



# Report on Public Sector Pension Plans to March 31, 2021

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2021

# Report on Public Sector Pension Plans as at March 31, 2021

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From: Treasury Board of Canada Secretariat

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## About this report

This report provides overviews of the four main public sector pension plans. These overviews are based on information from the most recent annual and actuarial reports for each plan, the Public Sector Pension Investment Board annual report and the Public Accounts of Canada.

Data in this report is for the fiscal year ended March 31, 2021. If data as of this date is not available, data from other years is presented and noted.

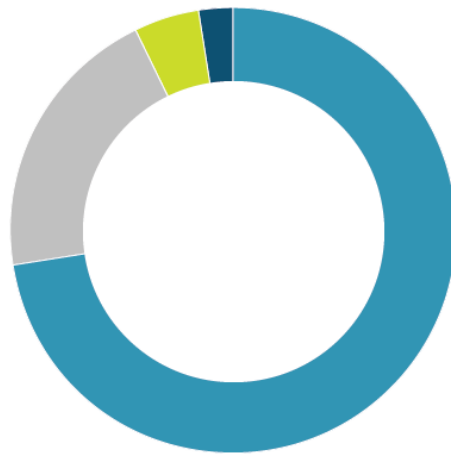
## About the plans

Pension plans are one component of a total compensation package that provide a lifetime income to eligible plan members upon retirement, disability or termination. The level of pension received is usually based on the plan member's salary and years of service. These plans also provide benefits to eligible survivors upon the member's death.

The Government of Canada sponsors public sector pension plans, comprised of the public service, Royal Canadian Mounted Police (RCMP) and the Canadian Armed Forces (CAF) and its Reserve Force, which are contributory defined benefit pension plans established under legislation.<sup>1</sup> This means that both the employer and employee make contributions.

# Fiscal year highlights

**Total membership**  
**921,261**



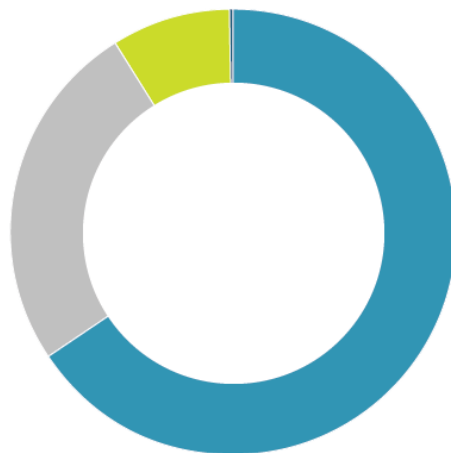
- Public service  
669,482 (72.7%)
- CAF  
185,659 (20.2%)
- RCMP  
45,128 (4.9%)
- Reserve Force  
20,992 (2.3%)

**Total benefits paid**  
**\$12.7 billion**



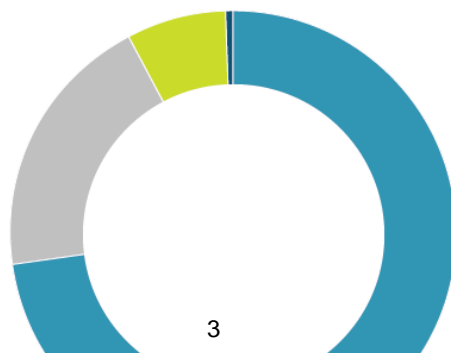
- Public service  
\$8.3 billion (66%)
- CAF (Regular and Reserve Forces)  
\$3.4 billion (27%)
- RCMP  
\$1 billion (8%)

**Total obligations**  
**\$348.1 billion**



- Public service  
\$228.4 billion (65.6%)
- CAF  
\$89.3 billion (25.6%)
- RCMP  
\$29.6 billion (8.5%)
- Reserve Force  
\$0.8 billion (0.2%)

**Total net assets**  
**\$204.3 billion**



- Public service  
\$148.9 billion (72.9%)
- CAF  
\$39.8 billion (19.5%)
- RCMP  
\$14.7 billion (7.2%)

Reserve Force  
\$0.9 billion (0.4%)

Note: Due to rounding, the individual plan percentages presented do not total 100%.

▼ Fiscal year highlights - Text version

### Highlights (1) Membership breakdown of the public sector pension plans

Pension plan	Number of members	Percentage of total
<b>Public service</b>	669,482	72.7%
<b>Canadian Armed Forces</b>	185,659	20.2%
<b>Royal Canadian Mounted Police</b>	45,128	4.9%
<b>Reserve Force</b>	20,992	2.3%
<b>Total membership (all plans)</b>	<b>921,261</b>	<b>100%</b>

### Highlights (2) Breakdown of total benefits paid under the plans

Pension plan	Benefits paid	Percentage of total
<b>Public service</b>	\$8.3 billion	66%
<b>Canadian Armed Forces and Reserve Force</b>	\$3.4 billion	27%
<b>Royal Canadian Mounted Police</b>	\$1.0 billion	8%
<b>Total benefits paid (all plans)</b>	<b>\$12.7 billion</b>	<b>101%</b>

Note: Due to rounding, the individual plan percentages presented do not total 100%.

### Highlights (3) Public sector pension plans' obligations

Pension plan	Obligations	Percentage of total
<b>Public service</b>	\$228.4 billion	65.6%
<b>Canadian Armed Forces</b>	\$89.3 billion	25.6%
<b>Royal Canadian Mounted Police</b>	\$29.6 billion	8.5%
<b>Reserve Force</b>	\$0.8 billion	0.2%
<b>Total obligations (all plans)</b>	<b>\$348.1 billion</b>	<b>99.9%</b>

Note: Due to rounding, the individual plan percentages presented do not total 100%.

### Highlights (4) Value of net assets held by the PSPIB for the public sector pension plans

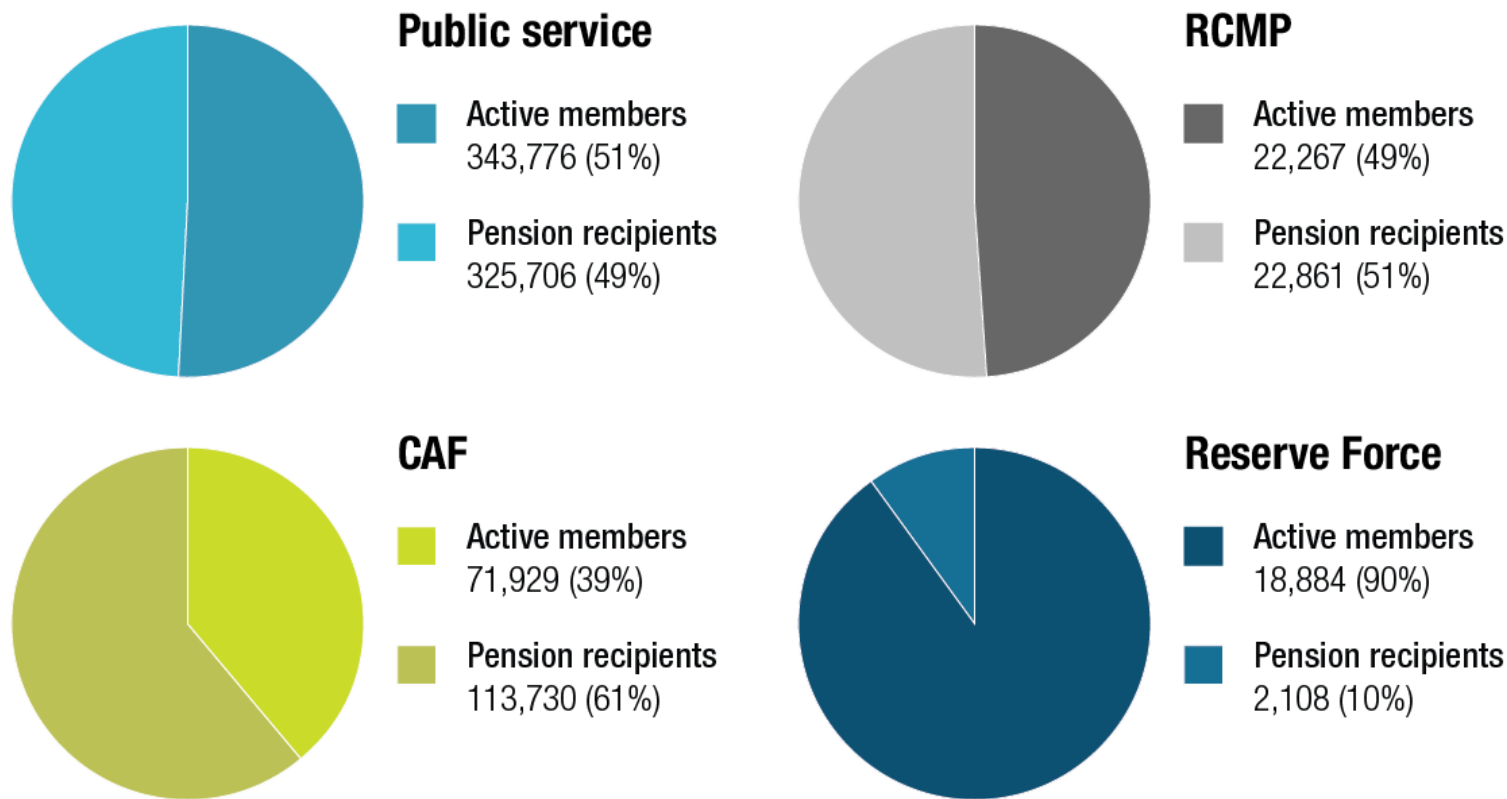
Pension plan	Net assets held by PSPIB	Percentage of total
<b>Public service</b>	\$148.9 billion	72.9%
<b>Canadian Armed Forces</b>	\$39.8 billion	19.5%
<b>Royal Canadian Mounted Police</b>	\$14.7 billion	7.2%
<b>Reserve Force</b>	\$0.9 billion	0.4%

<b>Pension plan</b>	<b>Net assets held by PSPIB</b>	<b>Percentage of total</b>
<b>Total net assets (all plans)</b>	<b>\$204.3 billion</b>	<b>100%</b>

# Members

Plan members are classified as either active members or pension recipients (which includes survivors and deferred annuitants). The breakdown of members for each pension plan appears in Figure 1.

**Figure 1. Individual plan membership, by type of member**



▼ Figure 1 - Text version

**Figure 1 - Individual plan membership breakdown by type of member**

Pension plan	Type of member		Total
	Active members	Pension recipients	
<b>Public Service</b>	343,776	325,706	669,482
<b>RCMP</b>	22,267	22,861	45,128
<b>CAF – Regular Force</b>	71,929	113,730	185,659
<b>CAF – Reserve Force</b>	18,884	2,108	20,992

# Benefits

A plan member's benefits are based on their years of pensionable service and on their pensionable salary, and are calculated using a formula set out in the applicable regulations. <sup>1</sup>

Members may receive their benefits in one of the following ways: immediate or deferred pensions, annual allowances, or disability retirement benefits. Eligible survivors and children may receive survivor benefits and child allowances, respectively.

All benefits are indexed annually to cover increases in the cost of living, as determined by the Consumer Price Index (CPI). The CPI is a measure of price changes published by Statistics Canada based on retail prices of about 300 goods and services, including food, housing, transportation, clothing and recreation.

The indexation rate was 1% for calendar year 2021 and 2% for calendar year 2020.

Table 1 shows the average pension paid to retired members and their eligible survivors for fiscal year ended March 31, 2021.

**Table 1. Average annual pension paid**

<b>Pension plan</b>	<b>Average pension</b>
<b>Public service</b>	\$33,842
<b>RCMP</b>	\$44,638
<b>CAF – Regular Force</b>	\$32,746
<b>CAF – Reserve Force</b>	\$5,323

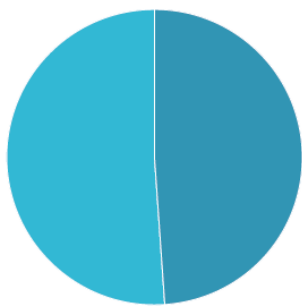
## Contributions

Public sector pension plan benefits are funded by contributions from active plan members and the Government of Canada (as the employer), as well as from investment earnings. Cash contributions include current service and past service contributions (for example, service buybacks) received during the year and do not include actuarial adjustments, which are special payments that the Government of Canada is required to make to fund actuarial deficits.

Total cash contributions for fiscal year ended March 31, 2021, was \$9 billion. Figure 2 shows a breakdown of the contributions.

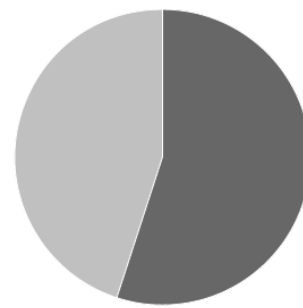
**Figure 2. Individual plans' share of cash contributions, by plan members and the employer**





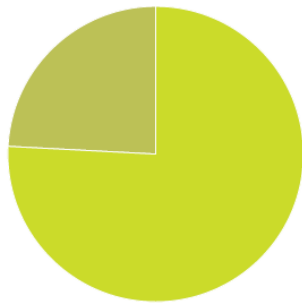
### Public service

- Employer's share  
\$2,920 million (49%)
- Plan members' share  
\$2,993 million (51%)



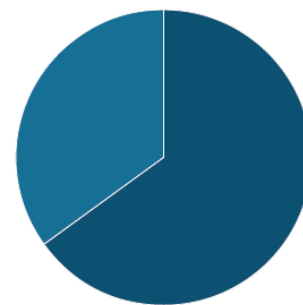
### RCMP

- Employer's share  
\$269 million (55%)
- Plan members' share  
\$220 million (45%)



### CAF

- Employer's share  
\$1,923 million (76%)
- Plan members' share  
\$612 million (24%)



### Reserve Force

- Employer's share  
\$55 million (65%)
- Plan members' share  
\$29 million (35%)

▼ Figure 2 - Text version

**Figure 2. Individual plans' share of cash contributions by plan members and the employer**

	Public service (\$ millions)	Public service (percentage)	RCMP (\$ millions)	RCMP (percentage)	CAF (\$ millions)	CAF (percentage)	Reserve Force (\$ millions)	Reserve Force (percentage)
<b>Employer's share</b>	\$2,920	49%	\$269	55%	\$1,923	76%	\$55	65%
<b>Plan members' share</b>	\$2,993	51%	\$220	45%	\$612	24%	\$29	35%
<b>Total</b>	\$5,913	100%	\$489	100%	\$2,535	100%	\$84	100%

Plan members' contributions are a percentage of their salary and are collected through payroll deductions.

## Pension obligations

Pension obligations measure in today's dollars the benefits that will be paid to members in the future.

The amount of pension obligations is based on a plan's actuarial valuation that is conducted each year for accounting purposes by the Office of the Chief Actuary. The valuation uses economic assumptions, such as future rates of return on investments, and demographic assumptions, such as life expectancy and retirement age.

## Investment returns

Net assets consist mainly of net investments managed by the Public Sector Pension Investment Board (PSPIB) on behalf of the plans.

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.

Returns on these investments are key to funding plan benefits. The contribution transfers are over and above benefit payments and administrative costs. As the plans mature, the quantity of assets that come from investment returns is expected to continue growing.

Since 2018, the cumulative net investment returns have exceeded the cumulative net contribution transfers sent to the PSPIB.

## Administrative expenses

Under legislation, authorized government organizations and the PSPIB charge eligible administrative expenses to the public sector pension plans.

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

For the fiscal year ended March 31, 2021, total administrative expenses for the public sector pension plans were \$686 million (see Table 2).

**Table 2. Breakdown of administrative expenses**

<b>Paid by</b>	<b>Amount</b>
<b>Government organizations</b>	\$176 million
<b>Public Sector Pension Investment Board</b>	\$510 million
<b>Total</b>	<b>\$686 million</b>

## Impact on public finances

Pension expenses are calculated based on Canadian public sector accounting standards and are included in the [Public Accounts of Canada 2021](#).

- **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, 2021.

**Table 3. Summary of expenses for the public sector pension plans (\$ millions)**

<b>Pension plan</b>	<b>Pension expense</b>	<b>Net interest expense</b>	<b>Total expense</b>
<b>Public service</b>	4,816	853	5,669
<b>RCMP</b>	957	228	1,185
<b>CAF</b>	2,804	722	3,526

Pension plan	Pension expense	Net interest expense	Total expense
Reserve Force	46	5	51
<b>Total expenses</b>	<b>8,623</b>	<b>1,808</b>	<b>10,431</b>

## 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.

The sustainability of the plans is supported by the [Funding Policy for the Public Sector Pension Plans](#) and a strong governance framework that was put in place in response to the 2014 Auditor General of Canada's performance audit of the public sector pension plans. As part of the implementation of the Funding Policy for the Public Sector Pension Plans, which TBS, the RCMP and National Defence approved in 2018, a sustainability review of the plans is currently underway.

### Actuarial valuations

An actuarial valuation is an actuarial analysis that provides information on the financial condition of a pension plan. Such 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

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.

Actuarial assumptions refer to 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.

Economic assumptions are set in order to conduct actuarial valuations. Population characteristics and benefit provisions are specific to each pension plan. 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. This average is a calculated 20-year weighted moving average of Government of Canada long-term bond rates projected over time. The streamed rates account for historical Government of Canada long-term bond rates and, over time, reflect expected Government of Canada long-term bond rates.

Table 4 presents 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
<b>For accounting purposes (as at March 31, 2021)</b>	5.9%	1.8% to 1.85% (equivalent flat discount rate)	2.6%	2.0%
<b>For funding purposes</b>				
<b>Public service (as at March 31, 2020)</b>	5.9%	4.1%	2.7%	2.0%
<b>RCMP (as at March 31, 2018)</b>	6.0%	4.6%	2.7%	2.0%

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

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
CAF (as at March 31, 2019)	6.0%	4.5%	2.7%	2.0%
Reserve Force (as at March 31, 2019)	6.0%	n/a	2.7%	2.0%

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

#### Actuarial valuation report: financial position

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

**Table 5. State of the superannuation accounts as at March 31 (\$ millions)**

Balance	Public service (2020)	RCMP (2018)	CAF (2019)
			Regular Force
Account balance	91,537	13,123	45,630
Actuarial liability	98,837	14,009	48,057
Actuarial excess (shortfall)	(7,300)	(886)	(2,427)

**Table 6. Financial position of the pension funds as at March 31 (\$ millions)**

Balance	Public service (2020)	RCMP (2018)	CAF (2019)	
			Regular Force	Reserve Force
Actuarial value of assets *	125,409	10,293	31,586	538
Actuarial liability	110,909	9,721	31,007	711

\* The actuarial value of assets is a method of valuing the investments of a pension plan using a five-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 five-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.

Balance	Public service (2020)	RCMP (2018)	CAF (2019)	
			Regular Force	Reserve Force
Actuarial surplus (deficit)	14,500	572	579	(173)

\* The actuarial value of assets is a method of valuing the investments of a pension plan using a five-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 five-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.

## Source documents

- [Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2021](#)
- Royal Canadian Mounted Police Pension Plan Annual Report, 2020–2021
- Canadian Armed Forces Pension Plan Annual Report, 2020–2021
- [Public Sector Pension Investment Board annual report \(2021\)](#).
- [Public Accounts of Canada \(2021\)](#).
- [Actuarial Report on the Pension Plan for the Public Service of Canada as at 31 March 2020](#)
- [Actuarial Report on the Pension Plan for the Royal Canadian Mounted Police as at 31 March 2018](#)
- [Actuarial Report on the Pension Plan for the Canadian Forces: Regular Force and Reserve Force as at 31 March 2019](#)

## Glossary

### 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.

### deferred annuity

A pension option that allows a member with at least two years of pensionable service to postpone their pension payments until a later date if they leave the public service before the retirement age applicable to them (60 or 65 years).

### disability

A physical or mental impairment that prevents an individual from engaging in any employment for which the individual is reasonably suited by virtue of their education, training or experience and that can reasonably be expected to last for the rest of the individual's life.

### pension obligation

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).

### **Public Sector Pension Investment Board**

A Crown corporation established on September 14, 1999, under the *Public Sector Pension Investment Board Act*. It manages the amounts transferred to it by the Government of Canada for the funding of benefits earned by members of the federal public sector pension plans. The board operates under the commercial name of *PSP Investments*.

### **service buyback**

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

### **survivor**

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

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## **Footnotes**

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

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### **Date modified:**

2022-06-15