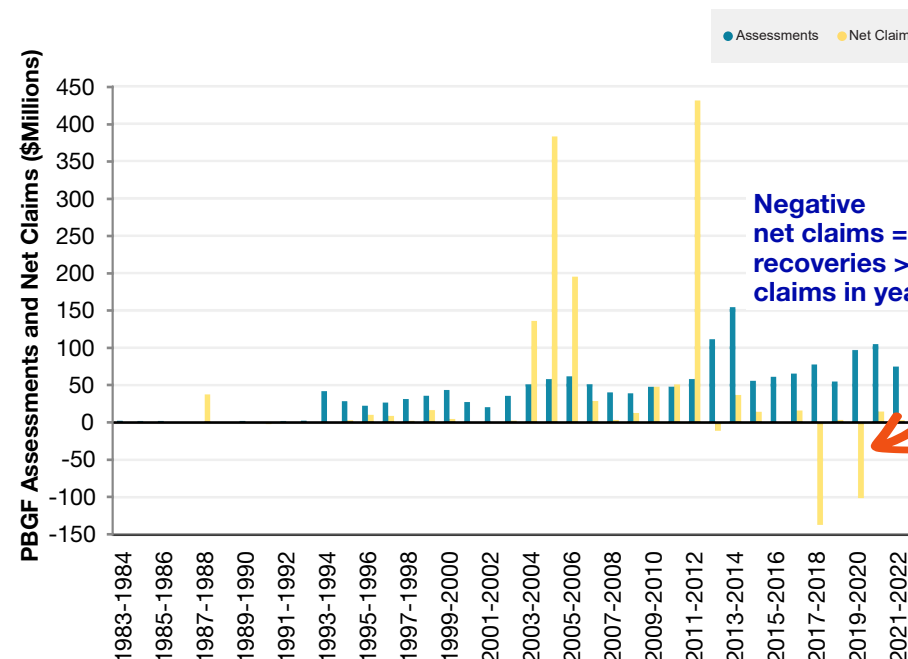
FSRA actively monitors employer sponsor health across all sectors and intervenes where there is a heightened concern as to benefit security.

In an average year, the PBGF receives 5 claims and pays out \$31 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 Solvency [% of all plans in deficit]	Assessment Base	No. of Members
Materials	22 [13%]	\$341MM	22,986
Industrials	44 [20%]	\$67MM	30,607
Consumer Discretionary	14 [11%]	\$30MM	4,477

## 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:

- Implemented a new [approach to supervision for PBGF-eligible plans](#) where there may be a heightened concern with respect to benefit security.
- Strengthening PBGF predictive analysis by adopting tools such as deterministic stress testing.
- Developing a stochastic model, which will allow 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 (Bill C-228)* which elevates the priority of claims relating to plan deficits on insolvency. FSRA expects that this may have a material positive impact on PBGF sustainability.