

2010 Ontario Budget: Chapter III: Tax and Pension Systems for Ontario's Future

March 25, 2010

The Pension Benefits Guarantee Fund

One of the issues raised by the Expert Commission was the continuing viability of the Pension Benefits Guarantee Fund

(PBGF). The PBGF is the only fund of its kind in Canada. The Pension Benefit Guaranty Corporation in the United States and the Pension Protection Fund in the United Kingdom operate in similar pension systems. All three face considerable financial challenges.

While intended to be self-financing, the annual assessments paid by the employer sponsors of DB pension plans (which averaged \$48 million per year from 2005 to 2009) have been insufficient to meet the claims on the PBGF. The Province has provided a series of loans to the Fund that resulted in debts outstanding to the Province of \$275 million at March 31, 2009.

Stabilizing the PBGF

Responding to the increasing challenges faced by the PBGF, the government is providing a \$500 million grant to the Fund in 2009–10. This grant will help ensure the PBGF has sufficient assets to cover claims in the near term.