



President
of the Treasury Board

Présidente
du Conseil du Trésor

**Report on the
Administration of
the *Public Service
Superannuation Act*
for the Fiscal Year
Ended March 31, 2002**

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Her Excellency the Right Honourable Adrienne Clarkson, C.C., C.M.M., C.D.
Governor General of Canada

Excellency:

I have the honour to submit to Your Excellency the *Report on the Administration of the Public Service Superannuation Act for the Fiscal Year Ended March 31, 2002*.

Respectfully submitted,

The paper version was signed by
Lucienne Robillard
President of the Treasury Board



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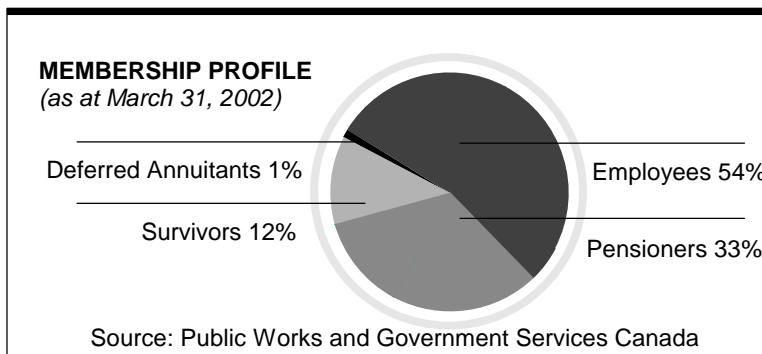
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PUBLIC SERVICE PENSION PLAN

Established in 1924, the Public Service Pension Plan currently provides pension benefits for 255,231 employees of the Government of Canada, certain Crown corporations and territorial governments. It also pays annuities to 159,542 retired employees, 57,344 survivors and 5,429 deferred annuitants. (See membership profile below.)



Over the coming years the proportion of pensioners to current plan members is expected to rise as the baby boomers start to retire. Plan members can continue to be assured that they will obtain their benefits, as their benefits are fully guaranteed by the Government of Canada and the upcoming retirements have been anticipated and incorporated into the financial status of the Plan.

CONTRIBUTIONS

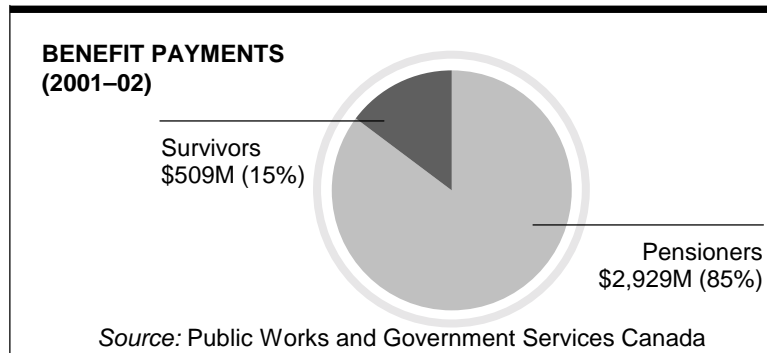
In 2001–02, the plan received about \$2,400 million in contributions, of which employees paid \$702 million (about 30%) and the employer contributed \$1,690 million. Employee contributions are compulsory and are set at a rate of 4% of annual salary up to \$39,100 (2002 Maximum Pensionable Earnings defined by the Canada Pension Plan and the Quebec Pension Plan) and 7.5% of annual salary above that amount. The employer pays 2.56 times the employee rate for current service.





BENEFITS

In 2001–02, the plan paid out \$3,500 million in benefits, an increase of \$164 million over the previous year. Benefits were paid to 216,886 pensioners and survivors, including 3,934 new pensioners during the year. New pensioners received an average annual pension of \$23,837 in 2001–02. The number of beneficiaries has been fairly stable over the past few years, but is expected to rise in the future.



Pension benefits are fully indexed to annual increases in the Consumer Price Index. This adjustment is made each January and was 3.0% on January 1, 2002.

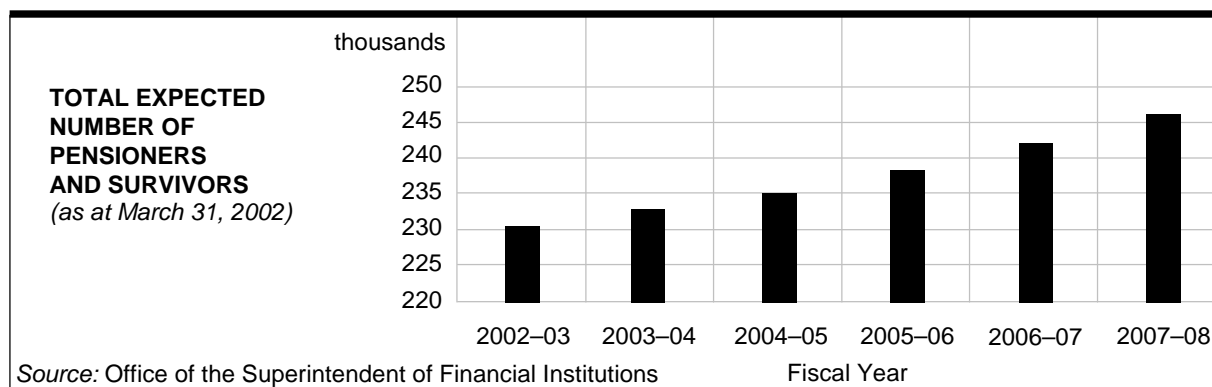
Benefits paid to pensioners represented 85.2% of 2001–02 pension payments and benefits paid to survivors represented 14.8%. Included in benefits paid are those to disabled pensioners. These represent 2.8% of the total.

Last year, 2,685 immediate annuities, 297 deferred annuities, and 952 annual allowances started becoming payable to plan members. Of those receiving an immediate annuity last year, 1,372 obtained a normal retirement benefit, 936 an early retirement benefit, and 377 a disability retirement benefit.

The Public Service Pension Plan has pension transfer agreements with some 50 employers, including other levels of government, universities, and private sector employers. Last year, approximately \$32 million was transferred into, and \$15 million (not including Crown corporations) was transferred out of the Pension Plan under these agreements.

In addition, 1,079 plan members left the Public Service before age 50 and withdrew about \$150 million (the present value of their future benefits) as lump sums that were transferred to locked-in retirement vehicles of their choosing.



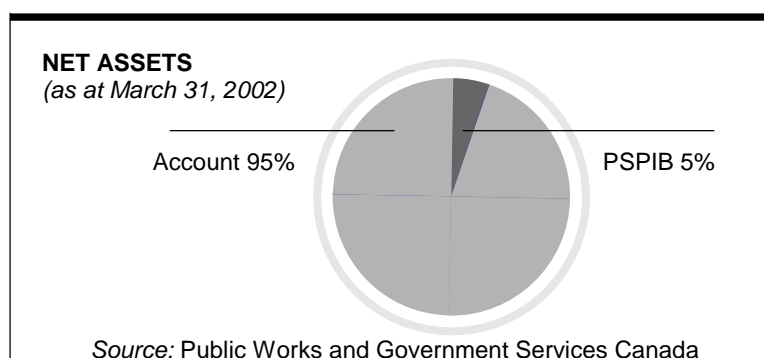


ASSETS AVAILABLE TO PAY PENSION BENEFITS

Up until March 31, 2000, all contributions and benefit payments were recorded in the Public Service Superannuation Account. The balance in the account earns interest income based on the Government of Canada long-term bond rate.

Since April 1, 2000, contributions have been paid into the Public Service Pension Fund. Contributions net of current benefits and plan administration expenses are transferred to the Public Sector Pension Investment Board (PSPIB) for investment in capital markets to build assets to pay future benefits.

On March 31, 2002, net assets available to pay current and future pension benefits consisted of \$80,550¹ million recorded in the Superannuation Account and \$4,264 million largely invested through the Public Sector Pension Investment Board. These invested assets consisted of approximately one-third each of Canadian equities, foreign equities, and fixed income securities (Canadian federal, provincial and corporate bonds plus short-term cash equivalent investments). These investments earned a time-weighted rate of return of 2.7% in 2001-02.



1. This amount does not include contributions receivable.



RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

A Retirement Compensation Arrangements Account (RCA) has been established to record contributions, benefit payments and interest credits in respect of benefits that are in excess of those permitted under the *Income Tax Act* for Registered Pension Plans. One portion of the Account provides benefits in relation to salaries above \$99,800 in 2002 and certain survivor benefits.

Another portion of the RCA Account records transactions for those employees who left the Public Service under the Early Retirement Incentive Program (between April 1, 1995 to September 30, 1998).

FUNDED STATUS

The financial statements for the Public Service Pension Plan (see page 6) indicate that the plan assets exceeded the plan liabilities by \$10,290 million in 2001–02. This figure is based on estimates calculated for accounting purposes.

PLAN ADMINISTRATION

The costs of administering the plan totalled \$48.7 million (or approximately \$100 per member) in 2001–02, an increase of \$8.6 million from the previous year. Relative to assets, administrative costs were \$0.06 per \$100 of plan assets.

This was due to increased expenditures associated with system upgrades and modernization and the development of Web-based facilities so that members will be able to obtain pension information on the Internet by 2003. One of the new features will allow members to estimate their pensions based on different retirement assumptions, using an on-line “calculator.” A communications strategy was also launched to provide plan members with additional information about the benefits offered by their Pension Plan.

For the first time this year, audited financial statements have been included in the annual report. These statements have been prepared in accordance with the federal government’s stated accounting policies for the pension plan, which are based on generally accepted accounting principles.





PUBLIC SERVICE PENSION ADVISORY COMMITTEE

An Advisory Committee comprised of 13 members — one pensioner, six members representing employees and six members chosen from the executive ranks of the Public Service — held meetings during 2001–02. Its mandate is to provide advice to the President of the Treasury Board on matters respecting the benefit design and funding of the Public Service Pension Plan.

FURTHER INFORMATION

For additional information on the Public Service Pension Plan, you may consult the www.tbs-sct.gc.ca/hr-rh/bp-rasp Web site.



FINANCIAL STATEMENTS OF THE PUBLIC SERVICE PENSION PLAN AND NOTES TO THE FINANCIAL STATEMENTS





PUBLIC SERVICE PENSION PLAN STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the financial statements of the Public Service Pension Plan rests with the department of Public Works and Government Services Canada and the Treasury Board of Canada Secretariat. The Treasury Board of Canada Secretariat carries out responsibilities in respect of the overall management of the Plan while Public Works and Government Services Canada is responsible for the day-to-day administration of the Plan and for maintaining the books of accounts.

The financial statements of the Public Service Pension Plan, for the years ended March 31, 2002 and 2001, have been prepared in accordance with the accounting policies set out in Note 2 of the financial statements, which are based on generally accepted accounting principles. They include management's best estimates and judgements where appropriate.

To fulfil its accounting and reporting responsibilities, Public Works and Government Services Canada has developed and maintains books, records, internal controls and management practices, designed to provide reasonable assurance as to the reliability of the financial information and to ensure that transactions are in accordance with the *Public Service Superannuation Act* and regulations, as well as the *Financial Administration Act* and regulations.

Additional information, as required, is obtained from the Public Sector Pension Investment Board. The Board maintains its own records and systems of internal control to account for the funds managed on behalf of the Public Service Pension Plan in accordance with the *Public Sector Pension Investment Board Act* and regulations.

These statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Approved by:

The paper version was signed by

Janice Cochrane
Deputy Receiver General
For Canada

The paper version was signed by

Jim Judd
Secretary of the Treasury Board and
Comptroller General of Canada

The paper version was signed by

Lysanne Gauvin
Assistant Deputy Minister
Accounting, Banking and Compensation

The paper version was signed by

James Lahey
Associate Secretary
Treasury Board of Canada Secretariat



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Minister of Public Works and Government Services Canada and to the President of the Treasury Board

I have audited the statement of net assets available for benefits, of accrued pension benefits and of excess of actuarial value of net assets over accrued pension benefits of the Public Service Pension Plan as at March 31, 2002 and 2001 and the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in excess of actuarial value of net assets over accrued pension benefits for the years then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, the accrued pension benefits and the excess of actuarial value of net assets over accrued pension benefits of the Plan as at March 31, 2002 and 2001 and the changes in net assets available for benefits, changes in accrued pension benefits and changes in excess of actuarial value of net assets over accrued pension benefits for the years then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Plan that have come to my notice during my audits of the financial statements have, in all significant respects, been in accordance with the *Public Service Superannuation Act* and regulations.

The paper version was signed by
Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
February 14, 2003





PUBLIC SERVICE PENSION PLAN

Statement of Net Assets Available for Benefits, of Accrued Pension Benefits and of Excess of Actuarial Value of Net Assets over Accrued Pension Benefits

As at March 31

	2002	2001
	(\$ millions)	(\$ millions)
Net Assets Available for Benefits		
Assets		
Public Service Superannuation Account (notes 3 and 10)	\$ 80,550	\$ 81,575
Public Service Pension Fund Account (note 3)	67	96
Investments (note 4)	3,976	1,790
Contributions receivable (note 5)	897	864
	85,490	84,325
Liabilities		
Accounts payable	1	1
Net Assets Available for Benefits	85,489	84,324
Actuarial asset value adjustment (note 6)	160	180
Actuarial Value of Net Assets Available for Benefits	85,649	84,504
Accrued Pension Benefits (notes 6 and 10)	75,359	75,890
Excess of Actuarial Value of Net Assets over Accrued Pension Benefits (note 7)	\$ 10,290	\$ 8,614

See accompanying notes to financial statements.





PUBLIC SERVICE PENSION PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended March 31

	2002	2001
	(\$ millions)	(\$ millions)
Net Assets Available for Benefits, Beginning of Year	\$ 84,324	\$ 87,279
Increase in Assets:		
Interest income from the Public Service Superannuation Account (note 3)	6,887	7,652
Transfers from other pension funds	32	15
Investment (loss) income (note 4)	(164)	2
Current year change in fair value of investments and currency	269	(164)
Contributions (note 8)	2,392	2,550
Total Increase in Assets	9,416	10,055
Decrease in Assets:		
Benefits (note 9)	3,451	3,287
Refunds and transfers (note 10)	4,746	1,580
Public Service Superannuation Account actuarial adjustment (note 11)	–	8,100
Administrative expenses (note 12)	54	43
Total Decrease in Assets	8,251	13,010
Increase (Decrease) in Net Assets	1,165	(2,955)
Net Assets Available for Benefits, End of Year	\$ 85,489	\$ 84,324

See accompanying notes to financial statements.





PUBLIC SERVICE PENSION PLAN

Statement of Changes in Accrued Pension Benefits

Year ended March 31

	2002	2001
	(\$ millions)	(\$ millions)
Accrued Pension Benefits, Beginning of Year	\$ 75,890	\$ 72,061
Increase in Accrued Pension Benefits:		
Interest on accrued pension benefits	5,922	6,336
Benefits earned	2,153	2,111
Experience losses (gains)	263	(534)
Transfers from other pension funds	32	15
Total Increase in Accrued Pension Benefits	8,370	7,928
Decrease in Accrued Pension Benefits:		
Benefits (note 9)	3,451	3,287
Refunds and transfers (note 10)	4,746	1,580
Administrative expenses included in the service cost	49	40
Changes in actuarial assumptions (note 6)	655	(870)
Plan settlement	–	62
Total Decrease in Accrued Pension Benefits	8,901	4,099
(Decrease) Increase in Accrued Pension Benefits	(531)	3,829
Accrued Pension Benefits, End of Year	\$ 75,359	\$ 75,890

See accompanying notes to financial statements.



PUBLIC SERVICE PENSION PLAN

Statement of Changes in Excess of Actuarial Value of Net Assets over Accrued Pension Benefits

Year ended March 31

	2002	2001
	(\$ millions)	(\$ millions)
Excess of Actuarial Value of Net Assets over Accrued Pension Benefits, Beginning of Year	\$ 8,614	\$ 15,218
Increase (decrease) in net assets available for benefits	1,165	(2,955)
Change in actuarial asset value adjustments	(20)	180
Increase (decrease) in actuarial value of net assets available for benefits	1,145	(2,775)
Net decrease (increase) in accrued pension benefits	531	(3,829)
Excess of Actuarial Value of Net Assets over Accrued Pension Benefits, End of Year	\$ 10,290	\$ 8,614

See accompanying notes to financial statements.





PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

1. Description of Plan:

The Public Service Pension Plan (the "Plan"), which is governed by the *Public Service Superannuation Act* (the "PSSA" or the "Act"), provides pension benefits for public service employees. This Act has been in effect since January 1, 1954.

The following description of the Plan is a summary only.

(a) General:

The Plan is a contributory defined benefit plan covering substantially all of the employees of the Government of Canada, certain Crown corporations and Territorial Governments. Membership in the Plan is compulsory for all eligible employees.

The Government of Canada is the sole sponsor of the Plan. The President of the Treasury Board is the Minister responsible for the PSSA. The Treasury Board of Canada Secretariat is responsible for the management of the Plan, while Public Works and Government Services Canada ("PWGSC"), provides the day-to-day administration of the Plan. The Office of the Superintendent of Financial Institutions makes periodic actuarial valuations of the Plan.

Until April 1, 2000, separate market invested funds were not set aside to provide for payment of pension benefits. Instead, transactions relating to the Plan were recorded in a Public Service Superannuation Account created by legislation in the Accounts of Canada. Pursuant to the PSSA as amended by the *Public Sector Pension Investment Board Act*, transactions relating to service subsequent to March 31, 2000 are now recorded in the Public Service Pension Fund (the "Pension Fund"), where the excess of contributions over benefits are invested in capital markets through the Public Sector Pension Investment Board ("PSPIB" or the "Board"). The Board is a separate corporate body that started operations on April 1, 2000. Its goal is to achieve maximum rates of return on investments without undue risk while respecting the requirements and financial obligations of the Plan.

(b) Funding policy:

The Plan is funded from contributions whereby plan members contribute 4% of pensionable earnings up to the maximum covered by the Canada or Quebec Pension Plan ("CPP" or "QPP") and 7.5% of pensionable earnings above that maximum, and employer contributions are made monthly to provide for the cost (net of employee contributions) of the benefits that have accrued in respect of that month. The determination of the cost of the benefits is made on the basis of actuarial valuations, which are performed triennially.



PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

1. Description of Plan (continued):

(b) Funding Policy (continued):

Until April 1, 2000, a separate market invested fund was not maintained, however, the legislation provides that all pension obligations arising from the Plan be met by the Government of Canada. In addition, the legislation governing the Plan requires actuarial deficiencies found in the Public Service Superannuation Account to be dealt with by increasing the Account in equal installments over a period not exceeding fifteen years and actuarial deficiencies found in the Public Service Pension Fund to be dealt with by transferring amounts to the Fund in equal installments over a period not exceeding fifteen years. The legislation allows surpluses in the Public Service Superannuation Account to be dealt with by reducing the Account over a period of up to fifteen years and surpluses in the Pension Fund to be dealt with by a reduction of government and/or plan member contributions, or by withdrawing amounts from the Fund.

(c) Benefits:

The Plan provides benefits based on the number of years of pensionable service to a maximum of 35 years. Benefits are integrated with the CPP and QPP. The basic benefit formula is 2% per year of pensionable service times the average of the best five consecutive years of earnings. When benefits under the CPP/QPP become payable, the basic benefit formula becomes 1.3% per year of pensionable service for earnings subject to the CPP/QPP, up to the average of the maximum earnings under the CPP/QPP for the year of termination and the previous four years, and 2% on earnings above that average. The benefits are fully indexed to the increase in the Consumer Price Index. The benefits are determined by a formula set out in legislation. They are not based on the financial status of the Plan.

Other benefits include survivor pensions, unreduced early retirement pensions and disability pensions. To reflect the *Income Tax Act* restrictions on registered pension plan benefits, separate Retirement Compensation Arrangements have been implemented to provide benefits that exceed the income tax maximum. These arrangements are not part of these financial statements since they are covered by separate legislation.

(d) Income taxes:

The Plan is a Registered Pension Plan under the *Income Tax Act* and as such is not subject to income taxes.





PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements present information on the Public Service Pension Plan on a going concern basis. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period, but they are not meant to portray the funding requirements of the Plan. These financial statements are prepared using the accounting policies stated below, which are based on generally accepted accounting principles.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

(b) Valuation of assets:

The Public Service Superannuation Account held in the Accounts of Canada is considered a non-marketable asset and is valued at cost.

Investments are recorded as of the trade date and are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value for investments in pooled funds is based on unit values, which reflect the quoted market prices of the underlying securities.

Contributions receivable for past service elections are recorded at their estimated net present value, which approximates their fair value.

(c) Income recognition:

Interest income from the Public Service Superannuation Account and investment income are recorded on the accrual basis. Investment income represents realized gains and losses on the disposal of investments, interest and dividend income and distribution from pooled funds.

The current year change in fair value of investments and currency is the difference between the fair value and the cost of investments at the beginning and end of each year.

(d) Contributions:

Contributions for current service are recorded on the accrual basis in the year in which the related payroll costs are incurred. Contributions for past service that are receivable over a period in excess of one year are recorded at the estimated net present value of the contributions to be received.





PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

2. Significant accounting policies (continued):

(e) Benefits, refunds and transfers:

Benefits are recognized when paid. Refunds and transfers are recognized at the moment the refund or transfer occurs, until which time they remain presented with the net assets available for benefits and the accrued pension benefits.

(f) Translation of foreign currencies:

Transactions in foreign currencies are recorded at the rates of exchange on the transaction date. Investments denominated in foreign currencies and held at year-end are translated at exchange rates in effect at the year-end date. The realized gains (losses) on disposal of investments that relate to foreign currency translation are included in investment income. Unrealized gains and losses resulting from year-end translation of foreign currency denominated investments are included in the current year change in fair value of investments and currency.

3. Public Service Superannuation Account and Pension Fund Account:

The Public Service Superannuation Account is held in the Accounts of Canada pursuant to the *Public Service Superannuation Act*. This Account records transactions such as contributions, benefits and transfers that pertain to pre-April 2000 service. The Account earns interest quarterly at rates that are calculated as though the amounts recorded in the Account were invested quarterly in a notional portfolio of Government of Canada 20 year bonds.

Transactions pertaining to post March 31, 2000, service are recorded in the Public Service Pension Fund through the Public Service Pension Fund Account, which is also held in the Accounts of Canada. The net amount of contributions less benefits and payments is regularly transferred to the PSPIB for investment in the capital markets. The Pension Fund Account is only a flow through account, and, as such, does not earn interest. At March 31, the balance in the Public Service Pension Fund Account represents amounts in transit or impending transfer to the PSPIB.





PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

4. Investments:

(a) The portfolio of investments held through the PSPIB at March 31, is as follows:

	2002		2001	
	Cost (\$ millions)	Fair Value	Cost (\$ millions)	Fair Value
Canadian equities:				
PSP Canadian Equities Fund	\$ 1,276	\$ 1,392	\$ 743	\$ 603
Foreign Equities:				
PSP Foreign Equities Fund	1,142	1,190	539	483
Fixed Income				
PSP Fixed Income Fund	1,316	1,257	656	688
Cash Equivalents:				
PSP Cash Equivalent Fund	118	118	16	16
Cash	19	19	—	—
	\$ 3,871	\$ 3,976	\$ 1,954	\$ 1,790

At March 31, 2001, the investments were exclusively in pooled funds managed by State Street Global Advisors (SSgA). On October 2, 2001, the PSPIB created the PSP Funds and the investments in SSgA pooled funds previously held were transferred into the PSP Funds. PSP Funds represent unit interests in the assets of the PSPIB.



PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

4. Investments (continued):

(b) Investment policy:

At March 31, asset mix policy and benchmarks of the investment portfolio held through the PSPIB are as follows:

Asset class	Policy mix		*Benchmark
	2002	2001	
Canadian Equities	35%	35%	TSE 300
Foreign Equities	30%	27%	S&P 500, MSCI EAFE
Fixed Income	32%	38%	SC Bond Universe
Cash Equivalents	3%	0%	SC 91-day T-bill
	100%	100%	

* Benchmarks include the following:

- TSE 300 – Toronto Stock Exchange 300 Composite Index
- S&P 500 – Standard and Poor's 500 Composite Index
- MSCI EAFE – Morgan Stanley Capital International Index (Europe, Australia, Far East)
- SC Bond Universe – Scotia Capital Bond Universe Index
- SC 91-day T-bill – Scotia Capital 91-day Treasury Bill Index

(c) Foreign currency exposure:

The Plan's investments are exposed to currency risk through holdings of units in pooled funds of non-Canadian equities where investment values will fluctuate due to changes in foreign exchange rates. The underlying foreign currency exposure by currency as at March 31, is as follows:

Currency	2002		2001	
	Fair value	% of total	Fair value	% of total
	(\$ millions)		(\$ millions)	
US dollars	\$ 683	57.4%	\$ 241	49.8%
Euro	190	16.0	100	20.6
British pound	126	10.6	52	10.9
Yen	104	8.7	58	12.0
Others	87	7.3	32	6.7
	\$ 1,190	100.0%	\$ 483	100.0%





PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

4. Investments (continued):

(d) Investment (loss) income:

	2002	2001
	(\$ millions)	(\$ millions)
Interest and dividend income	\$ 94	\$ 2
Realized losses	(258)	—
	\$ (164)	\$ 2

5. Contributions receivable:

	2002	2001
	(\$ millions)	(\$ millions)
Contributions receivable from employees for past service	\$ 399	\$ 398
Contributions receivable from employers for past service	473	446
Other contributions receivable	25	20
	\$ 897	\$ 864

6. Accrued pension benefits:

(a) Present value of accrued pension benefits:

The present value of accrued pension benefits is determined using the projected benefit method pro-rated on service. Actuarial valuations are performed triennially for funding purposes and are updated annually for accounting purposes, using the government's best estimate assumptions. The information in these financial statements is based on this annual valuation. The most recent actuarial valuation for funding purposes was made as of March 31, 1999 by the Chief Actuary of the Office of the Superintendent of Financial Institutions.



PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

6. Accrued pension benefits (continued):

(a) Present value of accrued pension benefits (continued):

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to short-term forecast and expected long-term market conditions. Many assumptions are required in the actuarial valuation process, including estimates of future inflation, interest rates, expected return on investments, general wage increases, work-force composition, retirement rates and mortality rates. The accounting assumption for the long-term rate of inflation used in the valuation is 2% (2% in 2001). The assumed rate of return on investments and on the Public Service Superannuation Account is 6.5% (6.5% in 2001) and 8.2% (9.0% in 2001), respectively, for the year.

(b) Actuarial asset value adjustment:

The actuarial value of net assets available for benefits has been determined at amounts that reflect long-term market trends consistent with assumptions underlying the valuation of the accrued pension benefits. Marketable investments are valued at market related values, whereby fluctuations in market values are averaged over a five-year period. The actuarial asset value adjustment represents the difference between investments valued at fair value and investments valued at market related values.

7. Excess of actuarial value of net assets over accrued pension benefits:

For funding purposes, the pre-April 1, 2000 and post-March 31, 2000 excess of actuarial value of net assets over the accrued pension benefits is determined separately. Based on the accounting assumptions used for these financial statements, the breakdown as at March 31, 2002 is as follows:

	Pre April 1, 2000 (\$ millions)	Post March 31, 2000 (\$ millions)	Total (\$ millions)
Net assets available for benefits	\$ 81,225	\$ 4,264	\$ 85,489
Actuarial asset value adjustment	–	160	160
Actuarial value of net assets available for benefits	81,225	4,424	85,649
Accrued pension benefits	(71,010)	(4,349)	(75,359)
Excess of actuarial value of net assets over accrued pension benefits	\$ 10,215	\$ 75	\$ 10,290





PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

8. Contributions:

	2002	2001
	(\$ millions)	(\$ millions)
From employees	\$ 702	\$ 779
From employers	1,690	1,771
	<u>\$ 2,392</u>	<u>\$ 2,550</u>

During the period, employees contributed approximately 28% (28% in 2001) of the total contributions made in respect of current service.

9. Benefits:

	2002	2001
	(\$ millions)	(\$ millions)
Annuities	\$ 3,438	\$ 3,274
Minimum benefits	13	13
	<u>\$ 3,451</u>	<u>\$ 3,287</u>

10. Refunds and transfers:

	2002	2001
	(\$ millions)	(\$ millions)
Pension division payments	\$ 38	\$ 31
Returns of contributions and transfer value payments	159	172
Transfers to other pension funds	4,549	1,377
	<u>\$ 4,746</u>	<u>\$ 1,580</u>

During the year ended March 31, 2001, Canada Post Corporation and three other corporations implemented their own pension plans and their employees ceased to be members of the Public Service Pension Plan. In partial settlement, amounts totaling approximately \$4,500 million (\$1,300 million in 2001) were transferred to the pension plans of these corporations during the year. An additional amount estimated at \$2,100 million before interest is expected to be transferred to these pension plans within the next year. This amount remains part of the Public Service Superannuation Account and of the accrued pension benefits at March 31, 2002.



PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

Years ended March 31, 2002 and 2001

11. Public Service Superannuation Account actuarial adjustment:

In accordance with the legislation governing the Plan, the President of the Treasury Board is required to direct that any actuarial deficiency found in either the Public Service Superannuation Account or the Pension Fund be credited to the Plan in equal installments over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament.

The legislation also provides comparable provisions, which grant authority to deal with surpluses in the Public Service Superannuation Account by reducing the Account over a period of up to fifteen years. Surpluses in the Pension Fund may be dealt with by a reduction of government and/or plan member contributions, or by withdrawing amounts from the Fund. As a result of the triennial actuarial valuation of the Public Service Pension Plan, which was tabled in Parliament in 2001, the Public Service Superannuation Account was reduced by an adjustment of \$8,100 million in 2001. No additional adjustment was required during the year ended March 31, 2002.

12. Administrative expenses:

Administrative expenses consist of the following:

	2002	2001
	(\$ millions)	(\$ millions)
PWGSC administrative expenses	\$ 47	\$ 38
Treasury Board of Canada Secretariat administrative expenses	2	2
PSPIB administrative expenses	5	3
	\$ 54	\$ 43

The legislation provides for administrative expenses to be charged to the Plan. PWGSC, as the administrator of the Plan recovers from the Plan administrative expenses for the activities directly attributable to its administration. These costs include salaries and benefits, systems maintenance and development, accommodation and other operating costs of administering the Plan within the department.

The Treasury Board of Canada Secretariat, as the program manager of the Plan, provides program advice to the members and charges its administrative costs to the Plan.

The PSPIB, as the manager of the investment funds of the Plan, charges its operating expenses, salaries and benefits, as well as other operating and investment expenses.





PUBLIC SERVICE PENSION PLAN

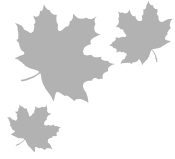
Notes to Financial Statements

Years ended March 31, 2002 and 2001

13. Contingency:

The *Public Sector Pension Investment Board Act* that received Royal Assent in September, 1999 amended the *PSSA* to enable the federal government to deal with surpluses in the Public Service Superannuation Account and the Public Service Pension Fund. The legal validity of these provisions has been challenged in the courts. The outcome of these lawsuits is not determinable at this time.





ACCOUNT TRANSACTION STATEMENTS





PUBLIC SERVICE SUPERANNUATION ACCOUNT AND PUBLIC SERVICE PENSION FUND

The Public Service Superannuation Account is used to record all transactions (contributions, benefit payments, and interest credits) with respect to pensionable service accrued by Plan members up to March 31, 2000.

The Superannuation Account earns interest at rates that are based on Government of Canada long-term bond rates. The interest credited to this Account changes every three months.

All contributions made by Plan members, the government, and participating employers in respect of service accrued on or after April 1, 2000, are credited to the Public Service Pension Fund. The contributions to the Pension Fund, net of benefits and other payments, are transferred to the Public Sector Pension Investment Board (PSPIB) to be invested in financial markets. The contributions and benefits are recorded in an internal government account — the Public Service Pension Fund Account. The balance in this account at year-end represents impending amounts to be transferred to the PSPIB.



PUBLIC SERVICE SUPERANNUATION ACCOUNT STATEMENT
(FOR THE YEAR ENDED MARCH 31, 2002
WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2001)

	2001-02	2000-01
	(in dollars)	
Opening Balance	81,574,680,376	86,494,731,024
Receipts and Other Credits		
Contributions		
Government employees	21,416,935	119,651,710
Retired employees	43,513,583	47,331,221
Public service corporation employees	1,645,455	21,138,121
Employer contributions		
Government	51,145,083	207,710,680
Public service corporations	1,056,601	18,499,246
Transfers from other pension funds	30,199,675	11,545,247
Interest	6,887,142,785	7,652,287,530
Total	7,036,120,117	8,078,163,755
Payments and Other Charges		
Annuities	3,433,214,119	3,273,397,466
Minimum benefits	12,258,850	12,948,394
Pension divisions payments	38,377,896	30,414,056
Transfer value and interest payments	139,493,717	161,881,563
Returns of contributions		
Government employees	2,132,695	4,240,528
Public service corporation employees	701,138	1,697,027
Transfers to other pension funds	205,715,794	142,167,708
Transfers to CPC pension plan	4,181,784,000	1,235,000,000
Administrative expenses	46,748,738	36,467,661
Total	8,060,426,947	4,898,214,403
Receipt Less Payments	(1,024,306,830)	3,179,949,352
Actuarial Adjustment ¹		8,100,000,000
Closing Balance	80,550,373,546	81,574,680,376

1. In accordance with legislation, a debit adjustment was made to the account following the tabling in Parliament of a triennial report in 2000-01. The adjustment reduces the account surplus to 10% of account liabilities.





PUBLIC SERVICE PENSION FUND ACCOUNT STATEMENT
(FOR THE YEAR ENDED MARCH 31, 2002
WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2001)

	2001-02	2000-01
	(in dollars)	
Opening Balance	96,391,625	0
Receipts and Other Credits		
Contributions		
Government employees	577,865,100	489,200,042
Retired employees	2,985,847	873,360
Public service corporation employees	51,959,786	89,030,944
Employer contributions		
Government	1,499,118,490	1,287,810,313
Public service corporations	109,148,635	188,683,338
Transfers from other pension funds	1,967,666	3,426,756
Total	2,243,045,525	2,059,024,753
Payments and Other Charges		
Annuities	5,275,333	804,321
Minimum benefits	333,339	84,566
Pension divisions payments	142,459	54,327
Transfer value and interest payments	10,116,112	1,947,267
Returns of contributions		
Government employees	5,128,183	1,895,715
Public service corporation employees	1,196,630	469,406
Transfers to other pension funds	1,506,759	
Transfers to CPC pension plan	160,000,000	
Administrative expenses	1,978,318	3,661,932
Total	185,677,133	8,917,534
Receipt Less Payments	2,057,368,392	2,050,107,219
Transfers to Public Sector Pension Investment Board	2,086,331,862	1,953,715,594
Closing Balance	67,428,155	96,391,625



RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

Supplementary benefits for public servants are provided under the authority of RCA Regulations No. 1, parts I and II (Public Service portion) and No. 2 (special Early Retirement Incentive [ERI] Program). The *Special Retirement Arrangements Act* provided the authority for those regulations and established the RCA Account.

RETIREMENT COMPENSATION ARRANGEMENTS No. 1

Financial transactions for plan members who earned more than \$99,800 in 2002 are recorded separately. As at March 31, 2002, there were 4,952 public servants in this category and 836 former contributors receiving benefits.





RETIREMENT COMPENSATION ARRANGEMENTS (RCA) No. 1 STATEMENT
(PUBLIC SERVICE PORTION)
(FOR THE YEAR ENDED MARCH 31, 2002
WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2001)

	2001-02	2000-01
	(in dollars)	
Opening Balance	158,940,085	102,689,332
Receipts and Other Credits		
Contributions		
Government employees	7,052,166	4,429,215
Retired employees	373,851	331,469
Public service corporation employees	1,298,485	1,537,277
Employer contributions		
Government	106,719,013	58,993,384
Public service corporations	14,441,769	18,077,138
Interest	18,224,088	11,306,675
Actuarial liability adjustment	77,700,000	
Total	225,809,372	94,675,158
Payments and Other Charges		
Annuities	1,125,174	736,067
Minimum benefits	3,174	
Pension divisions payments	325,472	437,592
Transfer value and interest payments	182,724	436,897
Returns of contributions		
Government employees	7,662	4,065
Public service corporation employees	9,063	22,062
Refundable tax	72,721,689	36,787,722
Total	74,374,958	38,424,405
Receipt Less Payments	151,434,414	56,250,753
Closing Balance	310,374,499	158,940,085



RETIREMENT COMPENSATION ARRANGEMENTS No. 2

During the three-year period commencing on April 1, 1995, a number of employees between the ages of 50 and 54 left the Public Service under the Early Retirement Incentive Program, which waived the normal pension reduction for employees of departments and certain agencies who were declared surplus.

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) No. 2 STATEMENT

(FOR THE YEAR ENDED MARCH 31, 2002

WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2001)

	2001-02	2000-01
	(in dollars)	
Opening Balance	833,696,765	952,219,083
Receipts and Other Credits		
Government contributions and interest		
Contributions		
Interest	70,593,558	83,126,279
Actuarial Liability Adjustment	4,700,000	
Total	75,293,558	83,126,279
Payments and Other Charges		
Annuities	75,375,028	70,548,170
Refundable tax	159,451	131,100,427
Total	75,534,479	201,648,597
Receipt Less Payments	(240,921)	(118,522,318)
Closing Balance	833,455,844	833,696,765





SUPPLEMENTARY DEATH BENEFIT PLAN

As at March 31, 2002, there were 255,231 participants employed in the Public Service and 119,778 retired elective participants in the Supplementary Death Benefit Plan. During fiscal year 2001–02, 4,623 death benefits were paid.

PUBLIC SERVICE DEATH BENEFIT ACCOUNT STATEMENT

(FOR THE YEAR ENDED MARCH 31, 2002
WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 2001)

	2001–02	2000–01
	(in dollars)	
Opening Balance	1,799,147,082	1,707,010,592
Receipts and Other Credits		
Contributions		
Employees (government and public service corporations)	53,108,598	53,229,561
Government		
One-twelfth of benefit payments	6,519,919	6,809,707
Single premium for \$10,000 ¹ benefit	1,150,570	1,282,817
Public service corporations	749,676	1,844,903
Interest	155,511,816	151,386,327
Total	217,040,579	214,553,315
Payments and Other Charges		
Benefit payments		
General ²	77,978,543	81,499,261
\$10,000 benefit ³	40,746,080	40,700,342
Other	231,231	217,222
Total	118,955,854	122,416,825
Receipt Less Payments	98,084,725	92,136,490
Closing Balance	1,897,231,807	1,799,147,082

1. Single premium for a \$5,000 benefit prior to September 14, 1999, and for a \$10,000 benefit effective September 14, 1999.

2. Benefits paid in respect of participants who, at the time of death, were employed in the Public Service or were in receipt of an immediate pension under the Act.

3. Benefits of \$10,000 (\$5,000 prior to September 14, 1999) in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an immediate annuity under the Act, and on whose behalf a single premium for \$10,000 (\$5,000 prior to September 14, 1999) death-benefit coverage for life has been made.



STATISTICAL TABLES





TABLE 1
ANNUITIES IN PAY AND ANNUITIES THAT BECAME PAYABLE
APRIL 1, 2001 TO MARCH 31, 2002

Fiscal Year	Annuities in Pay as at March 31			New Annuities ¹ That Became Payable to Contributors			
	Contributor Pensions	Survivor Allowances	Total	Men Retired	Women Retired	Total Annual Value ²	Average Annuity ²
2001-02	159,542	57,344	216,886	2,308	1,626	\$93,776,578	\$23,837

New Allowances That Became Payable to Survivors						
Females	Males	Children	Students	Total Value ²	Average Allowance per Payee ²	Average Allowance per Family ²
2,532	284	142	207	\$19,133,929	\$6,045	\$6,440

1. Annuities include immediate annuities, deferred annuities and annual allowances that became payable.

2. These amounts do not include indexation.



TABLE 2
BENEFITS OTHER THAN IMMEDIATE ANNUITIES TO WHICH CONTRIBUTORS BECAME ENTITLED
APRIL 1, 2001 TO MARCH 31, 2002

Fiscal Year	Allowances ¹ That Became Payable		Deferred Annuities ¹ to Which Contributors Became Entitled			Deferred Annuities That Became Payable			Lump Sum Payments ²		
	Number	Average	Number	Average	Number	Average	Number	Amount			
		Allowance ³		Annuitiy		Annuitiy ³					
Men	Women	\$	Men	Women	\$	Men	Women	\$	Number	Amount	
2001-02	454	498	20,344	8	10	13,669	193	104	11,292	7,515	403,042,093

1. Includes deferred annual allowances. An annual allowance is a deferred annuity reduced because of early payment.
2. Includes transfer values, returns of contributions to contributors and employee/employer contributions transferred to other pension plans, under the provisions of the *Pension Benefits Division Act*.
3. These amounts include indexation where applicable.

TABLE 3
RETIREMENTS ON ACCOUNT OF AGE WITH IMMEDIATE ANNUITIES, BY AGE AT RETIREMENT
APRIL 1, 2001 TO MARCH 31, 2002

Fiscal Year	Age at Retirement												Total	Average Age
	55	56	57	58	59	60	61	62	63	64	65	66 and over		
2001-02	447	154	119	115	101	508	190	143	107	93	170	161	2,308	60.14

Note
 For the fiscal year 2001-02, the average retirement age for men was 59.88 and for women 60.55.





TABLE 4
CONTRIBUTOR PENSIONS AND SURVIVOR ALLOWANCES IN PAY
APRIL 1, 2001 TO MARCH 31, 2002

Fiscal Year	Description	Contributor Pensions				Survivor Allowances			
		Men	Women	Total	Females	Males	Total	Children	Students
2001-02	Average annuity in pay								
	– excluding indexing	\$16,081	\$9,198	\$13,770	\$4,423	\$4,371	\$4,420	\$1,397	\$1,779
	– including indexing	\$21,609	\$12,103	\$18,418	\$9,109	\$6,107	\$8,927	\$1,558	\$2,072
	Average age	69.80	69.17	69.59	76.14	68.82	75.69		
	Average pensionable service of contributors	24.43	19.89	22.90	21.30	16.67	21.02		





TABLE 5
CHANGES IN THE NUMBER OF ACTIVE CONTRIBUTORS
APRIL 1, 2001 TO MARCH 31, 2002

	Men	Women	Total
Number of Active Contributors, April 1, 2001	114,208	125,459	239,667
Additions	12,433	17,324	29,757
Deletions			
Employees leaving the Public Service			
Full return of contribution entitlements:			
– 2 years and over of pensionable service ¹	0	4	4
– Less than 2 years of pensionable service ¹	1,631	2,588	4,219
Transfer value	499	580	1,079
Immediate annuities and annual allowances paid	1,882	1,361	3,243
Deferred annuities chosen	15	10	25
Deferred annuities locked in ²	0	0	0
Options not yet made ³	2,014	2,594	4,608
Transfers out	1	3	4
Reversions to a non-contributory status ⁴	287	438	725
Deaths in the Public Service			
Full return of contribution entitlements	11	5	16
Benefits paid to survivors	146	124	270
Total Deletions	6,486	7,707	14,193
Number of Active Contributors, March 31, 2002	120,155	135,076	255,231

1. This includes employees who transferred to other pension arrangements.

2. Partial return of contributions and entitlement to an annuity based on locked-in service.

3. Employees with a choice of benefits have until one year after leaving the Public Service to make a decision as to the type of benefit they wish to receive.

4. Describes contributors who ceased contributions temporarily (e.g. part-time).





TABLE 6
CHANGES TO THE NUMBER OF CONTRIBUTORS ON PENSION
APRIL 1, 2001 TO MARCH 31, 2002

Number of Contributors on Pension, April 1, 2001	160,960
Additions	
Retirements on pension	3,544
Deferred annuities payable at age 60	297
Deferred annuities payable due to disability	0
Deferred annual allowances	49
Locked-in deferred annuities — age 60	0
Locked-in deferred annuities — disabled	0
Annuities with normal reductions waived	
– age 50–54	0
– age 55–59	<u>44</u>
Total Additions	3,934
Deletions	
Death	5,196
Re-employment	<u>156</u>
Total Deletions	5,352
Number of Contributors on Pension, March 31, 2002	159,542



TABLE 7
CHANGES IN THE NUMBER OF SURVIVORS ON PENSION
APRIL 1, 2001 TO MARCH 31, 2002

FEMALES	
Number of Females on Pension, April 1, 2001	50,796
Additions	
Members who died in service	117
Members who died after retirement	<u>2,415</u>
	2,532
Deletions	
Deaths	<u>1,739</u>
Number of Females on Pension, March 31, 2002	51,589
MALES	
Number of Males on Pension, April 1, 2001	3,153
Additions	
Members who died in service	65
Members who died after retirement	<u>219</u>
	284
Deletions	
Deaths	<u>106</u>
Number of Males on Pension, March 31, 2002	3,331
CHILDREN	
Number of Children on Pension, April 1, 2001	1,350
Additions	
Members who died in service	117
Members who died after retirement	<u>25</u>
	142
Deletions	<u>272</u>
Number of Children on Pension, March 31, 2002	1,220
STUDENTS	
Number of Students on Pension, April 1, 2001	1,063
Additions — Age 18	207
Deletions	
Ceased attending school or reached age 25	<u>66</u>
Number of Students on Pension, March 31, 2002	1,204





TABLE 8
TYPES OF BENEFITS TO WHICH CONTRIBUTORS BECAME ENTITLED
APRIL 1, 2001 TO MARCH 31, 2002

Type of Benefits	Total Number	Men	Women	Total Amount of New Benefits \$	Average Benefits \$
Annuities and Annual Allowances					
Immediate annuities					
Age (60 and over)	1,372	812	560	28,939,133	21,093
Early retirements ¹	936	684	252	37,017,012	39,548
Disability	377	165	212	5,098,845	13,525
Deferred annuities					
Payable at age 60	297	193	104	3,353,703	11,292
Payable due to disability	0	0	0	0	0
Annual allowances					
Normal allowances	908	424	484	18,196,671	20,040
Annuitants with normal reductions waived ²					
– age 50–54	0	0	0	0	0
– age 55–59	44	30	14	1,171,214	26,619
Deferred benefits to which contributors became entitled ³	18	8	10	246,036	13,669
Total	3,952	2,316	1,636	94,022,614	23,791
Lump Sum Payments					
Cash termination allowances	0	0	0	0	0
Returns of contributions	4,239	1,662	2,597	9,158,646	2,161
Total	4,239	1,662	2,597	9,158,646	2,161

1. These are employees age 55 with 30 or more years of pensionable service.

2. These include annuities with normal reductions waived paid out of the Public Service Superannuation Account.

3. These include deferred annuities and deferred annual allowances.



TABLE 9
SUPPLEMENTARY DEATH BENEFIT PLAN — NUMBER OF PARTICIPANTS AND DEATH BENEFITS PAID
APRIL 1, 2001 TO MARCH 31, 2002

Fiscal Year	Active Participants			Retired Participants			Death Benefits Paid			Amount Paid
	Total	Men	Women	Total	Men	Women	Total	Men	Women	\$
2001-02	255,231	120,155	135,076	119,769	83,026	36,743	4,623	3,533	1,090	118,955,854

TABLE 10
SUPPLEMENTARY DEATH BENEFIT PLAN — CHANGES IN THE NUMBER OF DEATH BENEFIT PARTICIPANTS, APRIL 1, 2001 TO MARCH 31, 2002

ACTIVE PARTICIPANTS			
	Men	Women	Total
Number of Active Participants, April 1, 2001	114,208	125,459	239,667
Additions	12,433	17,324	29,757
Deletions	6,486	7,707	14,193
Number of Active Participants, March 31, 2002	120,155	135,076	255,231
RETIRED PARTICIPANTS			
	Men	Women	Total
Number of Retired Participants, April 1, 2001	84,578	36,408	120,986
Additions			
– On annuities	1,985	1,464	3,449
Total	1,985	1,464	3,449
Deletions			
– Deaths	3,495	1,102	4,597
– Other	42	27	69
Total	3,537	1,129	4,666
Number of Retired Participants, March 31, 2002	83,026	36,743	119,769

