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du Canada

Canada

Report on Public Sector Pension Plans as at March 31, 2019 (Update)

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2019 (Update)

Report on Public Sector Pension Plans as at March 31, 2019

From: [Treasury Board of Canada Secretariat](#)

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Overview

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About the plans

The Government of Canada sponsors a number of defined benefit pension plans, as well as other retirement compensation arrangements for its employees. Pension plans are one component of the compensation package the Government of Canada offers to support the recruitment and retention of talented people to create a strong and resilient public sector that serve Canadians well.

The public service, the Royal Canadian Mounted Police (RCMP), the Canadian Armed Forces (CAF) and the Reserve Force each have their own pension plan.

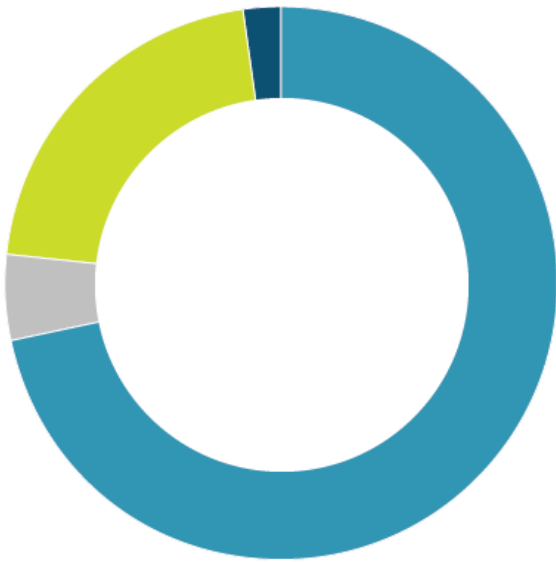
The four main public sector pension plans are contributory defined benefit pension plans established under legislation. ¹ The plans provide pension benefits to eligible plan members upon retirement, disability or termination, and provide benefits to their eligible survivors upon the member's death.

About the report

Included in this report are overviews of the four main public sector pension plans, using information from each plan's annual and actuarial reports.

Data in this report is for fiscal year ended March 31, 2019. If data as of this date is not available, data from other years is presented and noted. All data is from publicly available documents.

Fiscal year at a glance



Total membership 879,340

- Public service**
631,870 (71.9%)
- RCMP**
43,806 (5%)
- CAF***
184,135 (20.9%)
- Reserve Force****
19,529 (2.2%)

* Based on data for the fiscal year ended March 31, 2018

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

\$11.9 billion
Benefits paid

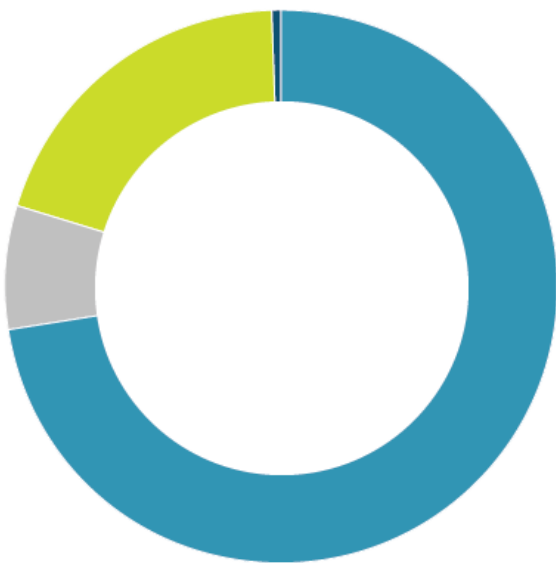
Rates of return

7.1%

Annual net rate of return in 2019

10.7%

Annualized net rate of return over the last 10 years



Value of net assets \$168.0 billion

- Public service**
\$122.0 billion (72.7%)
- RCMP**
\$12.1 billion (7.2%)
- CAF**
\$33.0 billion (19.7%)
- Reserve Force**
\$0.7 billion (0.4%)

\$329.1 billion
Pension obligations

\$7.1 billion
Cash contributions
by plan members and the employer

\$646 million
Administrative expenses
for day-to-day plan operations

▼ Text version

Total Membership

	Number of members	% of total
Public service	631,870	71.9%
RCMP	43,806	5%
CAF <small>*</small>	184,135	20.9%
Reserve Force <small>**</small>	19,529	2.2%

All plans total	879,340	100%
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*

Based on data for fiscal year ended March 31, 2018

**

Based on data for fiscal year ended March 31, 2017

Value of net assets

	Net asset value (in billions)	% of total
Public service	122.0	72.7%
RCMP	12.1	7.2%
CAF	33.0	19.7%
Reserve Force	0.7	0.4%
Total	168.0	100%

Total benefits paid

Benefits paid (in billions)	11.9
------------------------------------	------

Total rates of return

Annual net rate of return in 2019	Annualized net rate of return over the last 10 years
7.1%	10.7%

Total pension obligations

Obligations (in billions)	329.1
----------------------------------	-------

Total cash contributions by plan members and the employer

Contributions (in billions)	7.1
------------------------------------	-----

Total administrative expenses for day-to-day plan operations

Administrative expenses (in millions)

646

Plan benefits

▼ In this section

- [Benefit formulas](#)
- [Benefits paid](#)
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Benefit formulas

The benefits that a plan member receives are based on the member's years of pensionable service and pensionable salaries, and are calculated using a formula set out in the applicable regulations. Benefits are not affected by the financial status of the plan.

The basic benefit formula is a percentage of a member's average salary for the highest-paid five consecutive years of service multiplied by their years of pensionable service (see Table 1). The formula coordinates benefits paid under the public sector pension plans with those paid under the Canada Pension Plan and the Québec Pension Plan.

Table 1. Pension benefit formulas

Public service, RCMP and CAF pension plans

Contributions	A percentage of member's salary [*]
Lifetime pension	2% × average of the 5 consecutive years of highest-paid salary × years of pensionable service (maximum 35 years) (calculation includes bridge benefit)
Bridge	0.625% × average salary up to the AMPE ^{**} × years of

benefit pensionable service (maximum 35 years)

***** RCMP and CAF plan rates are aligned with Group 1 rates for the public service pension plan. (Group 1 and Group 2 members have different contribution rates due to different pension eligibility ages. See Appendix A.)

****** AMPE (average maximum pensionable earnings) is the average of the yearly maximum pensionable earnings set by the Canada Pension Plan or the Québec Pension Plan for the year in which a member retires and the four preceding years.

Reserve Force pension plan

Reserve Force (*Canadian Forces Superannuation Act (CFSA), Part I.I*)

Contributions	Legislated in the <i>Reserve Force Pension Plan Regulations</i>
Lifetime pension	1.5% × greater of total pensionable earnings and total updated pensionable earnings
Bridge benefit	0.5% × greater of total bridge benefit earnings and total updated bridge benefit earnings

Benefits paid

Benefits paid under the plans, which include immediate unreduced pensions, deferred pensions, annual allowances, disability retirement benefits and survivor benefits, are indexed annually to take into account the cost of living, which is based on increases in the Consumer Price Index. In calendar year 2019, the indexation rate was 2.2% (1.6% in 2018).

In fiscal year ended March 31, 2019, \$11.9 billion in benefits were paid to participants of the four main public sector pension plans (see Figure 1).

Figure 1. Breakdown of total benefits paid under the plans

Fiscal year ended March 31, 2019

\$11.9 billion
Total benefits paid
(all plans)



- **Public service**
\$7.7 billion (65%)
- **RCMP**
\$0.9 billion (8%)
- **CAF and Reserve Force**
\$3.2 billion (27%)

▼ Figure 1 - Text version

	Benefits paid (in billions)	% of total
Public service	\$7.7	65%
RCMP	\$0.9	8%
CAF and Reserve Force	\$3.2	27%
Total	\$11.9	100%

Note: Due to rounding, the total benefits paid does not match the individual plan totals presented.

Source of data: *Public Accounts of Canada 2019*, Volume I, Section 6

Average pension paid

The average pension paid to retired members and survivors for fiscal year ended March 31, 2019, was as follows:

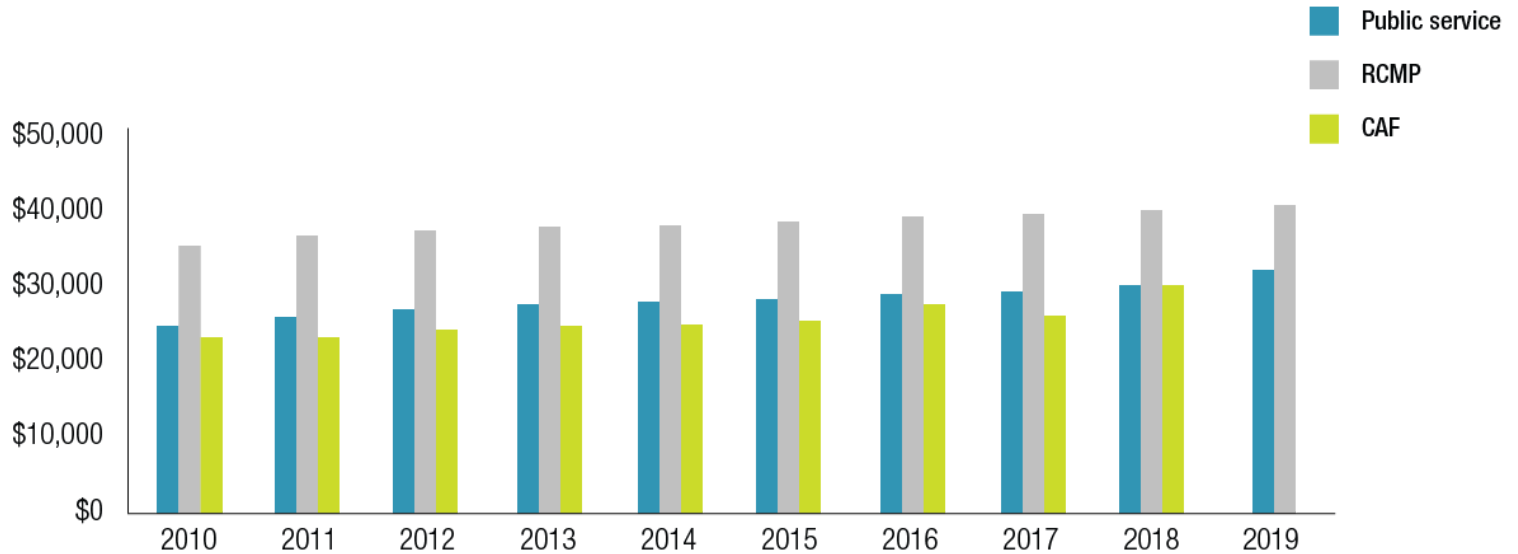
- public service: \$34,000

- RCMP: \$42,900
- CAF: \$31,600 (for fiscal year ended March 31, 2018)

Figure 2 shows average annual pensions paid over the last 10 years.

Figure 2. Average annual pension paid, 2010 to 2019

Fiscal year ended March 31



▼ Figure 2 - Text version

Year	Public service	<u>RCMP</u>	<u>CAF</u>
2010	\$25,100	\$35,500	\$22,700
2011	\$25,900	\$36,100	\$22,900
2012	\$27,100	\$36,800	\$23,400
2013	\$27,300	\$37,900	\$24,300
2014	\$28,000	\$38,900	\$24,800
2015	\$28,700	\$39,700	\$25,600
2016	\$29,300	\$40,800	\$26,900
2017	\$30,000	\$41,700	\$26,000
2018	\$31,600	\$42,100	\$31,600
2019	\$34,000	\$42,900	n/a

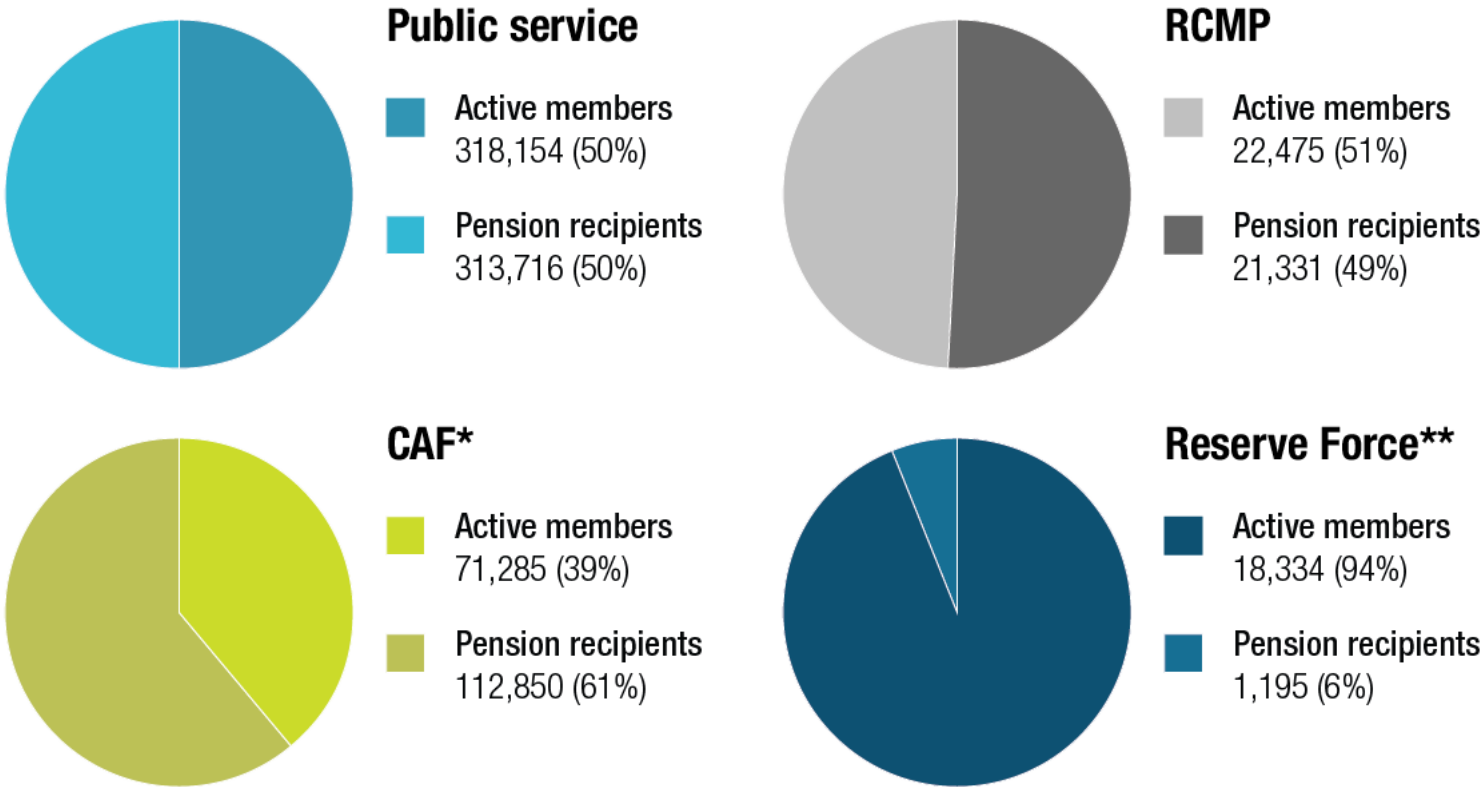
Note: CAF data is not available for fiscal year ended March 31, 2019.

Source of data: Individual pension plan annual reports

Membership statistics

Plan members are classified as either active members or pension recipients (which includes survivors and deferred annuitants). The number and breakdown of members for each pension plan appear in Figure 3.

Figure 3. Individual plan membership breakdown by type of member
As at March 31, 2019



* Based on data for the fiscal year ended March 31, 2018

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

▼ Figure 3 - Text version

Public service membership profile

	Number	% of total
Active members	318,154	50%

Pension recipients	313,716	50%
Total	631,870	100%

RCMP membership profile

	Number	% of total
Active members	22,475	51%
Pension recipients	21,331	49%
Total	43,806	100%

CAF membership profile *

	Number	% of total
Active members	71,285	39%
Pension recipients	112,850	61%
Total	184,135	100%

*

Based on data for the fiscal year ended March 31, 2018

Reserve Force membership profile **

	Number	% of total
Active members	18,334	94%
Pension recipients	1,195	6
Total	19,529	100%

**

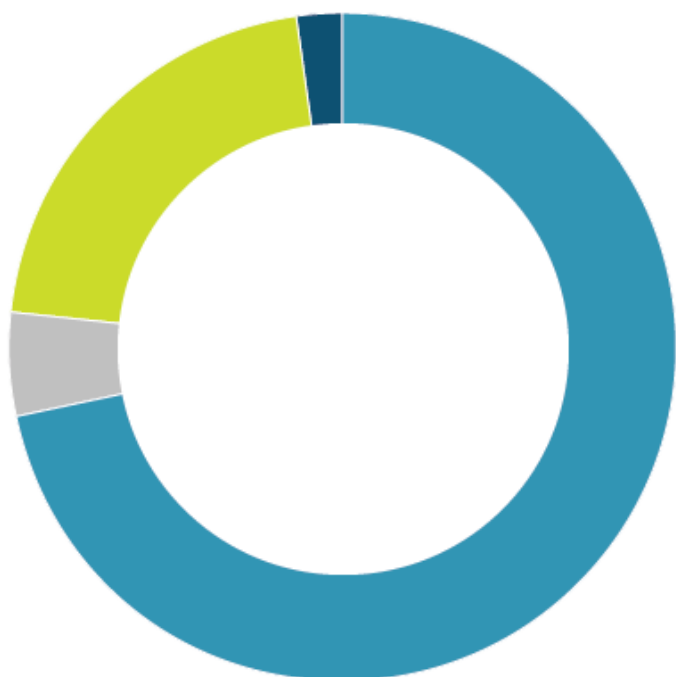
Based on data for the fiscal year ended March 31, 2017

Figure 4 compares the total number of members of the four public sector pension plans.

Figure 4. Membership breakdown of the public sector pension plans

As at March 31, 2019

879,340
Total membership
(all plans)



Public service
 631,870 (71.9%)

RCMP
 43,806 (5%)

CAF*
 184,135 (20.9%)

Reserve Force**
 19,529 (2.2%)

* Based on data for the fiscal year ended March 31, 2018

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

▼ Figure 4 - Text version

Total Membership

	Number of members	% of total
Public service	631,870	71.9%
RCMP	43,806	5%
CAF [*]	184,135	20.9%
Reserve Force ^{**}	19,529	2.2%
All plans total	879,340	100%

*

Based on data for fiscal year ended March 31, 2018

**

Based on data for fiscal year ended March 31, 2017

Source of data: Individual pension plan annual reports

Financial status

▼ In this section

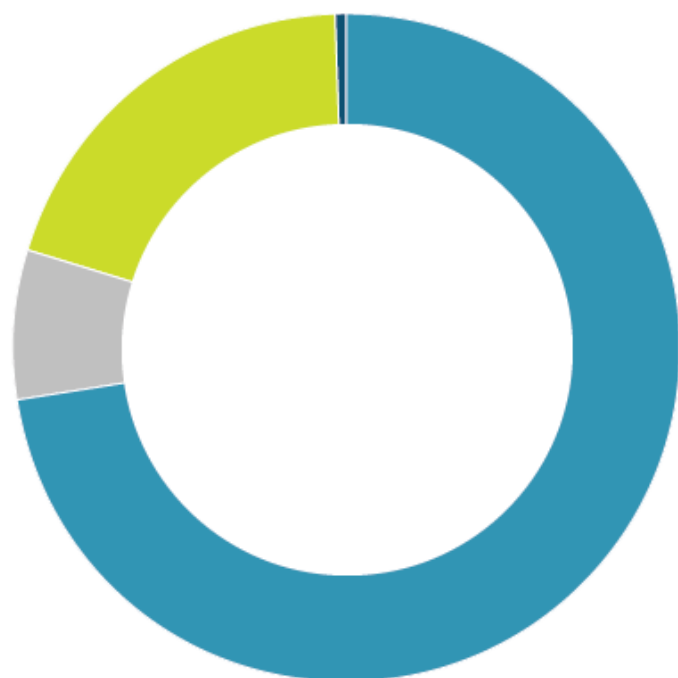
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Net assets

As at March 31, 2019, the value of net assets held by the Public Sector Pension Investment Board (PSPIB) totalled \$168.0 billion (\$153.0 billion in the previous fiscal year). These net assets mainly consist of net investments managed by the PSPIB on behalf of the plans (see Figure 5). The annual total value of net assets held by the PSPIB for each of the last 10 years is presented in Figure 6.

Figure 5. Value of net assets held by the PSPIB for the public sector pension plans

As at March 31, 2019



\$168.0 billion
Total net assets

- **Public service**
\$122.0 billion (72.7%)
- **RCMP**
\$12.1 billion (7.2%)
- **CAF**
\$33.0 billion (19.7%)
- **Reserve Force**
\$0.7 billion (0.4%)

▼ Figure 5 - Text version

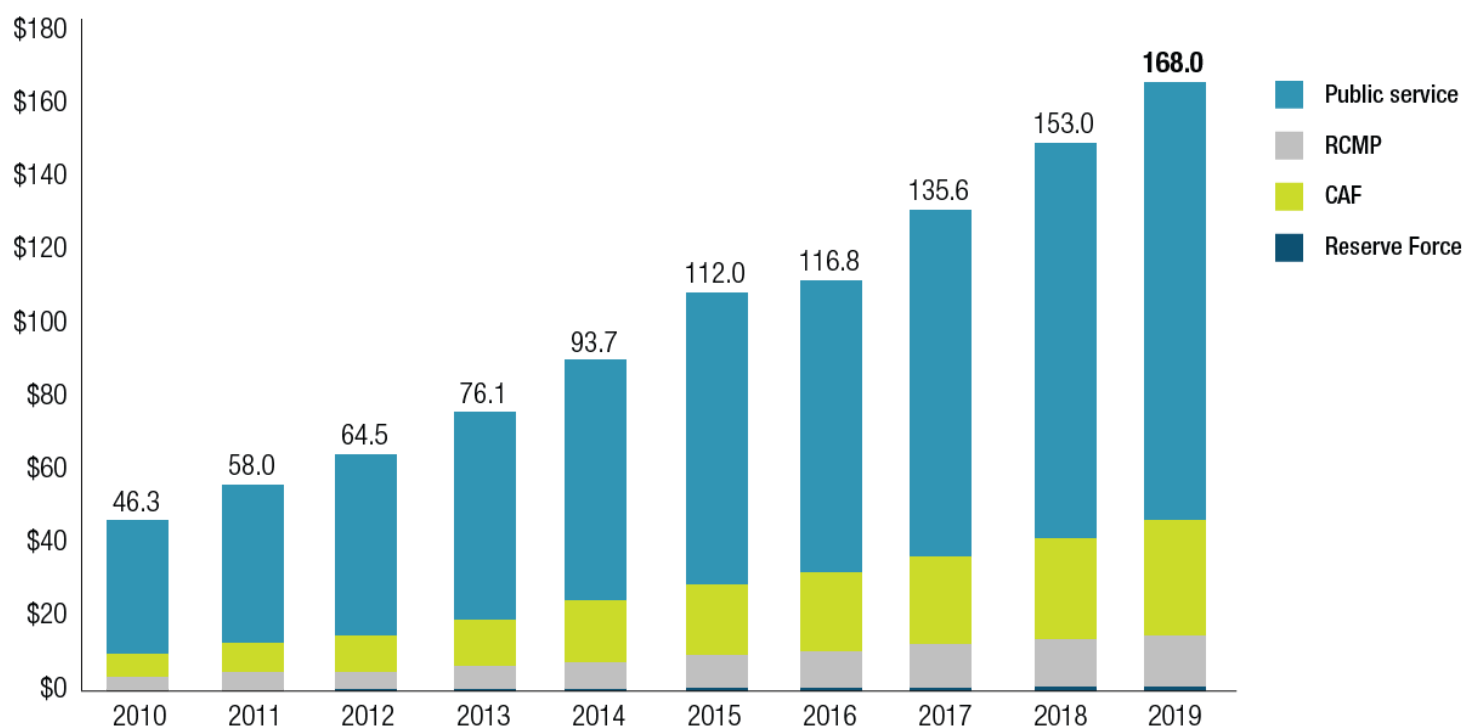
	Net asset value (in billions)	% of total
Public service	122.0	72.7%
RCMP	12.1	7.2%
CAF	33.0	19.7%
Reserve Force	0.7	0.4%
Total	168.0	100%

Note: Due to rounding, the net assets total does not match the individual plan totals presented.

Source of data: PSPIB, Annual Report 2019

Figure 6. Net assets held by the P_{SPIB} for the public sector pension plans, 2010 to 2019

Fiscal year ended March 31 (\$ billions)



▼ Figure 6 - Text version

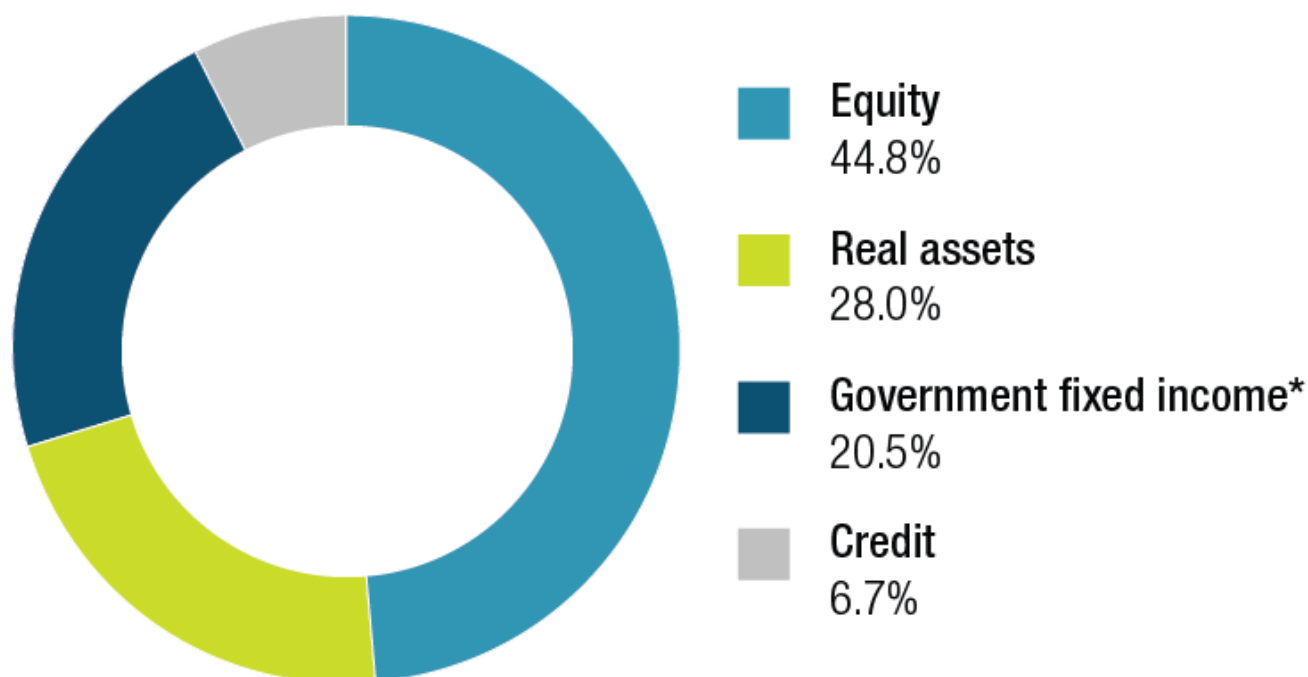
Year	Public service	RCMP	CAF	Reserve Force	Total
2010	33.7	3.3	9.1	0.2	46.3
2011	42.3	4.1	11.3	0.3	58.0
2012	47.1	4.6	12.4	0.4	64.5
2013	55.5	5.4	14.9	0.4	76.1
2014	68.2	6.7	18.4	0.5	93.7
2015	81.3	8.1	22.0	0.6	112.0
2016	84.7	8.5	23.0	0.6	116.8
2017	98.5	9.8	26.7	0.6	135.6
2018	111.1	11.1	30.1	0.7	153.0
2019	122.0	12.1	33.0	0.7	168.0

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 (see Figure 7).

Figure 7. PSPiB investment asset mix

As at March 31, 2019



* Government fixed income includes cash and cash equivalents

▼ Figure 7 - Text version

	<u>PSPiB</u> investment
Equity	44.8%
Real assets	28.0%
Government fixed income <input type="text" value="*"/>	20.5%
Credit	6.7%

Source of data: P.SPIB, Annual Report 2019

Investment returns

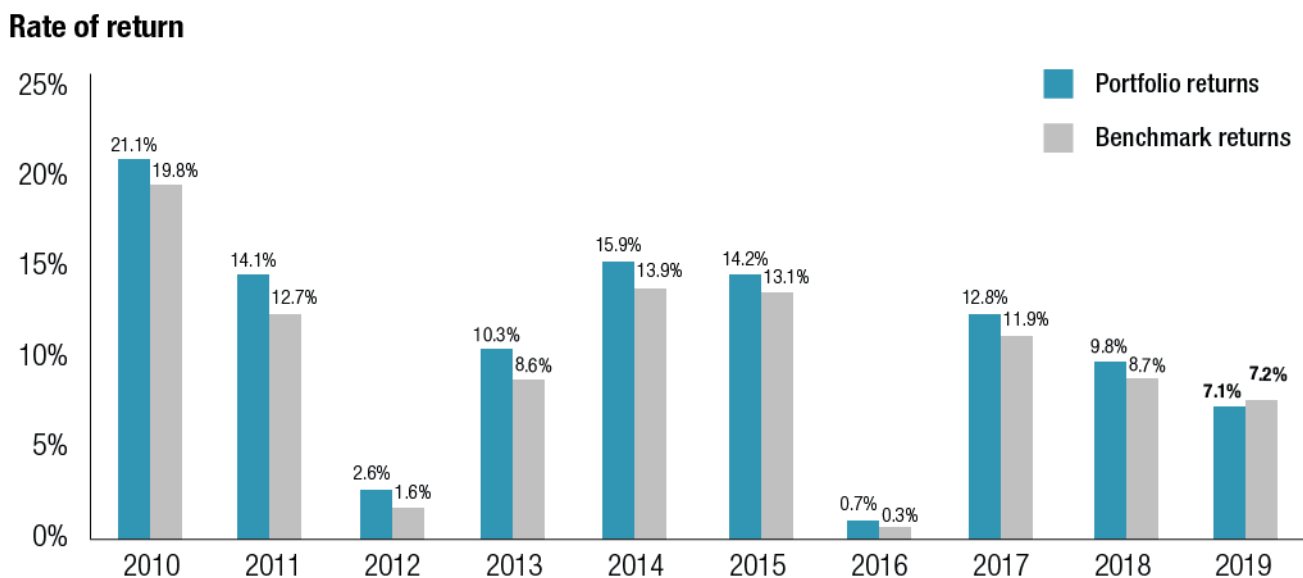
The P.SPIB reported a net rate of return of 7.1% for fiscal year ended March 31, 2019. This is closely in line with the policy portfolio benchmark of 7.2%. Over the past 10 years, the P.SPIB has achieved a net annualized rate of return of 10.7%, compared with the return objective of 5.8% set by the Government of Canada.

Responsible corporate governance mechanisms are in place to allow for appropriate control of investment risk and costs by taking a disciplined approach to investment and ensuring an appropriate balance between risks and returns, the P.SPIB has generated above-benchmark returns in 9 of the past 10 years (see Figure 8).

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

Figure 8. Net rate of return on assets held by the P.SPIB, 2010 to 2019

Fiscal year ended March 31



Year	Portfolio returns	Benchmark returns
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%
2018	9.8%	8.7%
2019	7.1%	7.2%

Source of data: P.S.P.I.B., Annual Report 2019

Obligations

As at March 31, 2019, pension obligations of the four main public sector pension plans totalled \$329.1 billion (see Figure 9).

Figure 9. Public sector pension plans' obligations

As at March 31, 2019

\$329.1 billion Total obligations



Public service
\$217.6 billion (66.1%)

RCMP
\$27.6 billion (8.4%)

CAF*
\$83.2 billion (25.3%)

Reserve Force**
\$0.6 billion (0.2%)

* Based on data for the fiscal year ended March 31, 2018

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

▼ Figure 9 - Text version

	Public service	Royal Canadian Mounted Police	Canadian Armed Forces [*]	Reserve Force ^{**}	Total obligations
Obligations (in billions)	217.6	27.6	83.2	0.6	329.1

^{*}

Based on data for fiscal year ended March 31, 2018

^{**}

Based on data for fiscal year ended March 31, 2017

Note: Due to rounding, the obligations total does not match the individual plan totals presented.

Source of data: Financial statements contained in individual pension plan annual reports

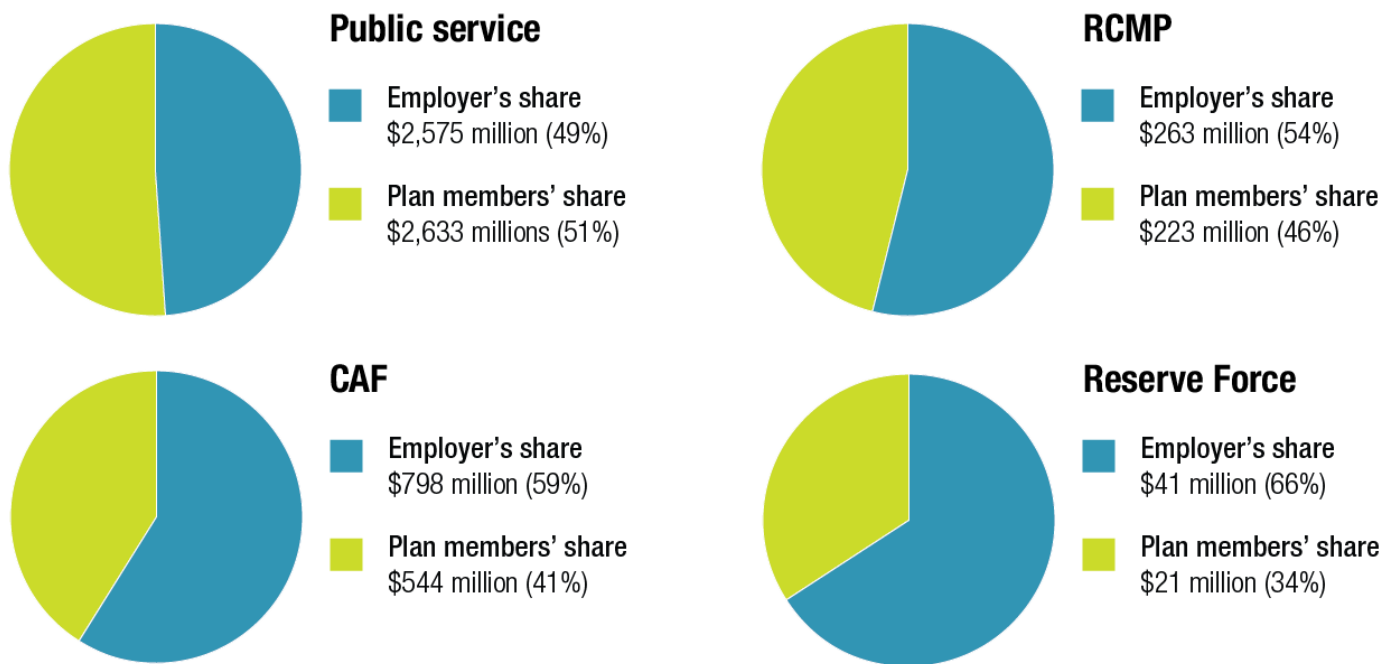
Contributions

Public sector pension plan benefits are funded by contributions from active plan members and the employer (Government of Canada), as well as from investment earnings. Figure 10 shows, for each plan, the share of cash contributions by plan members and the employer. Cash contributions include current service and past service contributions (for example, service buybacks) received during the year and do not include [actuarial adjustments](#).

Figure 10. Individual plans' share of cash contributions by plan members and the employer

Fiscal year ended March 31, 2019

\$7,098 million
Total contributions



▼ Figure 10 - Text version

	Employers' share (\$ millions)	Employers' share (in percentage)	Plan members' share (\$ millions)	Plan members' share (in percentage)	Total contributions (\$ millions)
Public service	\$2,575	49%	\$2,633	51%	\$5,208
RCMP	\$263	54%	\$223	46%	\$486
CAF	\$798	59%	\$544	41%	\$1,342

Reserve Force	\$41	66%	\$21	34%	\$62
Total contributions					\$7,098

Source of data: *Public Accounts of Canada 2019*, Volume I, Section 6

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 and at a higher rate above the YMPE. In 2019, the YMPE was \$57,400 (\$55,900 in 2018).

The public service pension plan has two groups of 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 member contribution rates are approved on a calendar basis. Table 2 shows members' contribution rates as a percentage of their salary for calendar years 2018 and 2019.

Table 2a. Member contribution rates: calendar year 2018

Salary	Public service		RCMP	CAF	
	Group 1	Group 2		Regular Forces	Reserve Force [*]
Up to the YMPE	9.8%	8.8%	9.8%	9.8%	5.2%
Above the YMPE	12.1%	10.5%	12.1%	12.1%	

^{*} Members of the Reserve Force contribute 5.2% on pensionable earnings up to two thirds of the defined benefit limit as determined under the *Income Tax Regulations*.

Table 2b. Member contribution rates: calendar year 2019

Salary	Public service		RCMP	CAF	
	Group 1	Group 2		Regular Forces	Reserve Force [*]
Up to the YMPE	9.6%	8.7%	9.6%	9.6%	5.2%
Above the YMPE	11.8%	10.2%	11.8%	11.8%	

^{*} Members of the Reserve Force contribute 5.2% on pensionable earnings up to two thirds of the defined benefit limit as determined under the *Income Tax Regulations*.

Source of data: *Public Accounts of Canada 2019*, Volume I, Section 6

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, plan member and employer 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.

Administrative expenses

According to legislation, pension-related administrative expenses of the following government organizations may be charged to the public sector pension plans:

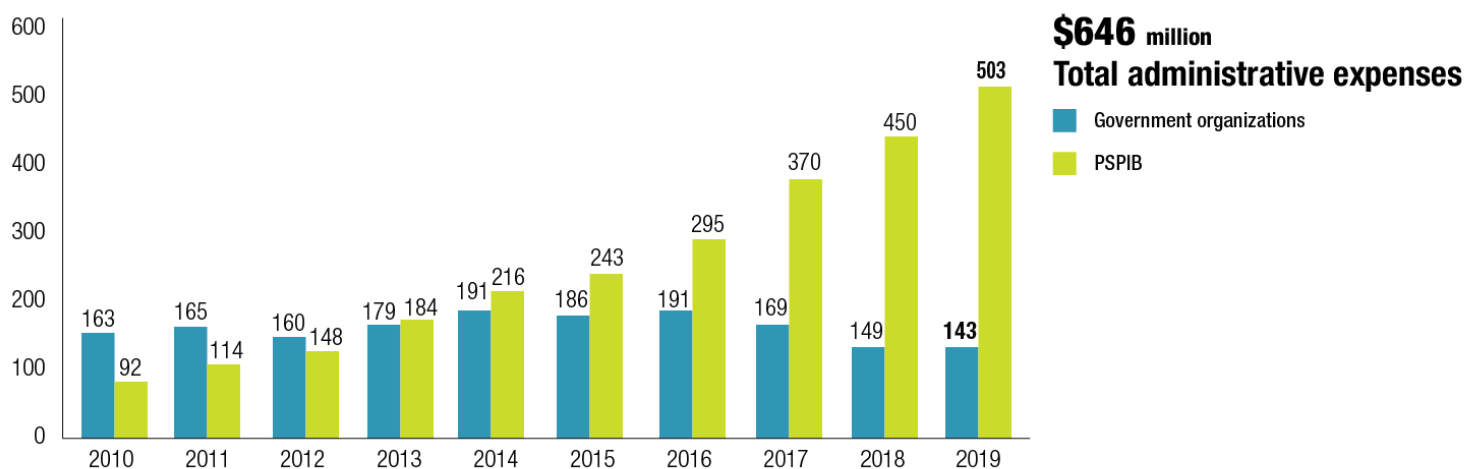
- Treasury Board of Canada Secretariat
- National Defence
- RCMP
- Public Services and Procurement Canada
- Health Canada
- Office of the Chief Actuary

The PSPIB's administrative expenses are also charged to the plans. These expenses have increased as a result of the growth in the number of employees and investments in technology and initiatives underway as part of its strategic plan.

Figure 11 shows the administrative expenses charged to the plans for the last 10 years, as shared between government organizations and the PSPIB.

Figure 11. Administrative expenses charged to the plans, 2010 to 2019

Fiscal year ended March 31 (\$ millions)



▼ Figure 11 - Text version

Year	Government organizations	<u>PSPIB</u>	Total (\$ millions)
2010	163	92	256
2011	165	114	279
2012	160	148	308
2013	179	184	363
2014	191	216	407
2015	186	243	429
2016	191	295	487
2017	169	370	538
2018	149	450	599
2019	143	503	646

Source of data: P.S.P.I.B. annual reports and the Public Accounts of Canada for years ended March 31, 2010, to March 31, 2019

In fiscal year ended March 31, 2019, total administrative expenses for the public sector pension plans were \$646 million. Administrative expenses for each pension plan were as follows:

- public service pension plan: \$463 million
- RCMP pension plan: \$44 million
- CAF pension plan: \$129 million
- Reserve Force pension plan: \$9 million

Impact on public finances

Pension expenses are calculated based on Canadian public sector accounting standards and are included in the [*Public Accounts of Canada 2019*](#).

- **Pension expense** includes employers' contributions and recognized actuarial valuation gains and losses and other adjustments.
- **Net interest expense** is calculated based on the average accrued pension obligations (benefits earned by members under their pension plan for pensionable service).

Table 3 shows a summary of transactions for the plans that resulted in expenses for the Government of Canada in fiscal year ended March 31, 2019.

**Table 3. Summary of expenses for the public sector pension plans
Fiscal year ended March 31, 2019 (\$ millions)**

Pension plan	Pension expense	Net interest expense	Total expense
Public service	3,501	1,954	5,455
RCMP	614	320	934
CAF	2,217	1,188	3,405
Reserve Force	24	(1)	23
Total expenses	6,356	3,461	9,817

Pension plan funding

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 response to the 2014 Auditor General of Canada's performance audit of the public sector pension plans, work is ongoing to strengthen the governance framework. The Treasury Board of Canada Secretariat, in collaboration with the [RCMP](#) and the Department of National Defence, has finalized a [formal funding policy for 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 two types of actuarial valuations:

1. **Actuarial valuations for accounting purposes** are conducted 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.

2. **Actuarial valuations for funding purposes** are conducted at least once every three 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.

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 accrued benefit obligation or the actuarial liability), the costs of benefits earned, and the interest expenses.

Discount rates are set as follows:

For accounting purposes:

- For **funded** pension benefits (post-March 2000), the discount rates are the streamed expected rates of return on funds invested by the PSPIB.
- For **unfunded** pension benefits (pre-April 2000), the discount rates are the government's cost of borrowing. That cost is derived from the yields on the actual zero-coupon yield curve for Government of Canada bonds, which reflect the timing of the expected future cash flows.

For funding purposes:

- For **funded** pension benefits (post-March 2000), the discount rates are the 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 4 shows some of the key economic assumptions used in the most recent actuarial valuations.

Table 4. Discount rates and assumptions used in actuarial valuations

Actuarial report	Long-term discount rate		Long-term rate	
	Funded pension benefits (post-March 2000) [*]	Unfunded pension benefits (pre-April 2000)	Salary increase	Pension indexation
For accounting purposes (as at March 31, 2019)	5.8%	1.9%	2.6%	2.0%
For funding purposes				
Public service (as at March 31, 2017)	6.0%	4.7%	2.8%	2.0%
RCMP (as at March 31, 2018)	6.0%	4.6%	2.7%	2.0%
CAF (as at March 31, 2016)	6.0%	4.7%	2.8%	2.0%
Reserve Force (as at March 31, 2016)	6.0%	n/a	2.8%	2.0%

Long-term discount rates are calculated on a nominal basis and comprise the real rate of return and an indexation factor.

Source of data: Actuarial reports of the Office of the Chief Actuary and *Public Accounts of Canada 2019*

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 5 shows the possible impact of a 1% increase or decrease to the long-term actuarial assumptions on the four main public sector pension plans, as well as on the pension arrangements for members of Parliament, federally appointed judges, non-career diplomats, the Governor General and lieutenant governors, and retirement compensation arrangements.

Table 5. Sensitivity analysis of actuarial assumptions for accounting purposes for Government of Canada-sponsored pension plans
Fiscal year ended March 31, 2019 (\$ millions)

Changes in actuarial assumptions	Funded pension benefits (post-March 2000)	Unfunded pension benefits (pre-April 2000)
Increase of 1% in discount rates	(22,400)	(25,900)
Decrease of 1% in discount rates	29,100	32,600
Increase of 1% in the rate of inflation	19,700	29,600
Decrease of 1% in the rate of inflation	(16,200)	(24,200)
Increase of 1% in general wage increase	7,000	1,000
Decrease of 1% in general wage increase	(6,200)	(1,000)

Actuarial valuation report: financial position

Tables 6 and 7 show the results of the superannuation account and the pension fund of each pension plan as of the last triennial funding valuation.

Table 6. State of the superannuation accounts as at March 31
(\$ millions)

	Public service (2017)	RCMP (2018)	CAF (2016)
			Regular Forces
Balance			
Account balance	94,270	13,123	45,718
Actuarial liability	97,137	14,009	47,385
Actuarial excess (shortfall)	(2,867)	(886)	(1,667)

Source of data: Actuarial reports of the Office of the Chief Actuary

Table 7. Financial position of the pension fund as at March 31
(\$ millions)

	Public service (2017)	RCMP (2018)	CAF (2016)	
			Regular Forces	Reserve Force
Balance				
Actuarial value of assets	92,956	10,293	22,478	513
Actuarial liability	87,313	9,721	24,048	566
Actuarial surplus (deficit)	5,643	572	(1,570)	(53)

Source of data: Actuarial reports of the Office of the Chief Actuary

Roles and responsibilities

The President of the Treasury Board has 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.

Table 8. Division of responsibilities of the pension plans

Pension plan	Ensures adequate funding	Plan administration	Supports Minister with plan administration <small>*</small>	Day-to-day plan administration <small>**</small>
Public service	President of the Treasury Board	President of the Treasury Board	Treasury Board of Canada Secretariat	Public Services and Procurement Canada
RCMP		Minister of Public Safety and Emergency Preparedness	RCMP	
CAF and Reserve Force		Minister of National Defence	National Defence	

* Supporting a Minister with plan administration includes providing program advice and interpretation, financial analysis, and preparing financial statements and annual reports.

** The day-to-day administration of the plans includes determining eligibility, calculating and paying benefits.

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 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 is responsible for managing the funds transferred to it by the four main public sector pension plans and for maximizing investment returns without undue risk of loss, while respecting the funding, policies and requirements and financial obligations of each of the plans. The PSPIB has been investing for the public service, the RCMP and the CAF pension plans since April 1, 2000, and for the Reserve Force pension plan since March 1, 2007.

Source documents

- [Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2019](#)
- [Royal Canadian Mounted Police Pension Plan: Annual Report, 2018–19](#)
- [Canadian Armed Forces Pension Plans Annual Report, 2017–18](#)
- [Public Sector Pension Investment Board annual reports, 2010 to 2019](#)
- [Public Accounts of Canada 2019](#)
- [Actuarial Report on the Pension Plan for the Public Service of Canada as at 31 March 2017](#)
- [Actuarial Report on the Pension Plan for the Royal Canadian Mounted Police as at 31 March 2018](#)
- [Actuarial Report on the Pension Plans for the Canadian Forces: Regular Force and Reserve Force as at 31 March 2016](#)

Appendix A: public service pension plan

Type of benefit	Eligibility	
	Group 1 [*] (pension eligibility at age 60)	Group 2 ^{**} (pension eligibility at age 65)
Immediate pension	<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 	<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

	<ul style="list-style-type: none"> • Under age 60 with at least 2 years of pensionable service and retiring due to disability 	<ul style="list-style-type: none"> • Under age 65 with at least 2 years of pensionable service and retiring due to disability
Deferred pension	<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	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.	
	<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 	
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.

*

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

Appendix B: Royal Canadian Mounted Police pension plan

Type of benefit	Eligibility
Immediate pension	<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
Deferred pension	<p>Between 2 years and less than 20 years of service in the Force: An unreduced pension benefit payable at age 60</p>
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	<ul style="list-style-type: none"> • Any age with less than 2 years of service

contributions	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.

Appendix C: Canadian Armed Forces pension plans

Type of benefit	Eligibility	
	Regular Forces (CFSA, Part I)	Reserve Force (CFSA, Part I.I)
Immediate pension	<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
	<ul style="list-style-type: none"> • With 10 years of pensionable service and meets the definition 	

	of disabled upon release	meets the definition of disabled upon release
Deferred pension	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 	
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 the 5 consecutive years of highest-paid 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 	<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

	The greater of a return of contributions + interest, or a lump sum	3 or more children: Half of the basic survivor allowance divided by the 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.	

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 fiscal 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 PSP to invest pension assets. Investment management fees are either paid directly by the PSP 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.

pension 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).

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

For the purposes of the public service pension plan, 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.

For the purposes of the pension plans for the CAF and RCMP, a survivor is a person who, at the time of a plan member's death, was married to the plan member, or was cohabiting with the plan member in a conjugal relationship for at least 1 year prior to the plan member's retirement, or if retired, prior to the member's 60th birthday.

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 2019, yearly maximum pensionable earnings were \$57,400 (\$55,900 in 2018).

Footnotes

1

The *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*.

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