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du Canada

Canada

Report on Public Sector Pension Plans as at March 31, 2017

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2017



Report on Public Sector Pension Plans as at March 31, 2017

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Overview

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Objective and scope of this report

The Government of Canada sponsors a number of defined benefit pension plans for its employees, including the public service, the Royal Canadian Mounted Police (RCMP), the Canadian Armed Forces and the Reserve Force pension plans (the four public sector pension plans), as well as other retirement compensation arrangements. These plans are one of the benefits the government offers to help recruit and retain the highly skilled workforce that is required to serve Canadians.

The President of the Treasury Board and the Treasury Board of Canada Secretariat have overarching policy responsibility for the four main public sector pension plans, but each plan is managed separately and has its own governance structure and reporting requirements.

This report provides an overview of these plans and complements the annual and actuarial reports of each plan. The appendix contains general information on each plan.

Data in this report is for fiscal year ended March 31, 2017. If data to that date is not available, data from other years is presented and noted. All data presented is from publicly available documents.

Year at a glance, fiscal year ended March 31, 2017

Plan membership

837,619 † members

including active contributors and retired members

Pension obligation

\$276.5 billion †

Total pension obligation

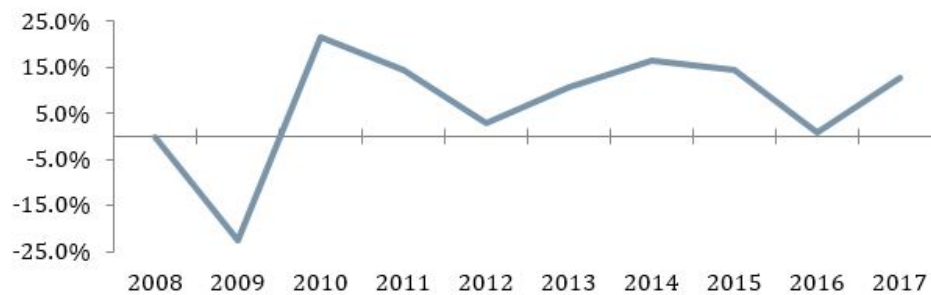
Rates of return

12.8%

Annual net rate of return

6.0%

Annualized net rate of return over the last 10 years



Investments

\$135.6 billion

Pension plan assets invested by the Public Sector Pension Investment Board

Contributions ††

\$6,291 million

Employer and employee cash contributions

Expenses

\$550 million

Administrative expenses for day-to-day operations of the plans

\$11.6 billion

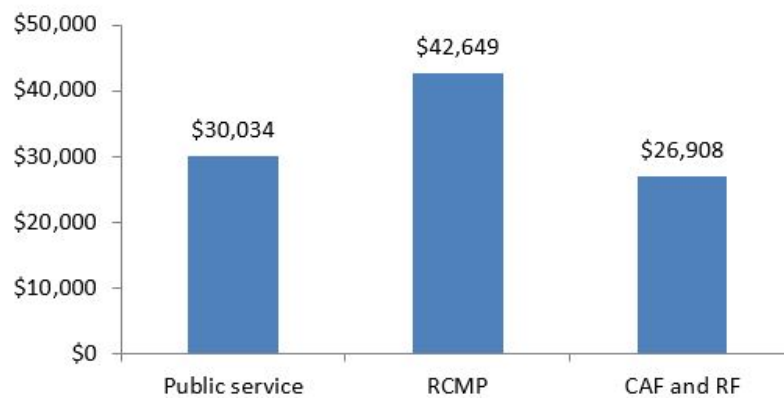
Total pension expenses incurred by the government

Average annual pension paid to retired members

Public service: \$30,034

RCMP: \$42,649

Canadian Armed Forces (CAF) and Reserve Force (RF): \$26,908 *



* Information for the Canadian Armed Forces and the Reserve Force pension plans is based on data for fiscal year ended March 31, 2016.

** The targeted cost-sharing ratio of 50:50 was reached in 2017 for the public service pension plan. Comparable changes to the Canadian Armed Forces and the RCMP pension plans are also being made.

Roles and responsibilities

The four main public sector pension plans are contributory defined benefit pension plans established under legislation. ¹ The plans provide retirement benefits to eligible plan members upon retirement and survivor benefits to their survivors upon the member's death.

Pursuant to legislation, the following officials are responsible for the pension plans indicated:

- President of the Treasury Board: the public service pension plan
- Minister of National Defence: the Canadian Armed Forces and the Reserve Force pension plans
- Minister of Public Safety and Emergency Preparedness: Royal Canadian Mounted Police (RCMP)

The President of the Treasury Board is responsible for the funding of all of these plans.

To support their respective ministers, the Treasury Board of Canada Secretariat, the Department of National Defence and the RCMP develop policy and legislation, provide program advice and interpretation, provide financial analysis, and prepare financial statements and annual reports for their pension plans.

Public Services and Procurement Canada (PSPC) handles the day-to-day administration of the plans, including determining eligibility for benefits and calculating and paying benefits for the public service and RCMP pension plans and, as of July 2016, for the Canadian Armed Forces and Reserve Force pension plans.

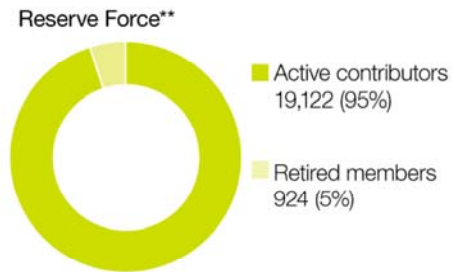
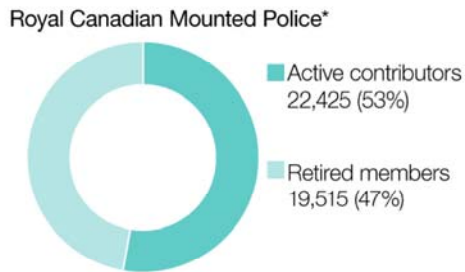
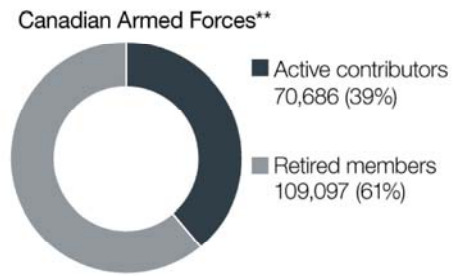
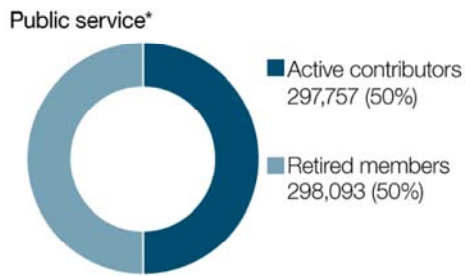
The Office of the Chief Actuary, an independent unit of the Office of the Superintendent of Financial Institutions, performs periodic actuarial valuations for funding purposes and calculates the yearly pension obligations included in the pension plans' financial statements.

The Public Sector Pension Investment Board (PSPIB) is responsible for managing the funds transferred to it by the four main public sector pension plan funds and for maximizing investment returns without undue risk of loss, having regard to the funding, policies and requirements of the pension plans. The PSPIB is a Crown corporation established under the Public Sector Pension Investment Board Act that is accountable to Parliament through the President of the Treasury Board. The PSPIB has been investing for the public service, the RCMP and the Canadian Armed Forces pension plans since April 1, 2000, and for the Reserve Force pension plan since March 1, 2007.

Membership

Figure 1 shows the number of active contributors and retired members including survivors and deferred annuitants for each pension plan.

Figure 1. Distribution of membership



* Based on data for fiscal year ended March 31, 2017.
 ** Based on data for fiscal year ended March 31, 2016.

Source of data: Individual pension plan annual reports.

▼ Figure 1 - Text version

Membership profile for public service *

	Number	% of total
Active contributors	297,757	(50%)
Retired members	298,093	(50%)
Public service total	595,850	(100%)

* Based on data for fiscal year ended March 31, 2017.

Source of data: Individual pension plan annual reports.

Membership profile for Canadian Armed Forces **

	Number	% of total
Active contributors	70,686	(39%)

** Based on data for fiscal year ended March 31, 2016.

Source of data: Individual pension plan annual reports.

	Number	% of total
Retired members	109,097	(61%)
Public service total	179,783	(100%)

**
_ Based on data for fiscal year ended March 31, 2016.

Source of data: Individual pension plan annual reports.

Membership profile for Royal Canadian Mounted Police *

	Number	% of total
Active contributors	22,425	(53%)
Retired members	19,515	(47%)
Public service total	41,940	(100%)

*
_ Based on data for fiscal year ended March 31, 2017.

Source of data: Individual pension plan annual reports.

Membership profile for Reserve Force **

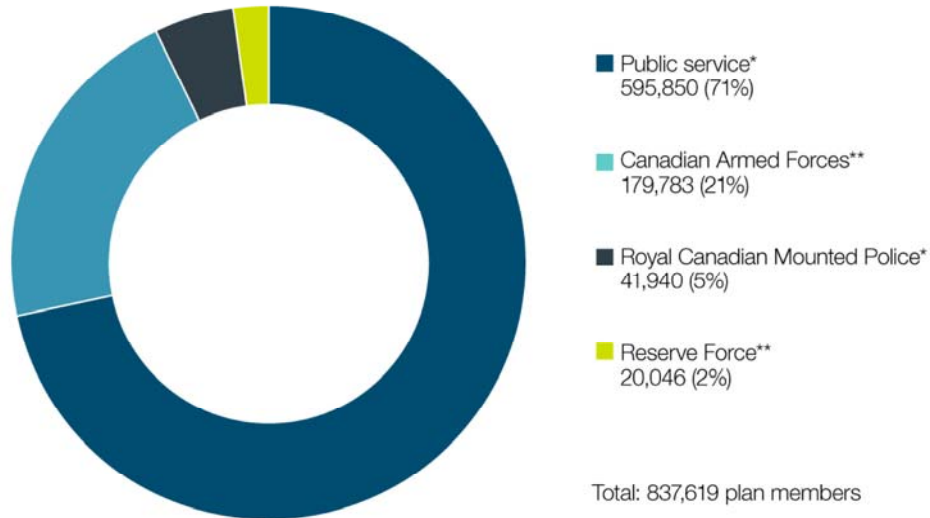
	Number	% of total
Active contributors	19,122	(95%)
Retired members	924	(5%)
Public service total	20,046	(100%)

**
_ Based on data for fiscal year ended March 31, 2016.

Source of data: Individual pension plan annual reports.

Figure 2 shows the number of active contributors and retired members including survivors and deferred annuitants for each of the four pension plans.

Figure 2. Membership profile



* Based on data for fiscal year ended March 31, 2017.
 ** Based on data for fiscal year ended March 31, 2016.

Source of data: Individual pension plan annual reports.

▼ Figure 2 - Text version

Total Membership

	Total	% of total
Public service *	595,850	(71%)
Canadian Armed Forces **	179,783	(21%)
Royal Canadian Mounted Police *	41,940	(5%)
Reserve Force **	20,046	(2%)
All plans total	837,619	(100%)

* Based on data for fiscal year ended March 31, 2017.

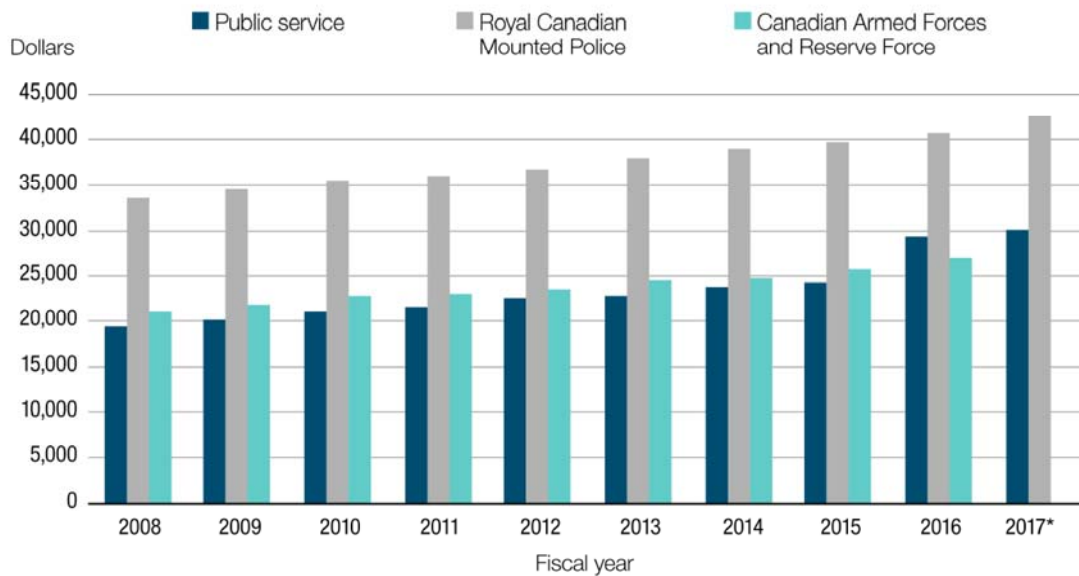
** Based on data for fiscal year ended March 31, 2016.

Source of data: Individual pension plan annual reports.

Benefits payable to retired members

Figure 3 shows average annual pensions paid to retired members and survivors from 2008 to 2017.

Figure 3. Average annual pensions paid to retired members and survivors from 2008 to 2017 (year ended March 31)



* Data for fiscal year ended March 31, 2017, for the Canadian Armed Forces and the Reserve Force pension plans was not available at the time of publishing.

Source of data: Individual pension plan annual reports.

▼ Figure 3 - Text version

Fiscal years	Public service (dollars)	Royal Canadian Mounted Police (dollars)	Canadian Armed Forces and Reserve Force (dollars)
2008	19,273	33,533	21,002
2009	20,107	34,610	21,684
2010	20,945	35,561	22,783
2011	21,584	36,114	22,970
2012	22,566	36,848	23,443
2013	22,883	37,930	24,382
2014	23,746	38,940	24,851
2015	24,141	39,715	25,696
2016	29,314	40,828	26,908
2017 *	30,034	42,649	N/A

* Data for fiscal year ended March 31, 2017, for the Canadian Armed Forces and the Reserve Force pension plans was not available at the time of publishing.

Source of data: Individual pension plan annual reports

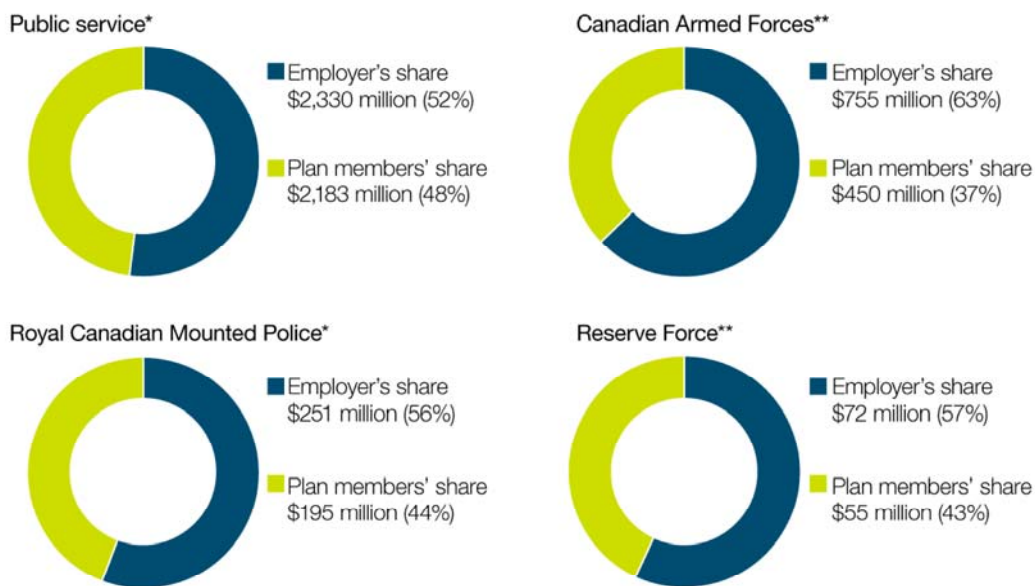
The average pension paid to retired members and survivors was as follows:

- Public service: \$30,034 (for fiscal year ended March 31, 2017)
- RCMP: \$42,649 (for fiscal year ended March 31, 2017)
- Canadian Armed Forces and Reserve Force: \$26,908 (for fiscal year ended March 31, 2016)

Contributions

Public sector pension plan benefits are funded through compulsory contributions from the employer and plan members, as well as from investment earnings. Figure 4 shows, for each plan, the share of cash contributions by the employer and by plan members. Cash contributions include current service and past service contributions (for example, service buybacks) and do not include actuarial adjustments. ²

Figure 4. Share of employer and plan members' cash contributions



* Source of data: Individual pension plan annual reports as at March 31, 2017

** Source of data: Individual pension plan annual reports as at March 31, 2016

▼ Figure 4 - Text version

	Public service (in millions)	Public service (in percentage)	Royal Canadian Mounted Police (in millions)	Royal Canadian Mounted Police (in percentage)	Canadian Armed Forces (in millions)	Canadian Armed Forces (in percentage)	Reserve Force (in millions)	Reserve Force (in percentage)
	*	*	*	*	**	**	**	**

* Source of data: Individual pension plan annual reports as at March 31, 2017

** Source of data: Individual pension plan annual reports as at March 31, 2016

	Public service (in millions) *	Public service (in percentage) *	Royal Canadian Mounted Police (in millions) *	Royal Canadian Mounted Police (in percentage) *	Canadian Armed Forces (in millions) **	Canadian Armed Forces (in percentage) **	Reserve Force (in millions) **	Reserve Force (in percentage) **
Employer's share	\$2,330	52%	\$251	56%	\$755	63%	\$72	57
Plan members' share	\$2,183	48%	\$195	44%	\$450	37%	\$55	43
Total	\$4,513	100%	\$446	100%	\$1,205	100%	\$127	100
<p>* Source of data: Individual pension plan annual reports as at March 31, 2017</p> <p>** Source of data: Individual pension plan annual reports as at March 31, 2016</p>								

Plan members' contributions are a percentage of their salary and are collected through payroll deductions. Members contribute at a lower rate on salary up to the yearly maximum pensionable earnings (YMPE) that apply under the Canada Pension Plan and the Québec Pension Plan. In 2017, the YMPE was \$55,300.

The public service pension plan has 2 groups of plan members:

- Group 1: members who were participating in the plan on or before December 31, 2012
- Group 2: members who began participating in the plan on or after January 1, 2013

The employee contribution rates are approved on calendar basis. Table 1 shows members' contribution rates as a percentage of their salary for 2017.

Table 1. Members' contribution rates for 2017 *

Salary	Public service		Canadian Armed Forces	RCMP	Reserve Force **
	Group 1	Group 2			
Up to the YMPE	9.2%	8.0%	9.2%	9.2%	5.2%
<p>* These rates are calculated based on pro rata method, i.e., 9 months of contribution rates from calendar year 2016 and 3 months of contribution rates from calendar year 2017.</p> <p>** Members of the Reserve Force contribute 5.2% on salary up to 66 2/3 times the defined benefit limit as determined under the Income Tax Regulations.</p> <p>Source of data: Public Accounts of Canada 2017, section 6</p>					

Salary	Public service		Canadian Armed Forces	RCMP	Reserve Force **
	Group 1	Group 2			
Above the YMPE	11.2%	9.5%	11.2%	11.2%	
<p>* These rates are calculated based on pro rata method, i.e., 9 months of contribution rates from calendar year 2016 and 3 months of contribution rates from calendar year 2017.</p> <p>** Members of the Reserve Force contribute 5.2% on salary up to 66 2/3 times the defined benefit limit as determined under the Income Tax Regulations.</p> <p>Source of data: Public Accounts of Canada 2017, section 6</p>					

Since April 1, 2000 (March 1, 2007 for the Reserve Force pension plan), plan member and employer contributions, net of benefit payments and other charges to the plans, have been transferred to the PSPIB for investment.

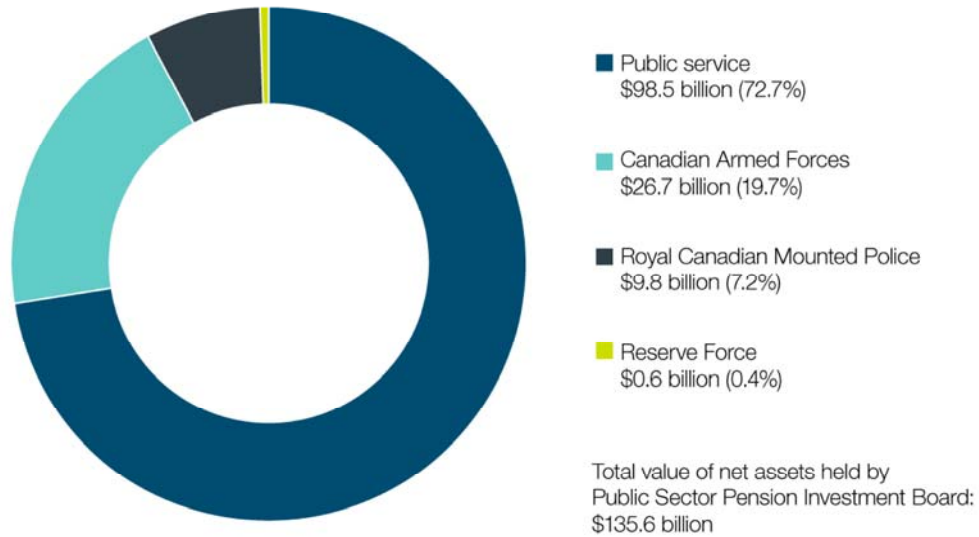
Before April 1, 2000, employer and plan member contributions were not invested. Contributions, as well as benefit payments, interest, charges and transfers that pertain to service before April 1, 2000, have been tracked in the superannuation accounts in the Public Accounts of Canada.

Financial overview

<p>▼ In this section</p> <ul style="list-style-type: none"> ◦ Investment asset mix ◦ Investment returns ◦ Administrative expenses
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Figure 5 shows the value of net assets held by the PSPIB for each pension plan, as at March 31, 2017.

Figure 5. Value of net assets held by the PSPIB as at March 31, 2017



Source of data: Public Sector Pension Investment Board, Annual Report 2017.

▼ Figure 5 - Text version

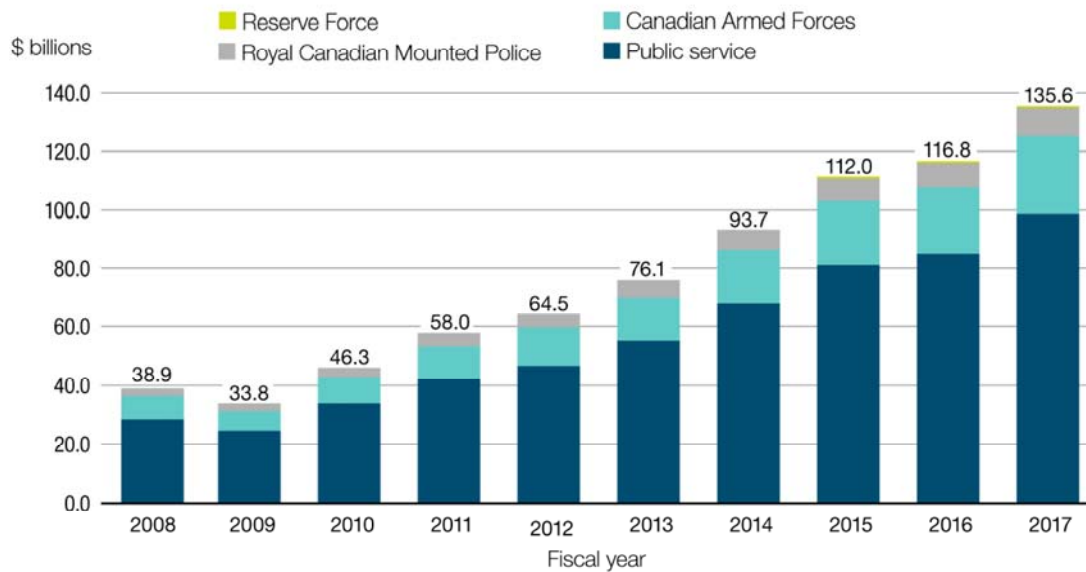
Fiscal year	Public service	Canadian Armed Forces	Royal Canadian Mounted Police	Reserve Force	Total
2017	\$98.5 billion (72.7%)	\$26.7 billion (19.7%)	\$9.8 billion (7.2%)	\$0.6 billion (0.4%)	\$135.6 billion

Source of data: Public Sector Pension Investment Board, Annual Report 2017

Total value of net assets held by Public Sector Pension Investment Board: \$135.6 billion

Figure 6 shows the total value of net pension plan assets held by the PSPIB each year over the last 10 years.

Figure 6. Total value of net assets held by the PSPIB from 2008 to 2017 (year ended March 31)



Source of data: Public Sector Pension Investment Board annual reports for years ended March 31, 2008, to March 31, 2017.

▼ Figure 6 - Text version

Fiscal years	Public service (billions)	Canadian Armed Forces (billions)	Royal Canadian Mounted Police (billions)	Reserve Force (billions)	Total (billions)
2008	28.3	7.8	2.8	0.1	38.9
2009	24.5	6.8	2.4	0.1	33.8
2010	33.7	9.1	3.3	0.2	46.3
2011	42.3	11.3	4.1	0.3	58.0
2012	47.1	12.4	4.6	0.4	64.5
2013	55.5	14.9	5.4	0.4	76.1
2014	68.2	18.4	6.7	0.5	93.7
2015	81.3	22.0	8.1	0.6	112.0
2016	84.7	23.0	8.5	0.6	116.8
2017	98.5	26.7	9.8	0.6	135.6

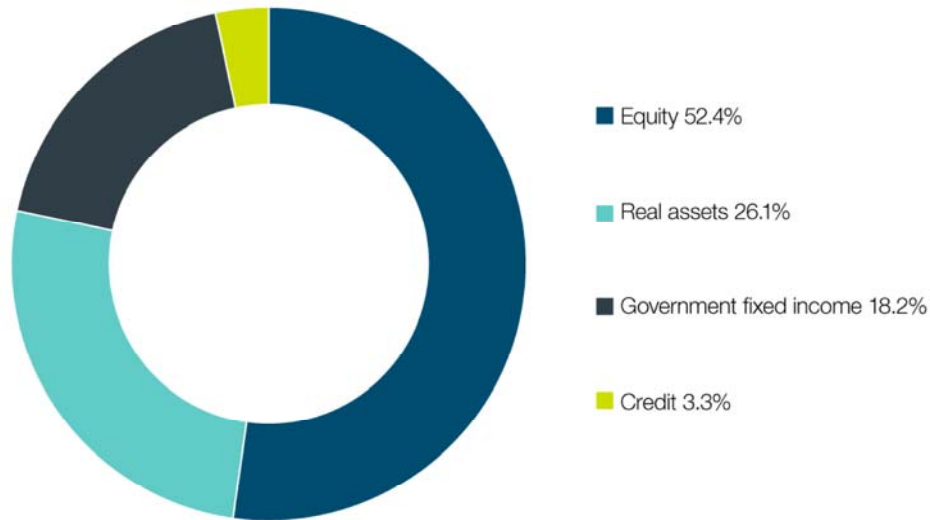
Source of data: Public Sector Pension Investment Board annual reports for years ended March 31, 2008, to March 31, 2017

Investment asset mix

As part of its investment approach, the PSPIB has developed a diverse policy portfolio designed to mitigate risks. The policy portfolio represents the long-term target asset allocation among various asset classes. The PSPIB's actual investment asset mix is based on the policy portfolio.

Figure 7 shows the PSPIB's investment asset mix as at March 31, 2017.

Figure 7. PSPIB investment asset mix (as at March 31, 2017)



Source of data: Public Sector Pension Investment Board, Annual Report 2017.

▼ Figure 7 - Text version

	PSPiB investment
Equity	52.4%
Real assets	26.1%
Government fixed income	18.2%
Credit	3.3%
Source of data: Public Sector Pension Investment Board, Annual Report 2017	

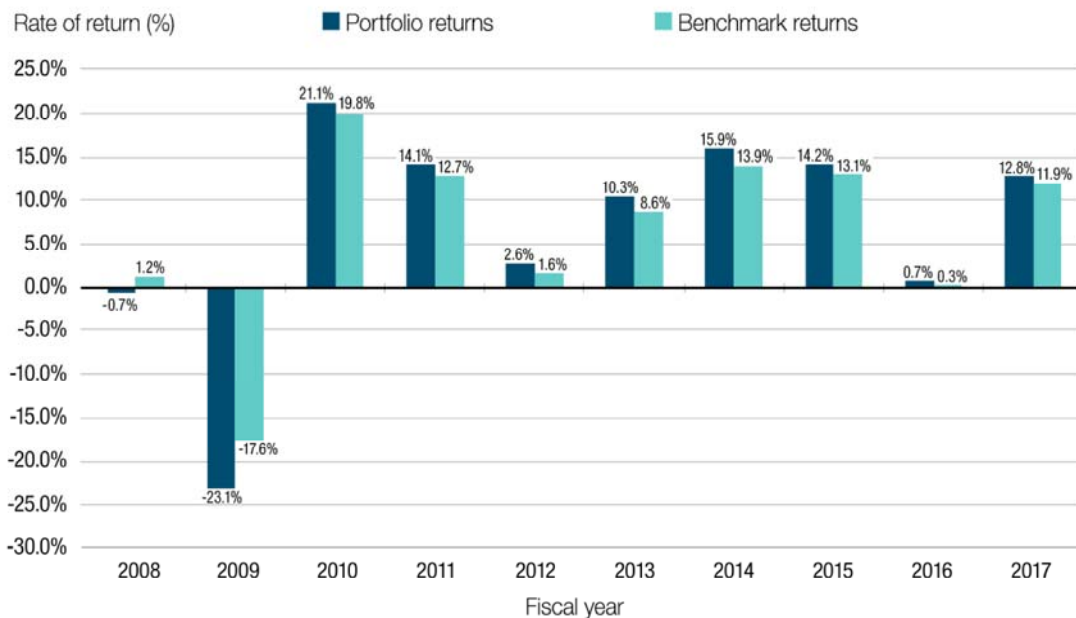
Investment returns

The PSPIB reported a net rate of return of 12.8% for fiscal year ended March 31, 2017, and an annualized net rate of return of 6.0% over the last 10 years, which surpassed the return objective of 5.8% for the same period.

The PSPIB has generated above-benchmark returns in 8 of the past 10 years, including 2017. It has accomplished this by taking a disciplined approach to investment and ensuring an appropriate balance between risks and returns. Responsible corporate governance mechanisms are in place to allow for appropriate control of investment risk and costs.

Figure 8 shows the annual net rate of return on assets held by the PSPIB against its comparative benchmark at year ended March 31.

Figure 8. Net rate of return on assets held by the PSPIB from 2008 to 2017 (year ended March 31)



Source of data: Public Sector Pension Investment Board, Annual Report 2017.

▼ Figure 8 - Text version

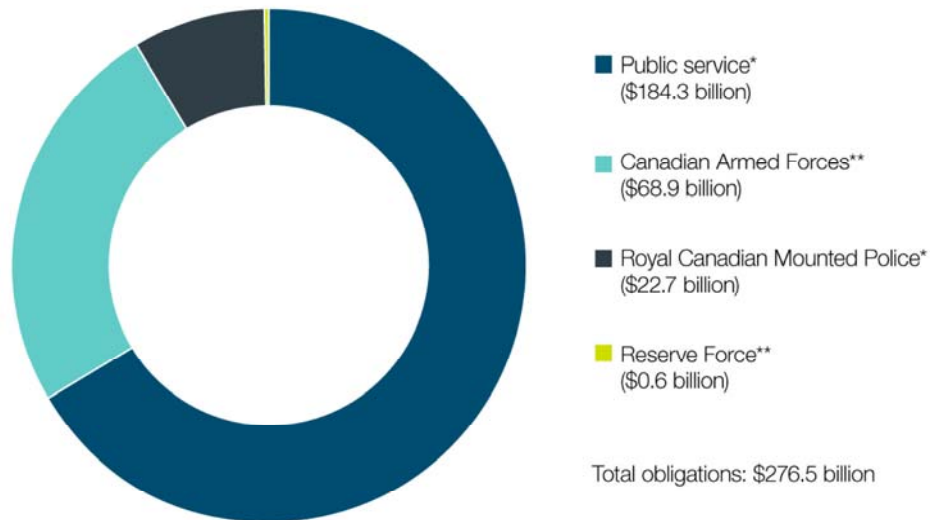
Fiscal years	Portfolio returns	Benchmark returns
2008	-0.7%	1.2%
2009	-23.1%	-17.6%
2010	21.1%	19.8%
2011	14.1%	12.7%
2012	2.6%	1.6%
2013	10.3%	8.6%
2014	15.9%	13.9%
2015	14.2%	13.1%
2016	0.7%	0.3%
2017	12.8%	11.9%

Source of data: Public Sector Pension Investment Board, Annual Report 2017.

More information on the net rate of return on assets held by the PSPIB and comparative benchmarks is available on [the PSPIB's website](#).

Figure 9 shows the total pension obligations of the four main public sector pension plans. As at March 31, 2017 (for the public service and RCMP pension plans), and as at March 31, 2016 (for the Canadian Armed Forces and the Reserve Force pension plans), total pension obligations were \$276.5 billion.

Figure 9. Pension plans' obligations



* Based on data for fiscal year ended March 31, 2017.
 ** Based on data for fiscal year ended March 31, 2016.

Source of data: Financial statements contained in individual pension plans' annual reports.

▼ Figure 9 - Text version

	Public service *	Canadian Armed Forces **	Royal Canadian Mounted Police *	Reserve Force **	Total liabilities
Obligations (in billions)	184.3	68.9	22.7	0.6	276.5
<p>* Based on data for fiscal year ended March 31, 2017.</p> <p>** Based on data for fiscal year ended March 31, 2016.</p> <p>Source of data: Financial statements contained in individual pension plans' annual reports.</p>					

Administrative expenses

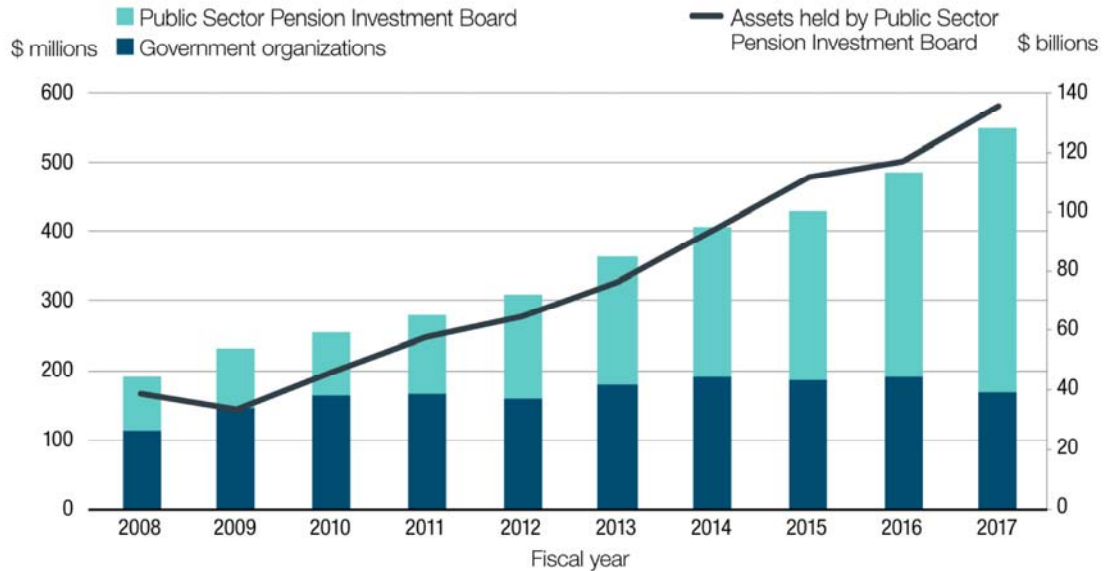
The legislation provides for the pension-related administrative expenses of the following government organizations to be charged to the public sector pension plans:

- the Treasury Board of Canada Secretariat
- the Department of National Defence
- the RCMP
- Public Services and Procurement Canada
- Health Canada
- the Office of the Chief Actuary

The administrative expenses of the PSPIB are also charged to the plans.

Figure 10 shows the administrative expenses charged to the plans for the last 10 years as shared between government organizations and the PSPIB (left axis, in \$ millions) and the assets held by the PSPIB (right axis, in \$ billions). Figure 10 also shows the relation between administrative expenses and increases in the value of assets held by the PSPIB.

Figure 10. Administrative expenses (years ended March 31)



Source of data: Public Sector Pension Investment Board annual reports and the Public Accounts of Canada for years ended March 31, 2008 to March 31, 2017.

▼ Figure 10 - Text version

Fiscal years	Government organizations (millions)	Public Sector Pension Investment Board (millions)	Total (millions)	Assets held by Public Sector Pension Investment Board (billions)
2008	115	77	192	38.9
2009	146	87	233	33.8
2010	163	92	256	46.3
2011	165	114	279	58.0
2012	160	148	308	64.5
2013	179	184	363	76.1
2014	191	216	407	93.7
2015	186	243	429	112.0
2016	191	295	487	116.8
2017	169	381	549	135.6

Source of data: Public Sector Pension Investment Board annual reports and the Public Accounts of Canada for years ended March 31, 2008 to March 31, 2017

In fiscal year ended March 31, 2017, total administrative expenses for the public sector pension plans were \$550 million. Administrative expenses for each pension plan were as follows:

- Public service pension plan: \$376 million ³
- RCMP pension plan: \$36 million
- Canadian Armed Forces pension plan: \$125 million
- Reserve Force pension plan: \$13 million

Impact on public finances

Table 2 shows a summary of transactions for the plans that resulted in expenses for the Government of Canada in the fiscal year ended March 31, 2017. These expenses are calculated based on Canadian public sector accounting standards and are included in the [Public Accounts of Canada 2016–17](#).

The **pension expense** includes employers' contributions and recognized actuarial valuation gains and losses and other adjustments.

The **net interest expense** is calculated based on the average accrued pension obligations (benefits earned by members under their pension plan for pensionable service).

Changes in actuarial assumptions can have a significant impact on the pension expense and obligation. Table 4 shows the impact of changes to certain key assumptions on the pension plans' obligations.

Table 2. Summary of expenses in fiscal year ended March 31, 2017, for the public sector pension plans (\$ millions)

Pension plan	Pension expense	Net interest expense	Total expense
Public service	\$3,153	\$4,070	\$7,223
Canadian Armed Forces	1,435	2,008	3,443
RCMP	350	579	929
Reserve Force	17	1	18
Total expenses	\$4,955	\$6,658	\$11,613

Source of data: Public Accounts of Canada 2017, Table 6.16

Pension plan funding

▼ In this section

- [Key measures to support sustainability](#)
- [Actuarial valuations](#)
 - [Methodology and assumptions used in actuarial valuations](#)
 - [Sensitivity analysis of actuarial assumptions](#)
 - [Actuarial valuation report balances](#)

Key measures to support sustainability

The governance framework of the public sector pension plans includes key measures that help ensure that the plans remain sustainable and affordable for plan members and taxpayers. These measures include:

- actuarial valuations, which provide an estimate of expenses and obligations
- reviews of the funded status of the plans
- the pension plans' annual reports

Each plan also has an advisory committee that comprises representatives of the employer, active plan members and retired plan members. These committees provide additional oversight, accountability and transparency by reviewing administration, design and funding of benefits.

In fiscal year ended March 31, 2017, employee contribution rates continued to be increased for the public service pension plan to ensure a more equitable sharing of the cost of the pension plan between the employer and plan members. By the end of 2017, after a 5-year process, the targeted employer-employee cost sharing ratio of 50:50 was reached. Comparable changes to the Canadian Armed Forces and the RCMP pension plans are also being made.

Steps continue to be taken to address the 2014 Auditor General of Canada's performance audit of the public sector pension plans. Building on the previous year's benchmarking of pension governance practices, the Treasury Board of Canada Secretariat, in consultation with the RCMP and the Department of National Defence, conducted an in-depth governance review and advanced a funding policy proposal to provide guidance to ensure the long-term sustainability of the public sector pension plans.

Actuarial valuations

Actuarial valuations are performed regularly to support the administration of the pension plans. The Office of the Chief Actuary performs 2 types of actuarial valuations:

1. **Actuarial valuations for funding purposes** are conducted at least once every 3 years to determine the contribution rates, actuarial liability and the funded status of the plans. These valuations help the President of the Treasury Board make informed decisions on the financing of the pension plans. Assessments of the funded status of the pension plans are done annually, in consultation with the Office of the Chief Actuary.
2. **Actuarial valuations for accounting purposes** are performed as at March 31 of each fiscal year to measure and report on the pension expense and obligations in the Public Accounts of Canada, and to provide the necessary information to prepare the plans' financial statements.

Methodology and assumptions used in actuarial valuations

Economic assumptions are set in order to conduct actuarial valuations. Population characteristics and benefit provisions are specific to each pension plan. Assumptions underlying the actuarial valuation for accounting purposes are based on management's best estimates. The Office of the Chief Actuary determines the best-estimate assumptions used in actuarial valuations for funding purposes.

As part of the economic assumptions, discount rates are used to determine the present value of the future pension payments (the pension obligation), the costs of benefits earned, and the interest expenses.

Discount rates are set as follows:

- For **funded** pension benefits (post-March 2000), the discount rates are streamed expected rates of return on funds invested by the PSPIB.
- For **unfunded** pension benefits (pre-April 2000), the discount rates are the streamed weighted average of Government of Canada long-term bond rates. The streamed weighted average of Government of Canada long-term bond rates is a calculated 20-year weighted moving average of Government of Canada long-term bond rates projected over time. The streamed rates take into account historical Government of Canada long-term bond rates and, over time, reflect expected Government of Canada long-term bond rates.

Table 3 shows some of the key economic assumptions used in the most recent actuarial valuations.

Table 3. Discount rates and assumptions used in actuarial valuations

Actuarial report	Long-term discount rate		Long-term rate	
	Unfunded pension benefits (pre-April 2000)	Funded pension benefits (post-March 2000) [*]	Salary increase	Pension indexation
For accounting purposes (as at March 31, 2017)	4.7%	6.0%	2.6%	2.0%
For funding purposes				
Canadian Armed Forces (as at March 31, 2016)	4.7%	6.0%	2.8%	2.0%
Reserve Force (as at March 31, 2016)	N/A	6.0%	2.8%	2.0%
RCMP (as at March 31, 2015)	4.8%	6.1%	2.9%	2.0%
Public service (as at March 31, 2014)	4.8%	6.1%	2.9%	2.0%
<p>[*] Long-term discount rates are calculated on a nominal basis and comprise the real rate of return and an indexation factor.</p> <p>Sources: Actuarial reports of the Office of the Chief Actuary and Public Accounts of Canada 2017</p>				

Sensitivity analysis of actuarial assumptions

Changes in actuarial assumptions for valuation sensitivity analysis purposes can result in significantly higher or lower estimates of the accrued pension obligations. Table 4 shows the impact of a 1% increase or decrease to the long-term actuarial assumptions on the four main public sector pension plans, as well as the other pension arrangements for members of Parliament, federally appointed judges, non-career diplomats, the Governor General and lieutenant governors, and retirement compensation arrangements.

Table 4. Sensitivity analysis of actuarial assumptions for accounting purposes for Government of Canada-sponsored pension plans for fiscal year ended March 31, 2017 (\$ millions)

Changes in actuarial assumptions	Unfunded pension benefits (pre-April 2000)	Funded pension benefits (post-March 2000)
Increase of 1% in discount rates	(6,400)	(20,000)
Decrease of 1% in discount rates	7,700	26,100
Increase of 1% in rate of inflation	21,200	17,200
Decrease of 1% in rate of inflation	(17,700)	(14,100)
Increase of 1% in general wage increase	1,100	6,500
Decrease of 1% in general wage increase	(800)	(5,800)

Source: Public Accounts of Canada 2017, section 2

Actuarial valuation report balances

Tables 5 and 6 show the balances of the superannuation account and the pension fund of each pension plan as of the last triennial funding valuation.

Table 5. Account balance and actuarial liability of the superannuation account as at March 31 (\$ millions)

Balance	Canadian Armed Forces 2016	Reserve Force 2016	RCMP 2015	Public Service 2014
Account balance	\$45,718	n/a	\$13,203	\$96,530
Actuarial liability	\$47,385	n/a	\$13,428	\$97,211

Source: Actuarial reports of the Office of the Chief Actuary

Table 6. Actuarial value of assets and liability of the pension fund as at March 31 (\$ millions)

Balance	Canadian Armed Forces 2016	Reserve Force 2016	RCMP 2015	Public Service 2014
Actuarial value of assets	\$22,478	\$513	\$7,286	\$63,151
Actuarial liability	\$24,048	\$566	\$7,440	\$66,775

Source: Actuarial reports of the Office of the Chief Actuary of Canada.

Source documents

- [Report on the Public Service Pension Plan for the Fiscal Year ended March 31, 2017](#)
- Royal Canadian Mounted Police Pension Plan: Annual Report, 2016–17
- 2015–16 Annual Report: Canadian Armed Forces Pension Plans
- [Public Sector Pension Investment Board annual reports, 2008 to 2017](#)

- [Public Accounts of Canada 2016–17](#)
- [Actuarial Report on the Pension Plan for the Public Service of Canada as at 31 March 2014](#)
- [Actuarial Report on the Pension Plan for the Royal Canadian Mounted Police as at 31 March 2015](#)
- [Actuarial Report on the Pension Plans for the Canadian Forces Regular Force and Reserve Force as at 31 March 2016](#)

Glossary

actuarial adjustments

The special payments that the Government of Canada is required to make to fund actuarial deficits.

actuarial assumptions

Economic and demographic assumptions, such as future expected rates of return, inflation, salary levels, retirement ages and mortality rates, that are used by actuaries when carrying out an actuarial valuation or calculation.

actuarial valuation

An actuarial analysis that provides information on the financial condition of a pension plan.

actuarial value of assets

The actuarial value of assets is a method to value the investments of a pension plan using a 5-year smoothed value. Under this method, the expected return on investments is recorded immediately, while the difference between the expected and actual return on investments is recorded over a 5-year period through actuarial gains and losses. The actuarial value of assets is adjusted, if necessary, to ensure that it does not fall outside a limit of plus or minus 10% of the market value of investments at year end. Any difference is recorded immediately through actuarial gains and losses.

administrative expenses

Expenses by government departments for the administration of the public sector pension plans and for operating expenses incurred by the PSPIB to invest pension assets. Investment management fees are either paid directly by the PSPIB or offset against distributions received from the investments.

benchmark

A standard against which rates of return can be measured, such as stock and bond market indexes developed by stock exchanges and investment managers.

contributions

Sums credited or paid by the employer and plan members to finance future pension benefits. Each year, the employer contributes amounts sufficient to fund the future benefits earned by employees in respect of that year, as determined by the President of the Treasury Board.

defined benefit pension plan

A type of pension plan that promises a certain level of pension, which is usually based on the plan member's salary and years of service. The four main public sector pension plans are defined benefit pension plans.

pension liability/obligation

Corresponds to the value, discounted in accordance with actuarial assumptions, of all future payable benefits accrued as of the valuation date in respect of all previous pensionable service.

pensionable service

Periods of service to the credit of a public sector pension plan member. This service includes any complete or partial periods of purchased service (for example, service buyback or elective service).

pension transfers

Transfers made under an agreement negotiated between the Government of Canada and an eligible employer to provide portability of accrued pension credits from one pension plan to the other.

service buyback

A service buyback is a legally binding agreement under which a member purchases a period of prior service to increase his or her pensionable service.

survivor

A person who, at the time of a plan member’s death, was married to the plan member before his or her retirement or was cohabiting with the plan member in a conjugal relationship prior to the member’s retirement and for at least 1 year prior to the date of death.

yearly maximum pensionable earnings (YMPE)

The maximum earnings based on which contributions are made to the Canada Pension Plan and the Québec Pension Plan during the year. In 2017, yearly maximum pensionable earnings were \$55,300 (\$54,900 in 2016).

Appendix: General information on the plans

Public service pension plan

Element	Group 1 [*] (pension eligibility at age 60)	Group 2 ^{**} (pension eligibility at age 65)
Contributions	A percentage of member’s salary	
Lifetime pension	2% × average salary × years of pensionable service (maximum 35 years) (calculation includes bridge benefit)	
Bridge benefit	0.625% × average salary up to the AMPE ^{***} × years of pensionable service (maximum 35 years)	

^{*} Members who were participating in the plan on or before December 31, 2012.

^{**} Members who began participating in the plan on or after January 1, 2013.

^{***} AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member’s year of retirement and the 4 preceding years.

Element	Group 1 [*] (pension eligibility at age 60)	Group 2 ^{**} (pension eligibility at age 65)
Immediate annuity	<ul style="list-style-type: none"> • Age 60 or over with at least 2 years of pensionable service • Age 55 or over with at least 30 years of pensionable service • Under age 60 with at least 2 years of pensionable service and retiring due to disability 	<ul style="list-style-type: none"> • Age 65 or over with at least 2 years of pensionable service • Age 60 or over with at least 30 years of pensionable service • Under age 65 with at least 2 years of pensionable service and retiring due to disability
Deferred annuity	<ul style="list-style-type: none"> • Accrued pension calculated according to the pension formula, payable at age 60 	<ul style="list-style-type: none"> • Accrued pension calculated according to the pension formula, payable at age 65
Annual allowance	<ul style="list-style-type: none"> • A permanently reduced pension, payable as early as age 50 and before age 60 	<ul style="list-style-type: none"> • A permanently reduced pension, payable as early as age 55 and before age 65
Transfer value	<p>The actuarial value of the member's pension benefits, payable in a lump sum. This amount must be transferred to another registered pension plan or to a locked-in retirement savings vehicle.</p>	
	<ul style="list-style-type: none"> • Under age 50 with at least 2 years of pensionable service 	<ul style="list-style-type: none"> • Under age 55 with at least 2 years of pensionable service
Return of contributions	<ul style="list-style-type: none"> • Any age with less than 2 years of pensionable service Return of contributions with interest 	
Survivor benefit	<ul style="list-style-type: none"> • At least 2 years of pensionable service A monthly allowance equal to half of the pension benefit the member would have received before age 65 • Less than 2 years of pensionable service Return of contributions with interest 	

^{*} Members who were participating in the plan on or before December 31, 2012.

^{**} Members who began participating in the plan on or after January 1, 2013.

^{***} AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member's year of retirement and the 4 preceding years.

Element	Group 1 [*] (pension eligibility at age 60)	Group 2 ^{**} (pension eligibility at age 65)
Child allowance	<ul style="list-style-type: none"> • At least 2 years of pensionable service Each child is entitled to a monthly allowance equal to 10% of the member's unreduced pension, to a maximum of 40% distributed equally if there are more than 4 children. If there is no survivor, the child allowance is doubled. • Less than 2 years of pensionable service Return of contributions with interest 	
Indexation	Pension is increased on January 1 of each year to take into account the cost of living, based on increases in the Consumer Price Index.	
<p>[*] Members who were participating in the plan on or before December 31, 2012.</p> <p>^{**} Members who began participating in the plan on or after January 1, 2013.</p> <p>^{***} AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member's year of retirement and the 4 preceding years.</p>		

Royal Canadian Mounted Police pension plan

Element	Regular members
Contributions	A percentage of member's pensionable earnings aligned with Group 1 rates for the public service pension plan
Lifetime pension	2% × average of best 5 consecutive years of salary × years of pensionable service (maximum 35 years) (calculation includes bridge benefit)
Bridge benefit	0.625% × average salary up to the AMPE [*] × years of pensionable service (maximum 35 years)
Immediate annuity	<ul style="list-style-type: none"> • Age 60 or over with at least 2 years of service • At least 25 years of service, regardless of age • Under age 60 with at least 2 years of pensionable service if approved for a disability discharge
<p>[*] AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member's year of retirement and the four preceding years.</p>	

Element	Regular members
Deferred annuity	Between 2 years and less than 20 years of service in the Force: An unreduced pension benefit payable at age 60
Annual allowance	A permanently reduced pension, payable based on more than 20 but less than 25 years of service in the Force
Transfer value	<ul style="list-style-type: none"> • Between 2 years and less than 20 years of service in the Force The actuarial value of the member's pension benefits, payable in a lump sum. This amount must be transferred to another registered pension plan or to a locked-in retirement savings vehicle.
Return of contributions	<ul style="list-style-type: none"> • Any age with less than 2 years of service Return of contributions with interest
Survivor benefits	<ul style="list-style-type: none"> • At least 2 years of service A monthly allowance equal to half of the member's unreduced pension benefit • Less than 2 years of service Return of contributions + interest
Child allowance	<ul style="list-style-type: none"> • At least 2 years of service Each child is entitled to a monthly allowance equal to 10% of the member's unreduced pension, to a maximum of 40% distributed equally if there are more than 4 children. If there is no survivor, the child allowance is doubled. • Less than 2 years of service Return of contributions + interest
Indexation	Pension is increased on January 1 of each year to take into account the cost of living, based on increases in the Consumer Price Index.
<hr/> <p>* _ AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member's year of retirement and the four preceding years.</p> <hr/>	

Canadian Forces pension plans

Element	Regular Force (CFSA, Part I)	Reserve Force (CFSA, Part I.I)
<hr/> <p>* _ AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member's year of retirement and the four preceding years.</p> <hr/>		

Element	Regular Force (CFSA, Part I)	Reserve Force (CFSA, Part I.I)
Contributions	A percentage of member's pensionable earnings aligned with Group 1 rates of the public service pension plan	Legislated in the Reserve Force Pension Plan Regulations
Lifetime pension	2% × average of best 5 consecutive years of salary × years of pensionable service (maximum 35 years) (calculation includes bridge benefit)	1.5% × greater of total pensionable earnings and total updated pensionable earnings
Bridge benefit	0.625% × average salary up to the AMPE * × years of pensionable service (maximum 35 years)	0.5% × greater of total bridge benefit earnings and total updated bridge benefit earnings
Immediate annuity	<ul style="list-style-type: none"> • Age 60 with at least 2 years of pensionable service • Age 55 with at least 30 years of pensionable service • 25 years (9,131 days) of Canadian Forces service • Involuntarily released with at least 20 years of pensionable service or at age 55 or older with at least 10 years of pensionable service 	<ul style="list-style-type: none"> • With 2 years of pensionable service and meets the definition of disabled upon release
Deferred annuity	At least 2 years of pensionable service: Accrued pension calculated according to the pension formula, payable at age 60	
Annual allowance	At least 2 years of pensionable service: A permanently reduced pension, payable as early as age 50 and before age 60	
Transfer value	The actuarial value of the member's pension benefits, payable in a lump sum. This amount must be transferred to another registered pension plan or to a locked-in retirement savings vehicle.	
Return of contributions	<ul style="list-style-type: none"> • Any age with less than 2 years of pensionable service: Return of contributions with interest 	

*
_ AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member's year of retirement and the four preceding years.

Element	Regular Force (CFSA, Part I)	Reserve Force (CFSA, Part I.I)
Survivor benefit	<ul style="list-style-type: none"> • At least 2 years of pensionable service 1% × years of pensionable service (maximum 35 years) × average of best 5 consecutive years of salary • Less than 2 years of pensionable service The greater of a return of contributions + interest, or an amount equal to 1 month's basic pay for each year of pensionable service 	<ul style="list-style-type: none"> • At least 2 years of pensionable service 1% × greater of total pensionable earnings or total updated pensionable earnings • Less than 2 years of pensionable service The greater of a return of contributions + interest, or a lump sum
Child allowance	<ul style="list-style-type: none"> • At least 2 years of pensionable service Each child, to a maximum of four, receives a pension equal to 20% of the pension payable to the survivor • Less than 2 years of pensionable service The greater of a return of contributions + interest, or a lump sum 	<ul style="list-style-type: none"> • At least 2 years of pensionable service and a survivor Each child, to a maximum of 2, receives a pension equal to 25% of the pension payable to the survivor 3 or more children: Half of the basic survivor allowance divided by number of children
Indexation	Pension is increased on January 1 of each year to take into account the cost of living, based on increases in the Consumer Price Index.	
<p>* _ AMPE (average maximum pensionable earnings) means the average yearly maximum pensionable earnings set by the Canada Pension Plan and the Québec Pension Plan for the member's year of retirement and the four preceding years.</p>		

Footnotes

- 1 The Public Service Superannuation Act, the Canadian Forces Superannuation Act, the Royal Canadian Mounted Police Superannuation Act and the Reserve Force Pension Plan Regulations.
- 2 Actuarial adjustments are the special payments that the government is required to make to fund actuarial deficits.
- 3 Source: Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2017

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