

Highlights of the 2026 Ontario Budget

March 27, 2026

Summary

The Ontario Budget was tabled on March 26, 2026. It announces initiatives of interest to employers and sponsors of pension and benefits plans. These include announcements with respect to the PBGF, Variable Life Benefits, unlocatable members, managing general agents licensing and the corporate tax on insurance premiums.

Introduction

On March 26, 2026, Finance Minister Peter Bethlenfalvy tabled the 2026 [Ontario Budget: A Plan to Protect Ontario](#) (Budget). Ontario also introduced [Bill 97](#) (Budget Bill). The Budget sets out several items of interest with respect to pension plans, including doubling the Pension Benefits Guarantee Fund (PBGF) guarantee, proposing January 1, 2027 as the date plans will be able to offer Variable Life Benefits to members with DC benefits, and giving administrators some relief with respect to unlocatable members.

The following Budget proposals will be of interest to employers, and sponsors of group benefit and pension plans.

Measures on retirement and pensions

Pension Benefits Guarantee Fund

Ontario proposes to increase the pension guarantee limit under the PBGF from \$1,500 per month to \$3,000, or such greater amount as may be prescribed, for all eligible beneficiaries for any windup date on or after March 26, 2026. This enhancement will not result in any increased costs to employers since the PBGF is well funded with \$1.3 billion in net assets as of March 31, 2025. These amendments are set out in [Bill 97](#) and would take effect on Royal Assent.

As well, Ontario will consult on regulations that would end PBGF premiums at an earlier date when a DB single employer pension plan (SEPP) sponsor consolidates its pension with a jointly sponsored pension plan (JSPP). Currently, PBGF assessments and coverage only end after the SEPP merger

with the JSPP is completed. The change would end premiums when plan beneficiaries have consented to the merger but while the merger is still awaiting regulatory approval.

Variable Life Benefits

Ontario is proposing PBA amendments, to be effective January 1, 2027, that would allow pension plans with DC benefits or additional voluntary contributions (AVCs), to include a Variable Life Benefit (VLB) as an option. Ontario had previously consulted on what the VLB framework should look like. Members who transfer funds to a VLB pool within a plan with DC benefits or AVCs would receive monthly benefits for life but with adjustments up or down based on the VLB's investment performance and retirees' mortality experience.

These amendments are set out in Bill 97, with various effective dates. Regulations are still needed and Ontario will be consulting on them later this year with the target of having this in place for January 1, 2027.

Unlocking locked-in funds

Holders of locked-in retirement accounts (LIRAs) will be able to fully unlock those funds if they:

- Have reached early retirement age under the terms of their pension plan, or
- Are under age 55 and their total locked-in balances are below a prescribed amount (\$29,840 in 2026) that will be subject to annual indexation

Unlocatable members

Ontario will allow pension plan administrators to discharge liabilities for unlocatable plan members who are age 100 or older. After conducting specified searches and completing a waiting period set out in regulations, administrators could apply to the Financial Services Regulatory Authority of Ontario (FSRA) for approval to extinguish the liabilities for such members. These amendments are set out in Bill 97 and will not take effect until proclaimed into force.

Investment involving pension funds

Ontario has noted two investment initiatives that could involve pension plan funds. The Protect Ontario Account Investment Fund will leverage the initial investments it will make to help bring in investors, including pension funds. Ontario is also looking to involve pension funds in investments in future nuclear projects.

Measures about health and benefits

New CT-IP Election for Benefit Plans

Ontario is proposing an amendment to the Insurance Premium Tax under the *Corporations Tax Act* (CT-IP) that would allow all funded benefit plans to elect to be treated as unfunded benefit plans.

This means:

- CT-IP would no longer apply upfront on contributions

- Instead, CT-IP would apply only when benefits are paid out of the plan
- Plan holders can choose whether to make the election, giving them flexibility in managing cash flow and tax timing

A benefit plan is considered a funded benefit plan if the contributions paid into it exceed the amounts required for the payment of benefits foreseeable and payable within 30 days. Any other benefit plan is considered an unfunded benefit plan.

This measure removes a differentiation in the tax treatment that could have discouraged prefunding, although contributions are usually set to match expected claims. Total premium tax paid over time should be similar. The new election introduces greater flexibility, allowing organizations to better align CT-IP costs with actual benefit payments and improve cash-flow management.

This amendment is set out in Bill 97 and would take effect retroactively as of April 1, 2026 upon receiving Royal Assent. Details on the election process are not yet known as Ontario may make regulations to provide the applicable rules.

MGA Licensing Framework Postponed

Ontario has also postponed the planned June 1, 2026 launch of the new licensing framework for Managing General Agents (MGAs), in the life and health insurance sector, to allow more time to evaluate feedback received through the Financial Services Regulatory Authority of Ontario (FSRA)'s consultations. This delay provides insurers and distributors, especially those coordinating with MGAs, additional time to prepare for future compliance requirements.

For more information

This Advisory is not intended to constitute or serve as a substitute for legal, accounting, actuarial or other professional advice. For information on how this issue may affect your organization, please contact your WTW consultant, or:

Carole Goyette +1 514-360-4800
Carole.goyette@wtwco.com

Michelle Rival +1 416-960-4467
Michelle.rival@wtwco.com

Rohan Kumar +1 416-960-6849
Rohan.kumar@wtwco.com

Caroline Schubert
Caroline.schubert@wtwco.com

Simon Laxon +1 416-960-2621
Simon.laxon@wtwco.com

Evan Shapiro +1 416-960-2846
Evan.shapiro@wtwco.com

Anne-Marie Nawar +1 514-360-4803
Annemarie.nawar@wtwco.com

Paul Timmins +1 416-960-7400
Paul.timmins@wtwco.com

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organizational resilience, motivate your workforce and maximize performance.

Working shoulder to shoulder with you, we uncover opportunities for sustainable success and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).