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Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2025

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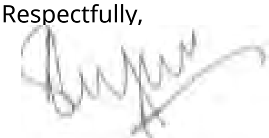
Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2025

Her Excellency the Right Honourable Mary Simon, C.C., C.M.M., C.O.M., O.Q., C.D.,
Governor General and Commander-in-Chief of Canada

Excellency:

I have the honour of submitting to Your Excellency the *Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2025*.

Respectfully,



The Honourable Shafqat Ali, P.C., M.P.
President of the Treasury Board

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About this report

This report provides information on the public service pension plan for the fiscal year ended March 31, 2025. [1] It is prepared and tabled in Parliament in accordance with section 46 of the *Public Service Superannuation Act*.

As required under section 45 of the *Public Service Superannuation Regulations*, the report includes the plan's annual financial statements. The financial statements are prepared in accordance with the stated accounting policies set out in Note 2 to the statements, which are based on Canadian accounting standards for pension plans.

About the plan

The public service pension plan provides members with a lifetime income after they retire. In the event of a member's death, the plan also provides benefits to the eligible survivor and children. The benefits are directly related to the employee's salary and period of pensionable service.

The plan is an employer-sponsored contributory defined benefit pension plan. Employers and employees make contributions; however, the Government of Canada is solely responsible for the funding risk. The benefits payable on death, disability, termination of service, and retirement are specified in the plan document, in this case, the *Public Service Superannuation Act* and its regulations.

Highlights

- The long-term return on assets for the Public Service Pension Fund account, which contains funds accumulated for service since April 1, 2000, exceeded performance expectations, as shown on page 32 in the "Analysis of total fund results" section of the Public Sector Pension Investment Board 2025 Annual Report.
- Member and employer contributions totalled $7.5 billion for the fiscal year ended March 31, 2025.
- Benefits paid to members, eligible survivors and children totalled $10.3 billion for fiscal year ended March 31, 2025.
- Cumulative net investment returns totalled $149.3 billion, compared with the $70.1 billion in cumulative net contribution transfers sent to the Public Sector Pension Investment Board (PSPIB).
- The PSPIB reported a one-year net portfolio return of 12.6%. [2]
- In June 2024, the Supplementary Death Benefit was modernized to allow plan members to name up to five beneficiaries, including minors, and to update their beneficiaries online.
- An enhanced pension portal for active members, now known as My GC Pension, was introduced in June 2024. Members can view their projected pension benefits online and perform other tasks, such as name beneficiaries for the Supplementary Death Benefit. The new tool has created administrative efficiencies such as fewer calls to the Pension Centre.

Members

Plan members include full-time, part-time and retired employees of the federal public service, of certain public service corporations [3], and of the public service of the territorial governments.

Plan members this fiscal year, by type

Type of member	Number
Active	412,107
Retired	246,504
Deferred annuitants	58,221
Survivors receiving benefits	48,927
Total	**765,759**

Average annual pension benefits [*] paid [4] to retired members, average age and average pensionable service of those members

Average	Male	Female	Overall
Annual pension	$45,174	$34,911	$39,926
Age	73.2	70.6	71.8
Years of pensionable service	25.1	23.6	24.4

[*] Includes immediate annuities, disability retirement annuities and annual allowances.

Benefits

A plan member's benefits are based on their years of pensionable service. A member can accumulate up to 35 years of pensionable service in total.

Benefits are calculated using a formula set out in section 11 of the *Public Service Superannuation Act*.

Members may receive their benefits in one of the following ways:

- an immediate annuity

- a deferred annuity
- an annual allowance
- a disability retirement annuity

To receive benefits, members must have at least 2 years of pensionable service.

Eligible survivors and children may receive survivor benefits and child allowances, respectively.

New pensions this fiscal year, by benefit type

Type of benefit	Number
Immediate annuity	6,688
Annual allowance	1,225
Deferred annuity	931
Disability retirement annuity	639
Total	**9,483**

These benefits are indexed annually to cover increases in the cost of living, as determined by the Consumer Price Index. The indexation rate for calendar year 2025 was 2.7%.

The Supplementary Death Benefit is payable in a lump sum to the designated beneficiary or to the estate.

Benefits for service before April 1, 2000, are paid from the Public Service Superannuation Account.

Benefits for service starting April 1, 2000, are paid from the Public Service Pension Fund. The PSPIB was established on September 14, 1999, to manage this fund.

Contributions

Plan contributions are shared between the employers and plan members. Since 2017, the cost-sharing ratio between the employers and plan members for current service contributions has been 50:50.

Members' contributions are a percentage of their salary. They are compulsory and are collected through payroll deductions. Contribution rates are updated every January 1 and are available online.

Determining the plan's financial position

▼ In this section

- Report for funding purposes
- Report for accounting purposes

An actuarial valuation assesses the financial health of a pension plan at a specific point in time. These valuations are conducted regularly to support the administration of the public service pension plan, in respect of applicable legislation, as well as actuarial and accounting standards.

The Chief Actuary conducts two types of independent actuarial valuations on the plan: (1) for funding and (2) for accounting. Each report serves a different purpose and follows the specific requirements applicable to each.

Report for funding purposes

This valuation is conducted every three years for funding purposes, as required by the *Public Pensions Reporting Act*. The results are shared in an actuarial report that is tabled in Parliament.

This valuation estimates the contributions that are required to pay for future pension benefits. It helps the President of the Treasury Board to make decisions on the financing of the plan. This includes whether a non-permitted surplus exists in the Public Service Pension Fund.

In addition to the last tri-annual report tabled in Parliament in November 2023, a 2025 Special Actuarial Report on the financial position of the Public Service Pension Fund as at March 31, 2025, and an Update to the financial position of the Public Service Pension Fund as at 31 March 2025 following Budget 2025 announcements were tabled in Parliament on December 17, 2025. The update takes into consideration the proposed Early Retirement Incentive program and the expansion of the operational service early retirement program announced in Budget 2025. It also shows that as at March 31, 2025, the Public Service Pension Fund was in a non-permitted surplus position of $0.9 billion, which was determined based on the following:

- Actuarial value of assets (for service since April 1, 2000): $207.0 billion
- Actuarial liability (for service since April 1, 2000): $164.9 billion
- Actuarial surplus: $42.1 billion
- Funded ratio: 125.5%

A non-permitted surplus is reached when actuarial assets available for benefits exceed 125% of the actuarial liabilities for service accrued since April 1, 2000. Detailed information can be found in the aforementioned reports and in Note 24 to the financial statements.

Given this report shows a non-permitted surplus and projects the possibility of a future non-permitted surplus, the Government of Canada may work with the Chief Actuary to re-evaluate the plan's financial position as at March 31, 2026.

Report for accounting purposes

This type of report is conducted every year for accounting purposes. Unlike the actuarial report prepared by the Chief Actuary for funding purposes, it is based on the Canadian accounting standards for pension plans and is required for the Public Accounts of Canada. The results for accounting purposes are reflected in this report.

This report presents the plan's assets and obligations in the financial statements in accordance with Canadian accounting standards.

Key findings from this report, as at March 31, 2025:

- Funded pension obligation: $163.0 billion
- Unfunded pension obligation: $89.8 billion
- Total pension obligations: $252.8 billion

Investment returns

Since April 1, 2000, the Government has made regular contribution transfers 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.

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

Administrative expenses

Under legislation, authorized government departments and the PSPIB charge eligible administrative expenses to the plan. These comprise expenses that departments incur for plan administration and the PSPIB's allocated costs of operation. For the year ended March 31, 2025, plan administrative expenses totalled $715 million. The following table shows the breakdown. Refer to Note 19 to the financial statements for further details.

Breakdown of administrative expenses, fiscal year ended March 31, 2025
($ million)

Paid by	Amount
Government departments	$144

Paid by	Amount
Public Sector Pension Investment Board	$571
Total	**$715**

Account transaction statements

▼ In this section

- Public Service Superannuation Account
- Public Service Pension Fund account
- Retirement Compensation Arrangements accounts
- Public Service Death Benefit account

Public Service Superannuation Account

All pension transactions for pensionable service before April 1, 2000, are recorded in the Public Service Superannuation Account within the accounts of Canada.

The Public Service Superannuation Account contains contributions for service before April 1, 2000, and interest on those contributions. It does not contain any investments such as cash or marketable securities.

The interest is credited quarterly at rates calculated as though the net cash flows were invested quarterly in 20-year Government of Canada bonds issued at prescribed rates and held to maturity.

The *Public Service Superannuation Act* requires that any actuarial shortfall resulting from a lower balance in the Public Service Superannuation Account than the actuarial liability be addressed by the Government of Canada, through crediting the Public Service Superannuation Account in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes performed by the Office of the Chief Actuary (OCA), starting in the fiscal year in which the actuarial report is tabled in Parliament.

Public Service Superannuation Account transaction statement (unaudited)
Fiscal year ended March 31
(in dollars)

	2025	2024
Opening balance	**88,211,601,722**	91,343,666,054
Receipts and other credits		
Plan member contributions		
Public service employees	**298,499**	305,608
Public service corporation employees	**39,531**	25,445
Retired employees	**1,369,358**	1,797,783
Employer contributions		
Government	**1,312,331**	1,802,686
Public service corporations	**23,663**	19,207
Special employer contribution	**6,425,000,000**	0
Transfers from other pension funds	**4,663**	0
Interest	**2,590,533,469**	2,746,693,842
Total receipts and other credits	**9,018,581,514**	2,750,644,571
Payments and other charges		
Annuities	**5,903,566,155**	5,797,972,550
Minimum benefits	**10,676,877**	19,247,313

	2025	2024
Pension division payments	**7,534,491**	5,766,454
Pension transfer value payments	**1,025,191**	1,410,107
Return of contributions		
Public service employees	**18,929**	25,926
Public service corporation employees	**4,107**	642
Transfers to other pension funds	**406,849**	768,640
Administrative expenses	**49,750,372**	57,517,271
Total payments and other charges	**5,972,982,971**	5,882,708,903
Closing balance	**91,257,200,265**	88,211,601,722

Public Service Pension Fund account

Pursuant to the *Public Service Superannuation Act*, as amended by the *Public Sector Pension Investment Board Act*, transactions relating to service since April 1, 2000, are recorded in the Public Service Pension Fund. An amount equal to contributions in excess of benefit payments and administrative costs is transferred regularly to the PSPIB for investment. The balance in the Public Service Pension Fund at year-end represents net contributions transferable to the PSPIB.

The treatment of any actuarial surplus or deficit in the fund is outlined in the financial statements of the public service pension plan, which are included in this report.

The *Public Service Superannuation Act* requires that any actuarial deficit be dealt with by the Government of Canada, through transferring equal instalments to the pension fund over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes performed by the OCA, starting in the fiscal year in which the actuarial report is tabled in Parliament.

Public Service Pension Fund account transaction statement (unaudited)
Fiscal year ended March 31
(in dollars)

	2025	2024
Opening balance	**28,765,424**	11,659,233
Receipts and other credits		
Plan member contributions		
Public service employees	**3,481,997,322**	3,353,919,838
Public service corporation employees	**263,276,404**	238,206,294
Retired employees	**53,357,194**	52,129,068
Employer contributions		
Government	**3,479,773,532**	3,351,070,821
Public service corporations	**233,789,626**	212,498,631
Transfers from other pension funds	**118,145,308**	147,679,357
Total receipts and other credits	**7,630,339,386**	7,355,504,009
Payments and other charges		
Annuities	**4,399,393,807**	3,963,923,546
Minimum benefits	**32,107,254**	36,066,001
Pension division payments	**34,865,773**	35,438,659
Pension transfer value payments	**169,281,701**	147,353,228
Return of contributions		
Public service employees	**34,279,929**	35,186,851
Public service corporation employees	**5,968,071**	5,507,695

	2025	2024
Transfers to other pension funds	**37,612,590**	28,709,806
Transfer addressing non-permitted surplus	**1,942,500,005**	0
Administrative expenses	**93,333,816**	98,525,244
Total payments and other charges	**6,749,342,946**	4,350,711,030
Receipts and other credits, less payments and other charges	**880,996,440**	3,004,792,979
Transfers to PSPIB	**2,822,067,779**	2,987,686,788
Transfers from PSPIB	**1,942,500,005**	0
Closing balance	**30,194,090**	28,765,424

Retirement Compensation Arrangements accounts

Supplementary benefits for certain federal public service employees are provided under the *Retirement Compensation Arrangements Regulations, No. 1*, Parts I and II (public service portion), and the *Retirement Compensation Arrangements Regulations, No. 2* (Early Retirement Incentive Program). These regulations were established under the *Special Retirement Arrangements Act* for the purpose of paying benefits and established the Retirement Compensation Arrangements for the payment of benefits.

Pursuant to the legislation, transactions pertaining to both Retirement Compensation Arrangements No. 1 and Retirement Compensation Arrangements No. 2, such as contributions, benefits and interest credits, are recorded in the Retirement Compensation Arrangements accounts, which are maintained within the accounts of Canada. The legislation also requires that the Retirement Compensation Arrangements accounts be credited with interest quarterly at the same rates as those credited to the Public Service Superannuation Account.

The Retirement Compensation Arrangements accounts are registered with the Canada Revenue Agency, and a transfer is made annually between the Retirement Compensation Arrangements accounts and the Canada Revenue Agency either to remit a 50% refundable tax in respect of the net increase in the accounts (contributions and interest credits, less payments and other charges) or to receive a 50% tax reimbursement in respect of the net decrease in the accounts (payments and other charges, less contributions and interest credits).

Actuarial shortfalls resulting from a lower balance in the Retirement Compensation Arrangements accounts than the actuarial liabilities are addressed by the Government of Canada, through crediting the Retirement Compensation Arrangements accounts in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes performed by the OCA, starting in the fiscal year in which the actuarial report is tabled in Parliament.

Retirement Compensation Arrangements No. 1 account

Retirement Compensation Arrangements No. 1 account transaction statement (unaudited)
Fiscal year ended March 31
(in dollars)

	2025	2024
Opening balance	**1,447,857,912**	1,404,077,730
Receipts and other credits		
Plan member contributions		
Public service employees	**27,163,696**	19,402,359
Public service corporation employees	**2,890,756**	2,332,252
Retired employees	**611,927**	405,978
Employer contributions		
Government	**128,155,546**	100,961,142
Public service corporations	**12,757,212**	11,887,576

	2025	2024
Transfers from other pension funds	**0**	(88)
Interest	**43,976,102**	43,853,448
Total receipts and other credits	**215,555,239**	178,842,667
Payments and other charges		
Annuities	**87,684,693**	80,266,051
Minimum benefits	**12,628**	167,093
Pension division payments	**487,849**	127,977
Pension transfer value payments	**261,909**	564,448
Return of contributions		
Public service employees	**45,656**	13,917
Public service corporation employees	**31,054**	13,948
Transfers to other pension funds	**650,554**	1,000,444
Refundable tax	**51,369,890**	52,908,607
Total payments and other charges	**140,544,233**	135,062,485
Closing balance	**1,522,868,918**	1,447,857,912

Retirement Compensation Arrangements No. 2 account

Retirement Compensation Arrangements No. 2 account transaction statement (unaudited)
Fiscal year ended March 31
(in dollars)

	2025	2024
Opening balance	**493,322,182**	528,295,402
Receipts and other credits		
Refundable tax	**36,293,596**	35,560,994
Interest	**13,876,898**	15,281,885
Other	**0**	1,421,280
Total receipts and other credits	**50,170,494**	52,264,159
Payments and other charges		
Annuities	**88,027,444**	87,237,379
Total payments and other charges	**88,027,444**	87,237,379
Closing balance	**455,465,232**	493,322,182

Public Service Death Benefit account

Public Service Death Benefit account transaction statement (unaudited)
Fiscal year ended March 31
(in dollars)

	2025	2024
Opening balance	**4,221,582,241**	4,131,135,861
Receipts and other credits		
Plan member contributions		
Public service employees	**124,700,553**	114,563,305
Public service corporation employees	**7,681,919**	7,185,158
Retired employees	**29,098,900**	28,904,213

	2025	2024
Employer contributions		
Public service corporations	**2,022,320**	1,900,742
Death benefit—general	**14,292,295**	13,475,148
Death benefit—single premium for $10,000	**3,404,548**	3,278,508
Interest	**126,893,448**	126,781,620
Total receipts and other credits	**308,093,983**	296,088,694
Payments and other charges		
Benefit payments		
General *	**171,381,084**	161,598,510
Life coverage for $10,000 †	**43,747,701**	43,940,543
Other death benefit payments	**126,459**	103,261
Total payments and other charges	**215,255,244**	205,642,314
Closing balance	**4,314,420,980**	4,221,582,241

* Benefits paid in respect of participants who, at the time of death, were employed in the public service or in receipt of an immediate annuity (for disability or retirement) or an annual allowance.

† Benefits paid in respect of participants who, at the time of death, were employed in the public service or were in receipt of an immediate annuity (for disability or retirement) or an annual allowance and on whose behalf a single premium for $10,000 of death benefit coverage has been made by the employers.

Glossary

actuarial valuation

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

annual allowance

An annual benefit available to public service pension plan members who have more than 2 years of pensionable service, who retire before age 60 (Group 1) or before age 65 (Group 2), and who are not entitled to an immediate annuity. This benefit is a reduced pension that considers the early payment of a retirement pension. The earliest it becomes payable is at age 50 (Group 1) or at age 55 (Group 2). [5]

child allowance

A pension benefit, equal to one fifth of the survivor benefit (two fifths if there is no eligible survivor), payable to a member’s child or children for as long as they qualify. This means until age 18 **or** until age 25, if the child is enrolled in a school or other educational institution full-time and has attended continuously since age 18 or the date of death of the plan member, whichever is later. The maximum allowance for all children combined is the equivalent of four children’s benefits.

Consumer Price Index (CPI)

A measure of price changes published monthly by Statistics Canada. The CPI price sample is obtained from a selection of geographical areas, representative goods and services, and types and locations of retail outlets, to estimate price changes experienced by Canadians. Increases in the CPI are also referred to as cost-of-living increases.

deferred annuity

A pension option that allows a member with at least 2 years of pensionable service to postpone their pension payments 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.

immediate annuity

An annual benefit payable to public service plan members who retire at any time after reaching age 60 (Group 1) or age 65 (Group 2) and have at least 2 years of pensionable service, or after reaching age 55 (Group 1) or age 60 (Group 2) and have at least 30 years of pensionable service. In addition, an immediate annuity, also known as an immediate pension, is payable at any age to plan members who have at least 2 years of pensionable service and are retiring because of disability.

indexation
The adjustment of pensions to reflect changes in the cost of living, as determined by the Consumer Price Index.

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

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.

Supplementary Death Benefit
A lump-sum benefit equal to twice the member's annual salary, rounded up to the nearest $1,000, payable to the member's designated beneficiaries or their estate. Coverage decreases by 10% each year starting at age 66 to a minimum of $10,000 by age 75. If the member is still employed in the public service after age 65, minimum coverage is the greater of $10,000 or one third of their annual salary.

survivor
The 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 before retirement and for at least one year before the date of death.

survivor benefit
A pension benefit, in the form of a monthly allowance, paid to the survivor of a plan member who has died. It is equal to half of the pension the member would have received before age 65 (calculated before any applicable reduction) and is payable immediately.

Note: Additional pension terminology is available at Glossary – Pension.

Financial statements of the public service pension plan for the fiscal year ended March 31, 2025

▼ In this section

- Statement of responsibility
- Independent Auditor's Report
- Financial statements
- Notes to the financial statements

Statement of responsibility

Public Services and Procurement Canada (PSPC) and the Treasury Board of Canada Secretariat (the Secretariat) are responsible for preparing these financial statements in accordance with the stated accounting policies set out in Note 2 to the financial statements, which are based on Canadian accounting standards for pension plans, and on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with PSPC and the Secretariat. The Secretariat carries out responsibilities in respect of the overall management of the public service pension plan (the pension plan), while PSPC is responsible for the day-to-day administration of the pension plan and for maintaining the books of accounts. The information included in these financial statements is based on the management's best estimates and judgment, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, PSPC maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance as to the reliability of the financial information and to ensure that transactions are in accordance with the *Public Service Superannuation Act* (PSSA) and regulations, as well as the *Financial Administration Act* (FAA) and regulations.

Additional information is obtained as required, from the Public Sector Pension Investment Board (the PSPIB) to meet accounting and reporting requirements. The PSPIB maintains its own systems of financial management and internal control to account for the funds managed on behalf of the pension plan in accordance with the *Public Sector Pension Investment Board Act*, regulations and by-laws.

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

Approved by:

Arianne Reza
Deputy Minister
Public Services and Procurement Canada

Original signed
February 23, 2026

Bill Matthews
Secretary of the Treasury Board
Treasury Board of Canada Secretariat

Original signed
February 23, 2026

Independent Auditor's Report

To the President of the Treasury Board and the Minister of Government Transformation, Public Works and Procurement

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the public service pension plan (the pension plan), which comprise the statement of financial position as at 31 March 2025, and the statement of changes in net assets available for benefits and statement of changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the pension plan as at 31 March 2025, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the pension plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the stated accounting policies set out in Note 2 of the financial statements, which are based on Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the pension plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the pension plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the pension plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the pension plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the pension plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the pension plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair

presentation.

- Plan and perform the group audit to obtain sufficient approriate audit evidence regarding the financial information of the entities or business units within the pension plan as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the public service pension plan coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Public Service Superannuation Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board.

In our opinion, the transactions of the public service pension plan that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the public service pension plan's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the public service pension plan to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Original signed by

Mimma Venema, CPA, CA, CGA
Principal
for the Auditor General of Canada

Ottawa, Canada
23 February 2026

Financial statements

Statement of financial position
(Canadian $ millions)

	As at March 31, 2025	As at March 31, 2024 [1]
Assets		
Public Service Pension Fund (Note 4)	**$30**	$29
Cash and cash equivalents (Note 5)	**1,858**	1,843
Investments (Note 5)	**251,424**	220,103

1 Certain comparative figures have been reclassified to conform to the current year's presentation. Refer to Note 5(A) for additional information.

The accompanying notes are an integral part of these financial statements.

	As at March 31, 2025	As at March 31, 2024 [1]
Contributions receivable		
From plan members (Note 8)	**285**	305
From employers (Note 8)	**234**	260
Other assets	**112**	98
Total assets	**$253,943**	$222,638
Liabilities		
Accounts payable and other liabilities	**$427**	$367
Investment-related liabilities (Note 5)	**8,315**	7,923
Borrowings (Note 5 and Note 9)	**25,216**	19,802
Total liabilities	**$33,958**	$28,092
Net assets available for benefits	**$219,985**	$194,546
Pension obligations		
Funded (Note 12)	**$163,003**	$145,151
Unfunded (Note 12 and Note 20)	**89,770**	89,099
Total pension obligations	**$252,773**	$234,250
Deficit to be financed by the Government of Canada (Note 13)	**$(32,788)**	$(39,704)

1 Certain comparative figures have been reclassified to conform to the current year's presentation. Refer to Note 5(A) for additional information.

The accompanying notes are an integral part of these financial statements.

Statement of changes in net assets available for benefits

Year ended March 31 (Canadian $ millions)

	2025	2024
Net assets available for benefits, beginning of year	**$194,546**	$178,601
Increase in net assets available for benefits		
Investment income, excluding changes in fair values of investment assets and investment liabilities (Note 14)	**6,525**	5,820
Changes in fair values of investment assets and investment liabilities, realized and unrealized gains and losses (Note 14)	**20,168**	9,105
Contributions		
From plan members (Note 15)	**3,778**	3,611
From employers (Note 15)	**3,688**	3,536
Transfers from other pension plans	**118**	148
Total increase in net assets available for benefits	**$34,277**	$22,220
Decrease in net assets available for benefits		
Benefits paid with respect to service after March 31, 2000 (Note 17)	**4,431**	4,001
Refunds and transfers (Note 17)	**282**	253
Transfer addressing non-permitted surplus (Note 4)	**1,943**	0
Investment-related expenses (Note 18)	**1,517**	1,409
Administrative expenses (Note 19)	**665**	612
Total decrease in net assets available for benefits	**$8,838**	$6,275
Net increase in net assets available for benefits	**$25,439**	$15,945
Net assets available for benefits, end of year	**$219,985**	$194,546

The accompanying notes are an integral part of these financial statements.

Statement of changes in pension obligations
Year ended March 31 (Canadian $ millions)

	2025 Funded	**2025 Unfunded**	**2025 Total**	2024 Funded	2024 Unfunded	2024 Total
Pension obligations, beginning of year	**$145,151**	**$89,099**	**$234,250**	$136,232	$94,816	$231,048
Increase in pension obligations						
Interest on pension obligations	**8,918**	**2,928**	**11,846**	8,511	2,793	11,304
Benefits earned	**6,783**	**0**	**6,783**	6,304	0	6,304
Experience losses (Note 12)	**2,548**	**1,198**	**3,746**	1,542	440	1,982
Changes in actuarial assumptions: losses (Note 12)	**4,292**	**2,518**	**6,810**	0	0	0
Transfers from other pension plans	**118**	**0**	**118**	148	0	148
Total increase in pension obligations	**$22,659**	**$6,644**	**$29,303**	$16,505	$3,233	$19,738
Decrease in pension obligations						
Benefits paid (Note 17)	**$4,431**	**$5,914**	**$10,345**	$4,001	$5,817	$9,818
Changes in actuarial assumptions: gains (Note 12)	**0**	**0**	**0**	3,234	3,067	6,301
Refunds and transfers (Note 17)	**282**	**9**	**291**	253	8	261
Administrative expenses included in the service cost (Note 19 and Note 20)	**94**	**50**	**144**	98	58	156
Total decrease in pension obligations	**$4,807**	**$5,973**	**$10,780**	$7,586	$8,950	$16,536
Net increase (decrease) in pension obligations	**$17,852**	**$671**	**$18,523**	$8,919	$(5,717)	$3,202
Pension obligations, end of year	**$163,003**	**$89,770**	**$252,773**	$145,151	$89,099	$234,250
The accompanying notes are an integral part of these financial statements.						

Notes to the financial statements
For the fiscal year ended March 31, 2025 (Canadian $)

1. Description of the public service pension plan

The public service pension plan (the pension plan), governed by the *Public Service Superannuation Act* (PSSA), provides pension benefits for federal public service employees. While the PSSA has been in effect since January 1, 1954, federal legislation has been providing pensions for public servants since 1870.

The main provisions of the pension plan are summarized below.

(A) General

The pension plan is a contributory defined benefit plan covering substantially all of the full-time and part-time employees of the federal public service, as well as certain public service corporations as defined in the PSSA, and territorial governments. Membership in the pension plan is compulsory for all eligible employees.

The Government of Canada (the government) is the sole sponsor of the pension plan. The President of the Treasury Board is the Minister responsible for the PSSA. The Treasury Board of Canada Secretariat (the Secretariat) is responsible for the management of the pension plan, while Public Services and Procurement Canada (PSPC) provides the day-to-day administration of the pension plan and maintains the books of accounts. The Office of the Chief Actuary (OCA), an independent unit within the Office of the Superintendent of Financial Institutions, performs periodic actuarial valuations of the pension plan.

Until April 1, 2000, separate invested funds were not set aside to provide for payment of pension benefits. Instead, transactions relating to the pension plan were recorded in the Public Service Superannuation Account (superannuation account) created by legislation in the accounts of Canada. Pursuant to the PSSA, as amended by the *Public Sector Pension Investment Board Act*, transactions relating to service since April 1, 2000, are now recorded in the Public Service Pension

Fund (pension fund). While the pension plan matures, an amount equal to contributions in excess of benefit payments and administrative costs is transferred regularly to the Public Sector Pension Investment Board (the PSPIB) for investment. The PSPIB is a Crown corporation whose statutory objectives are to manage the funds transferred to it for investment and to maximize investment returns without undue risk of loss, having regard to the funding, policies and requirements of the three main public sector pension plans (public service, Royal Canadian Mounted Police (RCMP) and Canadian Forces). When the pension plan is mature to a state where benefit payments are greater than incoming contributions, which is the normal state for any mature pension plan, the PSPIB will transfer amounts to the Consolidated Revenue Fund (CRF) for benefit payments and administrative costs, or as required under the circumstance of a non-permitted surplus (refer to PSSA subsection 44.4(5) for the definition of non-permitted surplus).

(B) Funding policy

The pension plan is funded from plan member and employer contributions, and from investment earnings. For the fiscal year, public service employees who were members of the pension plan on or before December 31, 2012 (Group 1) contributed 9.35% (9.35% in 2024) for the first 9 months and 9.06% (9.35% in 2024) for the last 3 months of pensionable earnings, up to the maximum covered by the Canada Pension Plan (CPP) or Québec Pension Plan (QPP), and 12.25% (12.37% in 2024) for the first 9 months and 11.64% (12.25% in 2024) for the last 3 months of pensionable earnings above that maximum.

The contribution rates for public service employees joining the pension plan on or after January 1, 2013 (Group 2) were set at 7.94% (7.93% in 2024) for the first 9 months and 7.95% (7.94% in 2024) for the last 3 months of pensionable earnings, up to the maximum covered by the CPP and QPP, and 11.54% (11.72% in 2024) for the first 9 months and 10.53% (11.54% in 2024) for the last 3 months of pensionable earnings above that maximum. The government's contribution is made monthly to provide for the cost (net of plan member contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The contribution rates are determined based on actuarial valuations for funding purposes, which are normally performed triennially.

The PSSA provides that all pension obligations arising from the pension plan be met by the government. The PSSA requires that any actuarial deficit in the pension fund be dealt with by the government, through transferring equal instalments to the pension fund over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament. The PSSA also allows any surplus to be lowered by reducing employer and pension plan member contributions. In addition, if there is an amount considered to be a non-permitted surplus related to the pension fund, no further government pension contributions are permitted, while pension plan member contributions under the pension fund may be reduced and amounts managed by the PSPIB may be transferred to the government's CRF.

(C) Benefits

The pension plan provides pension benefits based on the number of years of pensionable service up to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the pension plan. The basic benefit formula is 2% per year of pensionable service multiplied by the average salary of the 5 consecutive years of highest-paid service. To reflect the *Income Tax Act* restrictions on registered pension plan benefits, separate retirement compensation arrangements (RCAs) have been implemented to provide benefits that exceed the limits established in the *Income Tax Act*. Since the RCAs are covered by separate legislation, their account balances in the accounts of Canada are not consolidated in these financial statements; however, condensed information is presented in Note 21.

Pension benefits are coordinated with the CPP and QPP and are reduced when the plan member reaches age 65 or earlier if the member receives a disability benefit from the CPP or QPP. The pension reduction factor is 0.7% for members born before 1943, declining gradually for members born from 1943 to 1946 until it reaches 0.625% for members born after 1946. The pension reduction factor is coordinated with the base CPP and QPP and does not consider the enhancements that were phased-in between 2019 and 2025. Also, benefits are fully indexed to the increase in the Consumer Price Index.

Other benefits include survivor pensions, minimum benefits in the event of death, unreduced early retirement pensions, and disability pensions.

2. Significant accounting policies

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

(A) Basis of presentation

These financial statements present information on the pension plan on a going-concern basis. They are prepared to assist plan members and others in reviewing the activities of the pension plan for the year, not to portray the funding requirements of the pension plan.

These financial statements are prepared in Canadian dollars, the pension plan's functional currency, in accordance with the accounting policies stated below, which are based on Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Canada Handbook (Section 4600). Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the pension plan complies with International Financial Reporting Standards (IFRS) in Part I of the CPA Canada Handbook. To the extent that IFRS in Part I are inconsistent with Section 4600, Section 4600 takes precedence. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian accounting standards for pension plans.

The PSPIB is a Crown corporation whose statutory objectives are to manage the funds transferred to it for investment and to maximize investment returns without undue risk of loss. The PSPIB qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and forms part of the pension plan reporting entity. Pursuant to Section 4600, the PSPIB's subsidiaries that are formed to hold investments or those that provide the PSPIB with services that relate to its investment activities are consolidated since these entities are not considered investment assets. The PSPIB's investment in subsidiaries, associates, and joint ventures that are considered investment assets are measured at fair value in accordance with Section 4600. Financial liabilities are also measured at fair value in accordance with Section 4600.

The financial statements for the year ended March 31, 2025, were authorized for issue by the signatories on February 23, 2026.

(B) Interests in other entities

Management, through the activities of the PSPIB, assesses control, joint control and significant influence with respect to the investees disclosed in Note 6 as follows:

(I) Control and significant influence

A subsidiary is an entity which is controlled by the PSPIB. The PSPIB determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

An associate is an entity over which the PSPIB has significant influence, as in certain cases, the PSPIB does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, the PSPIB determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by the PSPIB's ownership interest, other contractual arrangements, or a combination thereof.

(II) Joint control

The PSPIB determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Such investees are reported as jointly controlled. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision-making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

(C) Financial instruments

(I) Classification

Financial assets representing investments, as well as cash and cash equivalents, are managed, together with related financial liabilities representing investment-related liabilities, according to the PSPIB's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis, and they are mandatorily classified at fair value through profit or loss (FVTPL). They are described in detail in Note 5(A).

Borrowings, as described under Note 9, are financial liabilities that are designated at FVTPL as they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(II) Recognition

Financial assets and financial liabilities are recorded at the date upon which the entity becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(III) Initial and subsequent measurement

All financial assets and financial liabilities are initially recorded in the statement of financial position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in the statement of changes in net assets available for benefits.

(IV) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired,
- The PSPIB has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,
- The PSPIB has transferred substantially all the risks and rewards of the asset, or
- In cases where the PSPIB has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

(D) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, the PSPIB evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter ("OTC") derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 5.

(E) Foreign currency translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated to the functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency at the rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

(F) Securities lending and securities borrowing and related collateral

The PSPIB participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, the PSPIB does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 5(A)(IX).

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. The PSPIB and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

(G) Securities sold under repurchase agreements and purchased under reverse repurchase agreements and related collateral

The PSPIB enters into repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where the PSPIB is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income, and obligations to repurchase the securities sold are accounted for as investment-related liabilities.

The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where the PSPIB is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized, and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged, as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

(H) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position, only if the PSPIB has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(I) Pension obligations

The present value of accrued pension benefits is calculated by the OCA on behalf of the plan sponsor, the government, using the projected benefit method prorated on service, based on management's best estimate of streamed expected rates of return on invested funds for funded pension benefits, and the government's cost of borrowing 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 unfunded pension benefits.

(J) Investment income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities, as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

(K) Contributions

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service that are receivable over a period in excess of 1 year are recorded at the estimated net present value of the contributions to be received.

(L) Benefits earned, benefits paid, and refunds and transfers

Benefits earned are accrued as employees render pensionable services.

The funded and unfunded benefits paid are recognized as a reduction of pension obligations when the payments are made. The funded benefits paid are recognized as a reduction of net assets available for benefits when the payments are made.

Benefit payments, refunds to former members and transfer payments to other plans are recorded in the period in which they are paid.

(M) Investment-related expenses

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

External investment management fees are directly attributable to the external management of assets on behalf of the PSPIB. These fees are paid directly by the PSPIB and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by the PSPIB for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 18.

(N) Significant accounting judgments, estimates and assumptions

In preparing the financial statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status of the PSPIB as described in Note 2(A).

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets, certain fixed income securities and the pension obligations.

The main assumptions made by management regarding measurement of financial instruments are outlined in Note 5(C)(III), and those regarding the assessment of risk are outlined in Note 7.

The pension obligations are actuarially determined, and the actual experience may differ significantly from the assumptions used in the calculation of the pension obligations. The significant actuarial assumptions used in measuring the pension obligations are found in Note 12.

The economic environment continues to be subject to global uncertainty and heightened geopolitical tensions, which could impact the actuarial assumptions used to measure the present value of the pension obligations and the market value of the PSPIB's portfolio. The pension obligations and the investments held by the PSPIB, as at March 31, 2025, as well as the return on investments for the year, reflect the impacts resulting from these events to the extent known and estimable at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Current and future changes in accounting standards

(A) Current accounting standards

Management has determined that there is no material impact on the financial statements arising from new standards, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) and by the Accounting Standards Board of Canada (AcSB), effective for the year ended March 31, 2025.

(B) Future accounting standards

A number of new standards, amendments and interpretations have been issued by the IASB and by the AcSB, but are not yet effective. The following relates to one or more material accounting policies or disclosures:

Improvements to presentation and disclosure of investments for pension plans

The AcSB revised Section 4600, Pension Plans to improve the presentation and disclosure of investments held by pension plans.

The amendments:

- require pension plans to provide the disclosures required by IFRS 13, Fair Value Measurement in Part I of the Handbook;
- introduce requirements to disclose the nature and extent of a pension plan's interests in investment vehicles (other than master trusts) and the associated risks;
- amend the presentation of administrative expenses to include two categories – "investment expenses" and "pension administration and other expenses";
- include a definition of "investment expenses" and require disclosure of the nature of investment expenses; and
- introduce qualitative disclosure requirements regarding what investment income types include embedded investment expenses and the details of those embedded investment expenses.

The amendments are effective for annual reporting periods beginning on or after January 1, 2027, with early application permitted. Management is currently assessing the impact of applying these amendments.

4. Public Service Pension Fund

The government has a statutory obligation to pay benefits relating to the pension plan. This pension obligation is to plan members and their beneficiaries.

In 1999, the pension legislation was amended to allow the government to invest funds in order to provide for the pension obligation. This legislation created the PSPIB to manage and invest amounts that are transferred regularly to it from the CRF related to service since April 1, 2000. The transactions are recorded in the Public Service Pension Fund. The Public Service Pension Fund is a flow-through account. At year-end, the balance in the Public Service Pension Fund represents the net cash position prior to the transfer to the PSPIB. PSPIB investment assets and investment-related liabilities are reflected directly in the pension plan's financial statements.

During the year ended March 31, 2025, following the determination that the pension fund was in a non-permitted surplus position as at March 31, 2024, the Treasury Board, in accordance with PSSA paragraph 44.4(2)(b), approved a transfer of the amount of $1,943 million from the Public Service Pension Fund to the CRF, in order to eliminate the non-permitted surplus in the pension fund.

In order for the government to track the transactions related to contributions, benefit payments, interest and transfers for service prior to April 1, 2000, the government established the superannuation account in the accounts of Canada. The superannuation account has no capacity to pay pensions and is not considered an asset of the pension plan. All cash receipts and disbursements go to or come from the CRF. The details of the transactions of the superannuation account are provided in Note 20.

5. Financial assets and financial liabilities

(A) Classes of financial assets and financial liabilities

Financial assets and financial liabilities are aggregated in the following table in classes that reflect their respective exposure, as well as in investment sectors. Their fair values were as follows as at March 31 ($ millions):

	2025	2024
Public markets		
Canadian equity	**$2,327**	$2,054
Foreign equity	**47,177**	30,801
Private markets		
Real estate	**27,869**	27,282
Private equity	**29,215**	29,044
Infrastructure	**29,730**	29,925
Natural resources	**19,327**	15,947
Fixed income		
Money market securities [3]	**4,484**	7,010
Government and corporate bonds	**26,405**	19,771
Inflation-linked bonds	**13,936**	13,174
Private debt securities	**24,746**	21,861
Alternative investments	**20,868**	18,967
Investments before investment-related assets [2]	**$246,084**	$215,836
Investment-related assets		
Amounts receivable from pending trades	**$1,118**	$933
Interest receivable	**545**	463
Dividends receivable	**248**	198
Securities purchased under reverse repurchase agreements	**1,869**	1,679
Derivative-related assets	**1,560**	994
Investment-related assets	**$5,340**	$4,267
Investments representing financial assets at FVTPL [1] [2]	**$251,424**	$220,103
Cash and cash equivalents [2] [3]	**$1,858**	$1,843
Investment-related liabilities		
Amounts payable from pending trades	**$(1,777)**	$(397)
Interest payable	**(178)**	(121)
Securities sold short	**(1,933)**	(2,355)
Collateral payable	**(1,255)**	(490)
Securities sold under repurchase agreements	**(2,100)**	(3,843)

	2025	2024
Derivative-related liabilities	**(1,072)**	(717)
Investment-related liabilities representing financial liabilities at FVTPL	**$(8,315)**	$(7,923)
Borrowings		
Capital market debt financing	**$(25,216)**	$(19,802)
Borrowings representing financial liabilities at FVTPL	**$(25,216)**	$(19,802)
Net investments [2]	**$219,751**	$194,221

1 As at March 31, 2025, $5,838 million out of $251,424 million were investments pledged as described in Note 5(D) ($7,445 million out of $220,103 million as at March 31, 2024).

2 Amounts of $1,798 million and $45 million, which were previously included in Investments and Other assets, respectively, on the statement of financial position as at March 31, 2024, have now been reclassified to Cash and cash equivalents to better reflect their unique nature and characteristics. Consequently, the comparative figures were reclassified within this note: Investments before investment-related assets from $217,634 million to $215,836 million, Investments representing financial assets at FVTPL from $221,901 million to $220,103 million, Net investments from $194,176 million to $194,221 million, and Other assets on the statement of financial position from $143 million to $98 million.

3 Additionally, as of March 31, 2025, the PSPIB changed its accounting policy to classify instruments with maturities of three months or less from acquisition date as Cash and cash equivalents. The change was made to better reflect the nature of cash equivalents as highly liquid instruments with an insignificant risk of changes in value. As a result, $802 million was reclassified from Cash and cash equivalents to Money market securities as at March 31, 2024 ($1,524 million as at March 31, 2023).

(I) Public markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange-traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Valuation techniques

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. The PSPIB reviews the fair value received, and where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

(II) Private markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments comprise direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments comprise fund investments with similar objectives, co-investments in private entities, as well as direct equity positions.

Infrastructure investments comprise direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments comprise direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture, upstream oil and gas, and metal and mining. Natural resources investments are presented net of all third-party financing.

Valuation techniques

The process for fair value measurement of private markets investments is described in Note 5(C)(II) and the valuation techniques, together with the significant inputs used, are described in Note 5(C)(III).

(III) Fixed income and cash and cash equivalents

Cash and cash equivalents

Cash includes demand deposits with financial institutions.

Cash equivalents include treasury bills, certificates of deposit, bankers' acceptances and other fixed-income securities with maturities of 90 days or less from the acquisition date that are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

Money market securities, bonds and private debt securities

Fixed income consists of money market securities, government and corporate bonds, inflation-linked bonds and private debt securities. Money market securities include instruments having a maximum term to maturity of one year, such as treasury bills, certificates of deposit and bankers' acceptances.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Valuation techniques

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 5(C)(III).

The fair value measurement of fund investments included as part of private debt securities is described in Note 5(C)(II).

(IV) Alternative investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments, as well as hedge funds.

Valuation techniques

The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. The PSPIB reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

(V) Amounts receivable and payable from pending trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Valuation techniques

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

(VI) Interest and dividends receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

(VII) Interest payable

With respect to the borrowings described in Note 5(A)(XI), interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

(VIII) Securities sold short

Securities sold short reflect the PSPIB's obligation to purchase securities pursuant to short selling transactions. In such transactions, the PSPIB sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Valuation techniques

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

(IX) Collateral payable

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

(X) Securities sold under repurchase agreements and purchased under reverse repurchase agreements

As described in Note 2(G), the PSPIB is party to repurchase and reverse repurchase agreements.

Valuation techniques

Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

(XI) Borrowings under the capital market debt program

The PSPIB's capital market debt program is described in Note 9(B).

Valuation techniques

Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of the PSPIB's medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with the PSPIB's credit quality.

(B) Derivative-related assets and liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

The PSPIB uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

The PSPIB uses the following types of derivative financial instruments:

(I) Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

(II) Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

(III) Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

(IV) Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

(V) Warrants and rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Valuation techniques

(i) Determination of fair value of derivative financial instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

(ii) Notional values and fair values of derivative-related assets and liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

The following table summarizes the derivatives portfolio as at March 31 ($ millions):

	2025			2024		
		Fair value			Fair value	
	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
Equity and commodity derivatives						
Listed: Futures	$3,621	$0	$0	$4,113	$0	$0
Listed: Warrants and rights	0	0	0	0	1	0
Listed: Options: Purchased	140	1	0	117	0	0
Written	14	0	0	0	0	0
OTC						
Swaps	29,335	550	(535)	16,340	362	(156)
Currency derivatives						
Listed: Futures	379	0	0	277	0	0
OTC						
Forwards	47,828	386	(179)	42,968	160	(250)
Swaps	2,367	2	(19)	905	0	(25)
Options: Purchased	2,081	5	0	670	4	0
Written	1,299	0	(5)	776	0	(3)
Interest rate derivatives						
Listed: Futures	6,224	0	0	7,986	0	0
Listed: Options: Purchased	20,177	39	0	30,501	13	0
Written	20,541	0	(29)	31,690	0	(12)
OTC						
Forwards	814	6	0	587	0	(3)
Swaps	1,590	25	(3)	1,793	4	(16)
Options: Purchased	51,315	532	0	39,340	438	0
Written	70,646	0	(292)	51,119	0	(239)
OTC-cleared						
Swaps	48,835	0	0	48,338	0	0
Credit derivatives						
OTC						
Credit default swaps:						
Purchased	398	0	(10)	457	0	(13)
Written [1]	1,538	14	0	1,467	12	0
OTC-cleared						
Credit default swaps:						
Purchased	1,022	0	0	2,170	0	0
Total		$1,560	$(1,072)		$994	$(717)

1 The PSPIB, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

Total derivative-related assets and liabilities as at March 31 comprise ($ millions):

	2025			2024		
		Fair value			Fair value	
	Notional value	**Assets**	**Liabilities**	Notional value	Assets	Liabilities
Listed derivatives	**$51,096**	**$40**	**$(29)**	$74,684	$14	$(12)
OTC derivatives	**209,211**	**1,520**	**(1,043)**	156,422	980	(705)
OTC-cleared derivatives	**49,857**	**0**	**0**	50,508	0	0
Total		**$1,560**	**$(1,072)**		$994	$(717)

The terms to maturity based on the notional value for the derivatives were as follows as at March 31 ($ millions):

	2025	2024
Less than 3 months	**$93,863**	$126,452
3 to 12 months	**137,240**	82,768
Over 1 year	**79,061**	72,394

(C) Fair value hierarchy

(I) Classification

Financial assets and financial liabilities described under Note 5(A) are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the PSPIB can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
    i. quoted prices for similar assets or liabilities in active markets
    ii. quoted prices for identical or similar assets or liabilities in markets that are not active
    iii. inputs other than quoted prices that are observable for the asset or liability
    iv. market-corroborated inputs
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect the PSPIB's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. The PSPIB determines whether a transfer between levels has occurred and recognizes such transfers at the beginning of the reporting period.

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2025, classified within the fair value hierarchy ($ millions):

	Level 1	**Level 2**	**Level 3**	**Total fair value**
Public markets				
Canadian equity	**$502**	**$1,825**	**$0**	**$2,327**
Foreign equity	**45,650**	**2**	**1,525**	**47,177**
Private markets				
Real estate	**0**	**0**	**27,869**	**27,869**
Private equity	**0**	**0**	**29,215**	**29,215**
Infrastructure	**0**	**0**	**29,730**	**29,730**
Natural resources	**0**	**0**	**19,327**	**19,327**
Fixed income				

	Level 1	Level 2	Level 3	Total fair value
Money market securities	**3,911**	**573**	**0**	**4,484**
Government and corporate bonds	**8,291**	**18,114**	**0**	**26,405**
Inflation-linked bonds	**13,880**	**56**	**0**	**13,936**
Private debt securities	**0**	**0**	**24,746**	**24,746**
Alternative investments	**0**	**12,806**	**8,062**	**20,868**
Investments before investment-related assets	**$72,234**	**$33,376**	**$140,474**	**$246,084**
Investment-related assets				
Amounts receivable from pending trades	**$0**	**$1,118**	**$0**	**$1,118**
Interest receivable	**0**	**545**	**0**	**545**
Dividends receivable	**0**	**248**	**0**	**248**
Securities purchased under reverse repurchase agreements	**0**	**1,869**	**0**	**1,869**
Derivative-related assets	**40**	**1,520**	**0**	**1,560**
Investment-related assets	**$40**	**$5,300**	**$0**	**$5,340**
Investments representing financial assets at FVTPL	**$72,274**	**$38,676**	**$140,474**	**$251,424**
Cash and cash equivalents	**$438**	**$1,420**	**$0**	**$1,858**
Investment-related liabilities				
Amounts payable from pending trades	**$0**	**$(1,777)**	**$0**	**$(1,777)**
Interest payable	**0**	**(178)**	**0**	**(178)**
Securities sold short	**(1,933)**	**0**	**0**	**(1,933)**
Collateral payable	**0**	**(1,255)**	**0**	**(1,255)**
Securities sold under repurchase agreements	**0**	**(2,100)**	**0**	**(2,100)**
Derivative-related liabilities	**(29)**	**(1,043)**	**0**	**(1,072)**
Investment-related liabilities representing financial liabilities at FVTPL	**$(1,962)**	**$(6,353)**	**$0**	**$(8,315)**
Borrowings				
Capital market debt financing	**$0**	**$(25,216)**	**$0**	**$(25,216)**
Borrowings representing financial liabilities at FVTPL	**$0**	**$(25,216)**	**$0**	**$(25,216)**
Net investments	**$70,750**	**$8,527**	**$140,474**	**$219,751**

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2024, classified within the fair value hierarchy ($ millions):

	Level 1 [1]	Level 2 [1]	Level 3 [1]	Total fair value [1]
Investments				
Public markets				
Canadian equity	$709	$1,345	$0	$2,054
Foreign equity	28,711	375	1,715	30,801
Private markets				
Real estate	0	0	27,282	27,282
Private equity	0	0	29,044	29,044
Infrastructure	0	0	29,925	29,925
Natural resources	0	0	15,947	15,947

1 As at March 31, 2025, cash and cash equivalents were disclosed separately on the statement of financial position in order to better reflect their unique nature and characteristics (see Note 5(A)).

	Level 1 [1]	Level 2 [1]	Level 3 [1]	Total fair value [1]
Fixed income				
Money market securities	6,364	646	0	7,010
Government and corporate bonds	5,102	14,667	2	19,771
Inflation-linked bonds	13,094	80	0	13,174
Private debt securities	0	0	21,861	21,861
Alternative investments	0	11,634	7,333	18,967
Investments before investment-related assets [1]	$53,980	$28,747	$133,109	$215,836
Investment-related assets				
Amounts receivable from pending trades	$0	$933	$0	$933
Interest receivable	0	463	0	463
Dividends receivable	0	198	0	198
Securities purchased under reverse repurchase agreements	0	1,679	0	1,679
Derivative-related assets	14	980	0	994
Investment-related assets [1]	$14	$4,253	$0	$4,267
Investments representing financial assets at FVTPL	$53,994	$33,000	$133,109	$220,103
Cash and cash equivalents [1]	$329	$1,514	$0	$1,843
Investment-related liabilities				
Amounts payable from pending trades	$0	$(397)	$0	$(397)
Interest payable	0	(121)	0	(121)
Securities sold short	(2,355)	0	0	(2,355)
Collateral payable	0	(490)	0	(490)
Securities sold under repurchase agreements	0	(3,843)	0	(3,843)
Derivative-related liabilities	(12)	(705)	0	(717)
Investment-related liabilities representing financial liabilities at FVTPL	$(2,367)	$(5,556)	$0	$(7,923)
Borrowings				
Capital market debt financing	$0	$(19,802)	$0	$(19,802)
Borrowings representing financial liabilities at FVTPL	$0	$(19,802)	$0	$(19,802)
Net investments [1]	$51,956	$9,156	$133,109	$194,221

1 As at March 31, 2025, cash and cash equivalents were disclosed separately on the statement of financial position in order to better reflect their unique nature and characteristics (see Note 5(A)).

As at March 31, 2024, foreign equity securities with a fair value of $251 million were indirectly held and classified as Level 2. During the year ended March 31, 2025, these securities were transferred to Level 1 as they became directly held by the PSPIB.

As at March 31, 2023, foreign equity securities with a fair value of $24 million were indirectly held and classified as Level 2. During the year ended March 31, 2024, these securities were transferred to Level 1 as they became directly held by the PSPIB.

(II) Process for Level 3 fair value determination

The valuation process is monitored and governed by an internal valuation committee (VC). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

The fair value of investments classified as Level 3 in private markets is determined quarterly and adjusted to reflect the impact of any significant market or investment-specific events or circumstances. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, the PSPIB ensures their independence and that valuation methods used are consistent with the professional appraisal standards outlined above. In validating the work performed by appraisers, the PSPIB ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on the most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by the PSPIB to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to private markets and fund investments are made, as appropriate. Such adjustments are based on a number of factors, including public market trading comparables, investment specific characteristics, as well as market conditions and uncertainties at that time.

While the impact of trade tariffs on the broader global economy continues to remain uncertain, the determination of fair value for investments classified as Level 3 reflected, where applicable, the effect of tariffs that were imposed on or before March 31, 2025. Although trade tariffs announced or imposed after this reporting date were not reflected in such valuations, related uncertainties present at March 31, 2025, and their impact on the fair value of investments were taken into consideration as applicable.

(III) Level 3 significant inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2025:

Financial assets	Type of investment	Fair value ($ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
Public markets					
Foreign equity	Direct investments	**$1,525**	NAV [1]	n/a	n/a
Private markets					

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to the PSPIB.

2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.

3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.

4 There is no predictable direct relationship between this input and any other significant unobservable input.

5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

Financial assets	Type of investment	Fair value ($ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
Real estate	Direct and co-investments	**$25,313**	Discounted cash flow (DCF)	Discount rate [2] [3]	2.90% to 18.00% (7.88%)
				Terminal capitalization rate [2] [3]	3.20% to 12.50% (6.01%)
			Direct capitalization	Capitalization rate [2] [4]	3.15% to 10.00% (5.62%)
				Stabilized occupancy rate [4] [5]	98.00% to 100.00% (99.62%)
			Sales comparison approach	Price per square foot [4] [5]	$2.71 - $68.63 ($62.50)
			NAV [1]	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	**$2,556**	NAV [1]	n/a	n/a
Other private markets	Direct and co-investments	**$58,788**	DCF	Discount rate [2]	4.70% - 19.00% (9.55%)
			Market comparables	n/a	n/a
			NAV [1]	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	**$19,484**	NAV [1]	n/a	n/a
Fixed income					
Private debt securities	Direct and co-investments	**$19,315**	DCF	Discount rate [2]	2.59% to 38.69% (11.23%)
			NAV [1]	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	**$5,431**	NAV [1]	n/a	n/a
Alternative investments	Fund investments	**$8,062**	NAV [1]	n/a	n/a
Total		**$140,474**			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to the PSPIB.

2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.

3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.

4 There is no predictable direct relationship between this input and any other significant unobservable input.

5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2024:

Financial assets	Type of investment	Fair value ($ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
Public markets					
Foreign equity	Direct investments	$1,715	NAV [1]	n/a	n/a
Private markets					
Real estate	Direct and co-investments	$24,723	Discounted cash flow (DCF)	Discount rate [2] [3]	2.90% to 18.00% (7.80%)
				Terminal capitalization rate [2] [3]	3.20% to 12.25% (6.08%)
			Direct capitalization	Capitalization rate [2] [4]	2.51% to 10.00% (4.85%)
				Stabilized occupancy rate [4] [5]	98.00% to 100.00% (99.57%)
			Sales comparison approach	Price per square foot [4] [5]	$4.28 to $1,827.48 ($165.83)
			NAV [1]	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	$2,559	NAV [1]	n/a	n/a
Other private markets	Direct and co-investments	$54,997	DCF	Discount rate [2]	5.19% to 18.50% (9.58%)
			Market comparables	n/a	n/a
			NAV [1]	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	$19,919	NAV [1]	n/a	n/a
Fixed income					
Corporate bonds	Asset-backed term notes	$2	Third-party pricing [1]	n/a	n/a
Private debt securities	Direct and co-investments	$16,549	DCF	Discount rate [2]	7.02% to 30.09% (12.24%)
			NAV [1]	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	$5,312	NAV [1]	n/a	n/a
Alternative investments	Fund investments	$7,333	NAV [1]	n/a	n/a
Total		$133,109			

1 In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to the PSPIB.

2 An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.

3 An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.

4 There is no predictable direct relationship between this input and any other significant unobservable input.

5 An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.

(IV) Level 3 reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2025 ($ millions):

	Opening balance	Purchases	Sales	Settlements	Realized gains	Unrealized gains [1]	Transfers	Closing balance
Public markets	**$1,715**	**$1**	**$(674)**	**$0**	**$339**	**$144**	**$0**	**$1,525**
Private markets	**102,198**	**9,248**	**(13,928)**	**0**	**5,211**	**3,412**	**0**	**106,141**
Fixed income	**21,863**	**9,770**	**(7,921)**	**(1)**	**274**	**761**	**0**	**24,746**
Alternative investments	**7,333**	**1,131**	**(1,433)**	**0**	**462**	**569**	**0**	**8,062**
Total	**$133,109**	**$20,150**	**$(23,956)**	**$(1)**	**$6,286**	**$4,886**	**$0**	**$140,474**

1 Includes pension plan allocation adjustments.

There were no transfers into or out of Level 3 during the year ended March 31, 2025.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2024 ($ millions):

	Opening balance	Purchases	Sales	Settlements	Realized gains	Unrealized gains [1]	Transfers	Closing balance
Public markets	$718	$335	$(100)	$0	$58	$704	$0	$1,715
Private markets	96,298	10,290	(6,791)	0	1,614	741	46	102,198
Fixed income	22,209	4,442	(5,364)	0	210	366	0	21,863
Alternative investments	6,943	408	(800)	0	186	596	0	7,333
Total	$126,168	$15,475	$(13,055)	$0	$2,068	$2,407	$46	$133,109

1 Includes pension plan allocation adjustments.

As at March 31, 2023, listed foreign equity securities with a fair value of $46 million were classified under Level 1. During the year ended March 31, 2024, those securities were transferred to Level 3 as the investment became privately held and its fair value was determined based on significant unobservable inputs.

(V) Level 3 sensitivity analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 5(C)(III). Although such assumptions reflect the PSPIB's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2025 (3% increase and 3% decrease as at March 31, 2024) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to the PSPIB. In the case of fund investments, the fair value is determined as indicated in Note 5(C)(II).

(D) Collateral pledged and received

The PSPIB is party to agreements that involve pledging and holding collateral, as outlined in Notes 2(F), 2(G) and 7(B)(I). The following table illustrates the fair values of the pension plan's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at March 31 ($ millions):

	2025	2024
Securities lending and borrowing		
Securities lent	**$4,426**	$3,018
Collateral held [1]	**4,596**	3,129
Securities borrowed	**1,933**	1,925
Collateral pledged [2] [5]	**1,999**	1,980
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	**2,127**	3,849
Collateral pledged [5]	**2,104**	3,851
Securities purchased under reverse repurchase agreements	**1,871**	1,683
Collateral held [3]	**1,872**	1,680
Derivative contracts		
Collateral pledged [5]	**1,735**	1,614
Collateral held [4]	**1,635**	1,474

1 The minimum fair value of securities collateral denominated in the same currency required is equal to 102% and in the case of securities denominated in different currencies, 105%. In exchange for securities lent, cash and securities received as at March 31, 2025, were $1,085 million and $3,510 million, respectively ($402 million and $2,727 million, respectively, as at March 31, 2024). All cash amounts are reinvested.

2 The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.

3 The collateral received is in the form of securities, of which nil has been used in connection with short selling transactions as at March 31, 2025 ($430 million as at March 31, 2024).

4 As part of collateral held, cash amounted to $170 million as at March 31, 2025 ($89 million as at March 31, 2024) and securities amounted to $1,465 million as at March 31, 2025 ($1,385 million as at March 31, 2024). All cash collateral is reinvested.

5 The total of $5,838 million of collateral pledged was recognized as financial assets as disclosed in Note 5(A) ($7,445 million as at March 31, 2024).

6. Interest in other entities

(A) Subsidiaries, joint ventures and associates

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by the PSPIB. As at March 31, 2025, 147 investment entity subsidiaries were incorporated in North America, 37 in Europe, 21 in Oceania, 7 in Central and South America, 2 in Asia and 1 in Africa (145 in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa as at March 31, 2024).

In addition, the PSPIB controlled 89 investees directly or through its investment entity subsidiaries as at March 31, 2025 (92 investees as at March 31, 2024).

The following tables present, in descending order, the most significant investees held directly or indirectly by the PSPIB where it has control, joint control or significant influence.

As at March 31, 2025:

Entity's name	Financial asset class	Principal place of business	Ownership interest held by the PSPIB (%)	Relationship to the PSPIB
AviAlliance GmbH	**Infrastructure**	**Europe**	**100**	**Controlled**
Roadis Transportation Holding, S.L.U.	**Infrastructure**	**Global**	**100**	**Controlled**
American Wholesale Insurance Holding Company, LLC	**Private Equity**	**North America**	**17**	**Associate**
SEGRO European Logistics Partnership S.à r.l.	**Real Estate**	**Europe**	**50**	**Jointly controlled**
Kaingaroa Timberlands Limited	**Natural Resources**	**Oceania**	**56**	**Jointly controlled**

Entity's name	Financial asset class	Principal place of business	Ownership interest held by the PSPIB (%)	Relationship to the PSPIB
Willow Topco Limited	**Infrastructure**	**Europe**	**63**	**Controlled**
Forth Ports Limited	**Infrastructure**	**Europe**	**51**	**Jointly controlled**
TDF S.A.S.	**Infrastructure**	**Europe**	**22**	**Associate**
Australian Food and Fibre Limited	**Natural Resources**	**Oceania**	**83**	**Jointly controlled**
Revera inc.	**Real estate**	**North America**	**100**	**Controlled**
Cubico Sustainable Investments Limited	**Infrastructure**	**Global**	**50**	**Jointly controlled**

As at March 31, 2024:

Entity's name	Financial asset class	Principal place of business	Ownership interest held by the PSPIB (%)	Relationship to the PSPIB
AviAlliance GmbH	Infrastructure	Europe	100	Controlled
Roadis Transportation Holding, S.L.U.	Infrastructure	Global	100	Controlled
American Wholesale Insurance Holding Company, LLC	Private Equity	North America	17	Associate
SEGRO European Logistics Partnership S.à r.l.	Real Estate	Europe	50	Jointly controlled
Kaingaroa Timberlands Limited	Natural Resources	Oceania	56	Jointly controlled
Andante InvesteeCo Inc.	Infrastructure	Oceania	30	Jointly controlled
Willow Topco Limited	Infrastructure	Europe	63	Jointly controlled
TDF S.A.S.	Infrastructure	Europe	22	Associate
Forth Ports Limited	Infrastructure	Europe	51	Jointly controlled
Cubico Sustainable Investments Limited	Infrastructure	Global	50	Jointly controlled

In addition to the above, the PSPIB consolidates wholly owned subsidiaries that solely provide it with services that relate to its investment activities. Such services consist of investment management and financing of private market investments within the context of the PSPIB's capital market debt program described in Note 9(B).

(B) Structured entities

The PSPIB holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity, that is, an entity where contractual arrangements matter more than voting rights in determining control and directing relevant activities. These entities are held as investments and do not expose the PSPIB to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 22 and commitments under Note 23.

7. Investment risk management

The PSPIB is required to act in the best interests of the contributors and beneficiaries under the pension plan and for maximizing returns without undue risk of loss. In pursuit of this objective, the PSPIB established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which the PSPIB is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision-making process. The IRM Policy outlines a framework detailing how investment activities should comply with the PSPIB's risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of the PSPIB's various investment strategies. Investment risks include market, credit and liquidity risks.

(A) Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive the value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

(I) Measurement of market risk

As at March 31, 2025, the active annualized Value at Risk ("Active VaR") was used as a primary measure of total portfolio market risk, to supplement the absolute annualized VaR ("Absolute VaR") and monitor more closely the market risk directly attributable to the PSPIB's active investment management decisions. Active and Absolute VaR are used as key measures of total portfolio market risk.

The Absolute VaR quantifies, with a given confidence level, the loss in value of the total portfolio that one can expect, due to fluctuations in market prices, not to be exceeded over a given period. The VaR is also evaluated on an active basis by measuring the Active VaR. This measurement helps determine if the total portfolio deviates significantly from the Policy Portfolio, established with the SIP&P in mind.

For both Active VaR and Absolute VaR, the PSPIB uses a historical VaR incorporating ten years' worth of market returns scaled to a twelve-month holding period at a 95% confidence level. That is, statistically the PSPIB would expect to see its total portfolio underperformance relative to the Policy Portfolio exceed the Active VaR and its total portfolio losses exceed the Absolute VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the Active VaR and the Absolute VaR expressed as a percentage of net investments as at March 31:

	2025 (%)	2024 (%)
Active VaR	**3.5**	5.0
Absolute VaR	**18.4**	19.2

Stress testing

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. The PSPIB uses stress testing and scenario analysis, such as scenarios in connection with the United States trade policies, to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

(II) Interest rate risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the pension plan's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 5(A), with the most significant exposure to interest rate risk were as follows as at March 31, 2025 ($ millions):

	Less than 1 year	1 to 5 years	5 to 10 years	Over 10 years	Other	Total
Cash and cash equivalents	**$0**	**$0**	**$0**	**$0**	**$1,858** [1]	**$1,858**
Money market securities	**0**	**0**	**0**	**0**	**4,484** [1]	**4,484**
Government and corporate bonds	**414**	**9,428**	**8,674**	**6,584**	**1,305** [2]	**26,405**
Inflation-linked bonds	**0**	**7,188**	**3,815**	**2,933**	**0**	**13,936**
Private debt securities	**33**	**8,833**	**6,841**	**3,484**	**5,555** [3]	**24,746**
Total fixed income	**$447**	**$25,449**	**$19,330**	**$13,001**	**$13,202**	**$71,429**

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.

2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.

3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.

The terms to maturity of the classes of financial instruments, outlined in Note 5(A), with the most significant exposure to interest rate risk were as follows as at March 31, 2024 ($ millions):

	Less than 1 year	1 to 5 years	5 to 10 years	Over 10 years	Other [4]	Total
Cash and cash equivalents	$0	$0	$0	$0	$1,843 [1]	$1,843
Money market securities	0	0	0	0	7,010 [1]	7,010
Government and corporate bonds	337	7,430	7,011	4,815	178 [2]	19,771
Inflation-linked bonds	0	6,719	3,759	2,696	0	13,174
Private debt securities	28	8,176	5,320	2,866	5,471 [3]	21,861
Total fixed income	$365	$22,325	$16,090	$10,377	$14,502	$63,659

1 Due to their short-term maturity, these investments are not significantly exposed to interest rate risk.

2 Certain fixed income securities are not significantly exposed to fair value changes arising from interest rate risk as their prescribed interest rates are variable.

3 Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.

4 Certain comparative figures have been reclassified to conform to the current year’s presentation, refer to Note 5(A) for additional information.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to $155,645 million as at March 31, 2025 ($135,053 million as at March 31, 2024) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 5(A)(IV), which amounted to $20,868 million as at March 31, 2025 ($18,967 million as at March 31, 2024), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 5(A)(X) and 5(B), respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7(A)(I).

The terms to maturity of the PSPIB’s capital market debt financing are disclosed in Note 9(B).

Interest rate benchmark reform

As at March 31, 2025, the PSPIB no longer held financial instruments that had yet to transition to alternative reference rates.

(III) Foreign currency risk

The PSPIB is exposed to currency risk through holding of investments (i.e. direct and indirect holdings of securities, units in pooled funds and units in limited partnerships) or investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, the PSPIB may take, through foreign forward contracts or cross-currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the pension plan were as follows as at March 31 ($ millions):

	2025	
Currency	**Fair value**	**% of total**
US dollar	**$142,704**	**67.7**
Euro	**20,842**	**9.9**
Japanese yen	**10,471**	**5.0**
British pound	**9,793**	**4.6**
Indian rupee	**5,204**	**2.5**
Australian dollar	**3,363**	**1.6**
Mexican peso	**2,462**	**1.2**
Swiss franc	**2,304**	**1.1**
Hong Kong dollar	**1,968**	**0.9**
Brazilian Real	**1,912**	**0.9**
Others	**9,618**	**4.6**
Total	**$210,641**	**100.0**

As at March 31, 2025, the PSPIB and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $23,958 million for the pension plan (US $14,296 million, €1,778 million, £304 million, 40 million Mexican pesos, 22 million Australian dollars, 665 million Indian rupees and 2,093 million Japanese yen), which were not included in the foreign currency exposure table above.

	2024	
Currency	**Fair value**	**% of total**
US dollar	$125,318	67.2
Euro	19,719	10.6
Japanese yen	7,270	3.9
British pound	6,940	3.7
Indian rupee	4,210	2.3
Australian dollar	3,194	1.7
Mexican peso	3,042	1.6
Brazilian real	2,298	1.2
Swiss franc	1,777	1.0
Singapore dollar	1,286	0.7
Hong Kong dollar	1,229	0.7
New Taiwan dollar	1,149	0.6
Others	8,982	4.8
Total	$186,414	100.0

As at March 31, 2024, the PSPIB and its investment entity subsidiaries also had commitments, denominated in foreign currencies of $21,376 million for the pension plan (US$12,831 million, €2,261 million, £305 million, 814 million Mexican pesos, 100 million Australian dollars, 754 million Indian rupees and 2,307 million Japanese yen), which were not included in the foreign currency exposure table above.

(B) Credit risk

The PSPIB is exposed to credit risk, which is the risk of non-performance of a debtor on whom the PSPIB relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with the PSPIB. To perform this evaluation for public issuers and counterparties, the PSPIB relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, the PSPIB uses the lowest of the available ratings. For private issuers, the PSPIB assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, the PSPIB uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2025, the pension plan's maximum exposure to credit risk amounted to $75 billion ($66 billion as at March 31, 2024). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS Accounting Standards. The maximum credit exposure excludes guarantees disclosed in Note 22, as well as investments in funds classified as alternative investments in Note 5(A). Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, the PSPIB periodically produces a concentration report by credit rating of credit-sensitive securities. The concentration of credit risk by credit rating was as follows.

As at March 31, 2025 ($ millions):

	Government and corporate bonds [1]	Inflation-linked bonds [1]	Cash equivalents [1]	Money market securities [1]	Reverse repurchase agreements	OTC derivatives [2]	Private debt securities [1]	Total [1]
AAA-AA	**$21,504**	**$13,981**	**$1,259**	**$4,045**	**$623**	**$270**	**$0**	**$41,682**
A	**3,613**	**0**	**115**	**13**	**849**	**1,250**	**322**	**6,162**
BBB	**969**	**0**	**0**	**0**	**397**	**0**	**647**	**2,013**
BB or below	**323**	**0**	**0**	**0**	**0**	**0**	**23,902**	**24,225**
No rating [3]	**201**	**0**	**80**	**0**	**0**	**0**	**170**	**451**
Total	**$26,610**	**$13,981**	**$1,454**	**$4,058**	**$1,869**	**$1,520**	**$25,041**	**$74,533**

1 Includes interest receivable.

2 As disclosed in Note 5(B).

3 Includes securities for public issuers and counterparties that are either not rated by credit rating agencies or rated by a single credit rating agency.

As at March 31, 2024 ($ millions):

	Government and corporate bonds [1]	Inflation-linked bonds [1]	Cash equivalents [1] [4]	Money market securities [1] [4]	Reverse repurchase agreements	OTC derivatives [2]	Private debt securities [1]	Total [1]
AAA-AA	$12,733	$13,130	$1,055	$6,511	$765	$28	$0	$34,222
A	5,698	0	357	99	766	952	0	7,872
BBB	924	81	0	0	148	0	56	1,209
BB or below	534	0	0	0	0	0	22,003	22,537
No rating [3]	60	0	0	0	0	0	49	109
Total	$19,949	$13,211	$1,412	$6,610	$1,679	$980	$22,108	$65,949

1 Includes interest receivable.

2 As disclosed in Note 5(B).

3 Includes securities for public issuers and counterparties that are either not rated by credit rating agencies or rated by a single credit rating agency.

4 Certain comparative figures have been reclassified to conform to the current year's presentation, refer to Note 5(A) for additional information.

(I) Counterparty risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing, as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, the PSPIB requires that counterparties provide adequate collateral and meet its credit rating requirements. The PSPIB frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, the PSPIB has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, the PSPIB's policy also requires the use of the International Swaps and Derivatives Association ("ISDA") Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables the PSPIB to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires the PSPIB to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. The PSPIB does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements, as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2(F) and 2(G) describe collateral requirements in securities lending and borrowing programs, as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by the PSPIB and its counterparties is disclosed in Note 5(D).

In the case of the securities lending program, the PSPIB's exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

The PSPIB is responsible for counterparty risk monitoring and mitigation, as well as for maintaining a comprehensive, disciplined and enterprise-wide process for tracking and managing counterparty risk. As such, the PSPIB measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

(II) Offsetting

The PSPIB is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the statement of financial position. Securities repurchase and reverse repurchase agreements, described in Notes 2(G) and 5(D) are subject to similar arrangements; however, they are not offset as the conditions for offsetting are not met.

The following tables present the financial assets and liabilities described above ($ millions):

Financial assets

	Gross amount of recognized financial assets	Less: gross amount of recognized financial liabilities offset	Net amount of financial assets presented in the statement of financial position	Less: related amounts not offset in the statement of financial position		Net
				Recognized financial liabilities	Collateral held and not recognized	
As at March 31, 2025						
Reverse repurchase agreements	**$1,869**	**$0**	**$1,869** [1]	**$42**	**$1,827**	**$0**
OTC-derivatives	**1,521**	**1**	**1,520** [2]	**1,021**	**344**	**155**
Total	**$3,390**	**$1**	**$3,389**	**$1,063**	**$2,171**	**$155**
As at March 31, 2024						
Reverse repurchase agreements	$1,679	$0	$1,679 [1]	$573	$1,106	$0
OTC-derivatives	980	0	980 [2]	644	322	14
Total	$2,659	$0	$2,659	$1,217	$1,428	$14

1 As described in Note 5(A)(X).

2 As described in Note 5(B).

Financial liabilities

	Gross amount of recognized financial liabilities	Less: gross amount of recognized financial assets offset	Net amount of financial liabilities presented in the statement of financial position	Less: related amounts not offset in the statement of financial position		Net
				Recognized financial assets	Collateral pledged and not derecognized	
As at March 31, 2025						

1 As described in Note 5(A)(X).

2 As described in Note 5(B).

3 As described in Note 5(A)(IX). The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 5(A) as part of collateral payable.

	Gross amount of recognized financial liabilities	Less: gross amount of recognized financial assets offset	Net amount of financial liabilities presented in the statement of financial position	Less: related amounts not offset in the statement of financial position		Net
				Recognized financial assets	Collateral pledged and not derecognized	
Repurchase agreements	**$2,100**	**$0**	**$2,100** [1]	**$42**	**$2,058**	**$0**
OTC-derivatives	**1,044**	**1**	**1,043** [2]	**888**	**108**	**47**
Collateral payable	**170**	**0**	**170** [3]	**133**	**0**	**37**
Total	**$3,314**	**$1**	**$3,313**	**$1,063**	**$2,166**	**$84**
As at March 31, 2024						
Repurchase agreements	$3,843	$0	$3,843 [1]	$573	$3,270	$0
OTC-derivatives	705	0	705 [2]	564	123	18
Collateral payable	89	0	89 [3]	80	0	9
Total	$4,637	$0	$4,637	$1,217	$3,393	$27

1 As described in Note 5(A)(X).

2 As described in Note 5(B).

3 As described in Note 5(A)(IX). The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 5(A) as part of collateral payable.

(C) Liquidity risk

Liquidity risk corresponds to the risk that the PSPIB will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. The PSPIB's cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. The PSPIB utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to the PSPIB's senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, sufficient sources of liquidity are maintained for deployment in case of market disruption.

The PSPIB has the ability to raise additional capital through the use of its capital market debt program. This program allows the PSPIB to issue short-term promissory notes and medium-term notes. Note 9(B) provides additional information on the usage of the capital market debt program. Furthermore, the PSPIB maintains credit facilities for general corporate purposes. Note 9(A) provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 5(B).

Financial liabilities

The following tables present the fair value of non-derivative-related financial liabilities, as well as of derivative-related financial instruments, aggregated according to their maturities as at March 31, 2025 ($ millions) and excluding the impact of guarantees and indemnities disclosed in Note 22:

	Less than 3 months	3 to 12 months	Over 1 year	Total
Non-derivative-related financial liabilities [1]				

1 Liabilities are presented in the earliest period in which the counterparty can request payment.

2 The total undiscounted cash flows amounted to $29,566 million as at March 31, 2025.

	Less than 3 months	3 to 12 months	Over 1 year	Total
Amounts payable from pending trades	**$(1,777)**	**$0**	**$0**	**$(1,777)**
Interest payable	**(125)**	**(53)**	**0**	**(178)**
Securities sold short	**(1,933)**	**0**	**0**	**(1,933)**
Collateral payable	**(1,255)**	**0**	**0**	**(1,255)**
Securities sold under repurchase agreements	**(1,566)**	**(534)**	**0**	**(2,100)**
Capital market debt financing [2]	**(5,093)**	**(3,267)**	**(16,856)**	**(25,216)**
Accounts payable and other liabilities	**(311)**	**(4)**	**(112)**	**(427)**
Total	**$(12,060)**	**$(3,858)**	**$(16,968)**	**$(32,886)**

1 Liabilities are presented in the earliest period in which the counterparty can request payment.

2 The total undiscounted cash flows amounted to $29,566 million as at March 31, 2025.

	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative-related financial instruments				
Derivative-related assets	**$775**	**$565**	**$220**	**$1,560**
Derivative-related liabilities [1]	**(455)**	**(513)**	**(104)**	**(1,072)**
Total	**$320**	**$52**	**$116**	**$488**

1 Liabilities are presented in the earliest period in which the counterparty can request payment.

The following tables present the fair value of non-derivative-related financial liabilities, as well as of derivative-related financial instruments, aggregated according to their maturities as at March 31, 2024 ($ millions) and excluding the impact of guarantees and indemnities disclosed in Note 22:

	Less than 3 months	3 to 12 months	Over 1 year	Total
Non-derivative-related financial liabilities [1]				
Amounts payable from pending trades	$(397)	$0	$0	$(397)
Interest payable	(104)	(17)	0	(121)
Securities sold short	(2,355)	0	0	(2,355)
Collateral payable	(490)	0	0	(490)
Securities sold under repurchase agreements	(3,595)	(248)	0	(3,843)
Capital market debt financing [2]	(4,615)	(3,439)	(11,748)	(19,802)
Accounts payable and other liabilities	(259)	(4)	(104)	(367)
Total	$(11,815)	$(3,708)	$(11,852)	$(27,375)

1 Liabilities are presented in the earliest period in which the counterparty can request payment.

2 The total undiscounted cash flows amounted to $22,701 million as at March 31, 2024.

	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative-related financial instruments				
Derivative-related assets	$441	$214	$339	$994
Derivative-related liabilities [1]	(374)	(173)	(170)	(717)
Total	$67	$41	$169	$277

1 Liabilities are presented in the earliest period in which the counterparty can request payment.

8. Contributions receivable

The contributions receivable as at March 31 are as follows ($ millions):

	2025	2024
Contributions receivable from plan members for past service	**$198**	$220
Other contributions receivable from plan members	**87**	85
Total contributions receivable from plan members	**$285**	$305
Contributions receivable from employers for past service	**$145**	$173
Other contributions receivable from employers	**89**	87
Total contributions receivable from employers	**$234**	$260
Total contributions receivable	**$519**	$565

9. Borrowings

(A) Credit facilities

The PSPIB maintains a revolving credit facility in the amount of $2 billion and a demand line of credit in the amount of $1 billion (together "the credit facilities").

The credit facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these credit facilities are available at variable interest rates such as the prime rate and the US base rate.

These credit facilities were not drawn upon as at March 31, 2025, and March 31, 2024.

(B) Capital market debt financing

The PSPIB's capital market debt program consists of the private placement of short-term promissory notes, as well as medium-term notes issued by PSP Capital Inc., a wholly owned subsidiary of the PSPIB. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by the PSPIB in accordance with its corporate leverage policy.

The maximum amount authorized by the PSPIB's Board of Directors for the capital market debt program is limited to $12 billion for all aggregate short-term note programs, 6 billion Australian dollars for the Australian dollar-denominated medium-term note program and $20 billion for the medium-term note program.

The PSPIB's capital market debt financing was in compliance with the limits authorized by the PSPIB's Board of Directors during the years ended March 31, 2025, and March 31, 2024.

The following outlines the terms, as well as the fair value, of the short-term notes issued under the capital market debt program allocated to the pension plan as at March 31 ($ millions):

		2025			2024		
Currency	**Term at issuance**	**Interest rate (%)**	**Capital amounts payable at maturity**	**Fair value**	Interest rate (%)	Capital amounts payable at maturity	Fair value
AUD	364 days or less	**3.97 – 4.53**	**$46**	**$45**	4.28	$97	$97
EUR	215 days or less	**2.41 – 2.70**	**718**	**716**	3.85 – 3.93	525	521
GBP	245 days or less	**4.49 – 4.74**	**347**	**344**	5.18 – 5.24	385	382
USD	365 days or less	**4.17 – 5.33**	**6,456**	**6,392**	4.73 – 5.49	4,034	3,979
Total short-term notes			**$7,567**	**$7,497**		$5,041	$4,979

The following outlines the terms, as well as the fair value, of the medium-term notes issued under the capital market debt program allocated to the pension plan as at March 31 ($ millions):

				2025		2024	
Maturity	**Series**	**Currency**	**Interest rate (%)**	**Capital amounts payable at maturity**	**Fair value**	Capital amounts payable at maturity	Fair value
April 2024	7	CAD	3.29	**$0**	**$0**	$870	$870
September 2024	G2	USD	0.50	**0**	**0**	1,240	1,213
March 2025	G5	USD	SOFR [2]+24 bps	**0**	**0**	992	992
November 2025	11	CAD	3.00	**861**	**863**	850	832
June 2026	13	CAD	0.90	**1,099**	**1,078**	1,043	971
June 2026	G1	USD	1.00	**1,055**	**1,015**	992	913
June 2027	G6	USD	3.50	**1,055**	**1,041**	992	959
March 2028	14	CAD	1.50	**733**	**709**	715	652
October 2028	G3	USD	1.63	**1,055**	**968**	992	875
February 2029	A1	AUD	4.60	**986**	**998**	971	979
June 2029	G8	CAD	3.75	**1,466**	**1,520**	1,026	1,020
October 2029	G15	USD	3.75	**1,319**	**1,292**	0	0
January 2030	12	CAD	2.05	**916**	**881**	916	829
December 2030	G13 [1]	CAD	4.40	**733**	**785**	733	752
September 2031	A2 [1]	AUD	4.50	**657**	**653**	0	0
March 2032	G4 [1]	CAD	2.60	**733**	**703**	733	659
August 2032	G7	AUD	4.57	**151**	**147**	149	147
January 2033	G9	AUD	4.82	**131**	**129**	129	129
June 2033	G11	CAD	4.15	**1,834**	**1,926**	1,836	1,833
July 2034	G14	EUR	3.25	**1,254**	**1,247**	0	0
February 2035	A3	AUD	5.25	**822**	**832**	0	0
March 2038	G10	EUR	3.68	**114**	**113**	107	113
July 2043	G12	EUR	3.68	**85**	**82**	80	85
December 2055	G16	CAD	4.25	**733**	**737**	0	0
Total medium-term notes				**$17,792**	**$17,719**	$15,366	$14,823
Total capital market debt financing				**$25,359**	**$25,216**	$20,407	$19,802

1 Green bonds.

2 Secured Overnight Financing Rate.

Unrealized losses in connection with borrowings amounted to $883 million for the year ended March 31, 2025 (unrealized losses of $25 million for the year ended March 31, 2024).

Interest expense, for the years ended March 31, was as follows ($ millions):

	2025	2024
Short-term promissory notes	**$313**	$264
Medium-term notes	**510**	374

	2025	2024
Total	**$823**	$638

(C) Reconciliation of liabilities arising from financing activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2025 ($ millions):

				Non-cash changes		
	Opening balance	Proceeds from borrowings	Repayment of borrowings	Foreign exchange losses	Fair value [1] losses	Closing balance
Capital market debt financing	**$19,802**	**$28,760**	**$(24,230)**	**$356**	**$528**	**$25,216**
Borrowings	**$19,802**	**$28,760**	**$(24,230)**	**$356**	**$528**	**$25,216**

1 Includes interest on short-term promissory notes, which added to cost approximates their fair value.

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2024 ($ millions):

				Non-cash changes		
	Opening balance	Proceeds from borrowings	Repayment of borrowings	Foreign exchange gains	Fair value [1] gains	Closing balance
Capital market debt financing	$17,584	$22,988	$(20,790)	$(66)	$86	$19,802
Borrowings	$17,584	$22,988	$(20,790)	$(66)	$86	$19,802

1 Includes interest on short-term promissory notes, which added to cost approximates their fair value.

10. Related party transactions

(A) Certain investees

Transactions between the PSPIB and its unconsolidated subsidiaries, jointly controlled investees and associates or subsidiaries of such entities are related party transactions. The PSPIB enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 5(A), as well as guarantees, indemnities and commitments described under Notes 22 and 23, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets available for benefits as those with unrelated parties.

Transactions between the PSPIB and its consolidated subsidiaries, as well as related balances, are eliminated upon consolidation and, therefore, are not disclosed in this note.

(B) Government-related entities

Since the PSPIB is a Crown corporation, it is considered to be a government-related entity. Other entities that are controlled, jointly controlled or significantly influenced by the government are also considered government-related entities.

The PSPIB may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 5(A). Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on the net assets available for benefits as those with unrelated parties. Consequently, management is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

11. Capital management

The PSPIB manages the pension plan's investments. The PSPIB's investment objectives are:

- To invest fund transfers in the best interests of the beneficiaries and contributors under the PSSA. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the pension plan established under the PSSA and the ability of the pension plan to meet its financial obligations. The funds are also invested in accordance with the PSPIB's Investment Risk Management policy, which is outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, the PSPIB has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 9(B) provides information on the capital market debt financing, and Note 7(C) provides information on the PSPIB's liquidity.

The pension plan's capital consists of the actuarial funding surplus or deficit determined regularly by the actuarial funding valuation prepared by the OCA. The purpose of this actuarial valuation is to determine the financial position of the pension plan by testing its ability to meet obligations to current plan members and their survivors. Using various assumptions, the OCA projects the future pension benefits to estimate the current value of the pension obligations on a funding basis, which is compared with the sum of: the investment assets held by the PSPIB (net of investment-related liabilities and borrowings), including their projected earnings; and the discounted value of future plan member and government contributions, including future earnings on contributions. The result of this comparison is either an actuarial surplus or an actuarial deficit.

It is government policy that the obligations pertaining to service before April 1, 2000, are unfunded and are paid as they become due. For the obligations pertaining to service since April 1, 2000, the objective of managing the capital position of the pension plan is to ensure that the investments held by the PSPIB are sufficient to meet the related future pension obligations.

12. Pension obligations

The OCA performs an actuarial valuation for accounting purposes as at March 31 of each fiscal year to measure and report the pension obligations, and to attribute the costs of the benefits to the period using the projected benefit method prorated on service. The assumptions used in the actuarial valuation are based on management's best estimates of expected long-term experience and short-term forecasts, as well as the majority of the demographic assumptions underlying the triennial actuarial valuation for funding purposes of the pension plan, as at March 31, 2023, which was the most recent valuation available when the OCA performed their valuation on behalf of the plan sponsor. The assumptions include estimates of discount rates, future inflation, returns on investments, general wage increases, workforce composition, retirement rates and mortality rates.

The discount rates used to measure the present value of the pension obligations are as follows:

- for funded pension benefits, the streamed expected rates of return on invested funds; and
- for unfunded pension benefits, the government's cost of borrowing 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.

The principal actuarial assumptions used in measuring the pension obligations were as follows as at March 31:

	2025 (%)	2024 (%)
Discount rates		
Funded pension benefits [1]	**6.1**	6.1
Unfunded pension benefits [2]	**3.1**	3.4
Long-term rate of inflation	**2.0**	2.0
Long-term general wage increase	**2.5**	2.5

1 In regard to funded pension benefits, the streamed discount rates used to measure the pension obligations are equivalent to the flat discount rates presented in the table. The ultimate discount rate is expected to reach 6.1% by 2035 (6.1% by 2032 in 2024).

2 In regard to unfunded pension benefits, the discount rates disclosed in the table reflect the equivalent flat discount rate.

For the year ended March 31, 2025, the pension plan recorded total net losses of $10.56 billion (total net gains of $4.32 billion in 2024), consisting of net losses due to changes in actuarial assumptions of $6.81 billion (net gains of $6.30 billion in 2024) and net experience losses of $3.75 billion (net experience losses of $1.98 billion in 2024).

13. Deficit to be financed by the Government of Canada

The financial statement deficit does not impact the benefit payments to plan members because the government has a statutory obligation to pay the pension benefits it sponsors. Pursuant to pension legislation, the transactions for funded and unfunded pension benefits are tracked in the pension accounts within the accounts of Canada.

(A) Funded pension benefits

The pension plan is financed from employee and employer contributions, as well as from investment earnings. Funded pension benefits relate to post-March 2000 service that falls within the *Income Tax Act* limits. An amount equal to contributions less benefit payments and other charges is invested by the PSPIB. Funded pension benefits also include pre-April 2000 service purchased since April 1, 2000.

(B) Unfunded pension benefits

Unfunded pension benefits related to pre-April 2000 service are tracked in the pension plan superannuation account since there are no invested funds maintained for this account (see Note 20). Employee and employer contributions for unfunded pension benefits are part of the CRF.

14. Investment income

The investment income of the pension plan is presented for each major class of financial assets and liabilities and has two categories: interest and dividends, and net unrealized and realized gains (losses). This presentation reflects the substance of the investment income generated by the underlying investments, whether directly held by the PSPIB or by its investment entity subsidiaries.

The investment income of the pension plan consists of the following for the years ended March 31 ($ millions):

	2025			2024		
	Interest and dividends	**Change in fair value [1]**	**Total investment income**	Interest and dividends	Change in fair value [1]	Total investment income
Public markets	**$1,037**	**$4,109 [2]**	**$5,146**	$787	$4,663 [2]	$5,450
Private markets						
Real estate	**430**	**107 [2]**	**537**	420	(3,711) [2]	(3,291)

1 Change in fair value includes realized and unrealized gains (losses) as described in Note 2(J).

2 As described in Note 18, investment-related expenses of $225 million were incurred by the PSPIB's investment entity subsidiaries for the year ended March 31, 2025 ($128 million were incurred for the year ended March 31, 2024). They are presented as part of investment-related expenses in accordance with Section 4600, while they are presented as part of investment income in the PSPIB's financial statements prepared under IFRS.

	2025			2024		
	Interest and dividends	**Change in fair value** [1]	**Total investment income**	Interest and dividends	Change in fair value [1]	Total investment income
Private equity	**633**	**3,612** [2]	**4,245**	344	2,903 [2]	3,247
Infrastructure	**633**	**3,864** [2]	**4,497**	661	2,852 [2]	3,513
Natural resources	**292**	**1,121** [2]	**1,413**	215	275 [2]	490
Fixed income	**3,431**	**3,858** [2]	**7,289**	3,342	224 [2]	3,566
Alternative investments	**20**	**2,424**	**2,444**	10	1,723	1,733
Total before giving effect to investment-related assets and liabilities	**$6,476**	**$19,095**	**$25,571**	$5,779	$8,929	$14,708
Investment-related assets and liabilities	**49**	**2,391**	**2,440**	41	211	252
Capital market debt financing	**0**	**(1,318)**	**(1,318)**	0	(35)	(35)
Investment income	**$6,525**	**$20,168**	**$26,693**	$5,820	$9,105	$14,925

1 Change in fair value includes realized and unrealized gains (losses) as described in Note 2(J).

2 As described in Note 18, investment-related expenses of $225 million were incurred by the PSPIB's investment entity subsidiaries for the year ended March 31, 2025 ($128 million were incurred for the year ended March 31, 2024). They are presented as part of investment-related expenses in accordance with Section 4600, while they are presented as part of investment income in the PSPIB's financial statements prepared under IFRS.

15. Contributions

The contributions related to funded benefits for the years ended March 31 are as follows ($ millions):

	2025	2024
From plan members		
Current service contributions	**$3,550**	$3,397
Past service contributions	**228**	214
Total plan member contributions	**$3,778**	$3,611
From employers		
Current service contributions	**$3,559**	$3,411
Past service contributions	**129**	125
Total employer contributions	**$3,688**	$3,536
Total plan member and employer contributions	**$7,466**	$7,147

16. Special employer contribution for actuarial deficit

The PSSA requires that any actuarial deficit be dealt with by the government, through transferring equal instalments to the pension fund over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament.

No special employer contribution was made to the pension fund in the fiscal year ended March 31, 2025 (no special employer contribution in 2024) since no actuarial deficit was identified in the triennial actuarial valuation of the pension plan as at March 31, 2023, which was tabled in Parliament on November 25, 2024. The next triennial actuarial valuation for funding purposes will be as at March 31, 2026, and is expected to be tabled in Parliament in calendar year 2027.

17. Benefit payments and refunds and transfers

(A) Benefit payments

The value of benefit payments for funded benefits, for the years ended March 31, is as follows ($ millions):

	2025	2024
Retirement benefit payments	**$4,094**	$3,681
Disability benefit pension payments	**305**	283
Death benefit payments [1]	**32**	37
Total benefit payments	**$4,431**	$4,001

1 Consist of minimum benefit payments and return of contribution payments at death.

(B) Refunds and transfers

The value of refunds and transfers for funded benefits, for the years ended March 31, is as follows ($ millions):

	2025	2024
Payments with respect to division of pension benefits	**$35**	$35
Returns of contributions and transfer value payments	**209**	189
Transfers to other pension plans	**38**	29
Total refunds and transfers	**$282**	$253

18. Investment-related expenses

Investment-related expenses allocated to the pension plan consist of the following for the years ended March 31 ($ millions):

	2025	2024
Interest expense	**$1,075**	$985
Transaction costs	**145**	115
External investment management fees and performance fees [1]	**56**	40
Other (net) [2]	**241**	269
Total	**$1,517**	$1,409

1 Consists of amounts incurred for investments in public markets that are paid directly by the PSPIB. Certain management and performance fees are not paid directly by the PSPIB, but rather by investment structures such as funds and other investment vehicles held by the PSPIB. Such fees are embedded in the fair value of investments. Management fees amounted to $530 million for the year ended March 31, 2025 ($513 million for the year ended March 31, 2024). Performance fees amounted to $448 million for the year ended March 31, 2025 ($419 million for the year ended March 31, 2024).

2 Investment-related expenses of $225 million were incurred by the PSPIB's investment-entity subsidiaries for the year ended March 31, 2025 ($128 million were incurred for the year ended March 31, 2024). They are presented as part of investment related expenses in accordance with Section 4600, while they are presented as part of investment income in the PSPIB's financial statements prepared under IFRS.

19. Administrative expenses

The legislation provides for administrative expenses to be charged to the pension plan. The Treasury Board approves the administrative expenses chargeable to the pension plan.

PSPC, as the day-to-day administrator, recovers from the pension plan administrative expenses for the activities directly attributable to its administration. These costs include salaries and benefits, systems maintenance and development, accommodation, and other operating costs of administering the pension plan within the department.

The Secretariat, as the program manager of the pension plan, provides policy interpretation support, information to plan members, financing and funding services and support to the Pension Advisory Committee, and charges its administrative costs to the pension plan.

Health Canada is reimbursed for the costs related to medical examinations required for members that elect to purchase prior service and for members who retire on medical grounds under the pension plan. These costs are included in the Secretariat's operations and maintenance costs charged to the pension plan.

The OCA provides actuarial valuation services. The costs related to these services are charged to the pension plan.

The PSPIB's costs of operation are charged to the four plans for which the PSPIB provides investment services, namely, the public service pension plan, the Canadian Forces pension plan, the Reserve Force pension plan and the Royal Canadian Mounted Police pension plan. The PSPIB allocates the direct costs of investment activities, such as external investment management fees and custodial fees that are included in each pension plan's administrative expenses, based upon the net investments of each pension plan at the time the expense was incurred.

In 2025, 73.3% of the PSPIB's costs of operation were allocated to the public service pension plan (73.2% in 2024) as plan-related administrative expenses, such as salaries and employee benefits, operations and maintenance, professional and consulting fees, and other operating fees.

Administrative expenses, for the years ended March 31, consist of the following ($ millions):

	2025	2024
PSPC		
Salaries and employee benefits	**$87**	$95
Professional and consulting fees	**24**	29
Operations and maintenance	**12**	9
Other	**11**	13
Total	**$134**	$146
The Secretariat		
Salaries and employee benefits	**$5**	$6
Operations and maintenance	**3**	2
Total	**$8**	$8
OCA		
Actuarial fees	**$2**	$2
Total for government departments (included in the service cost)	**$144**	$156
PSPIB		
Salaries and employee benefits	**$372**	$330
Operations and maintenance	**91**	83
Professional and consulting fees	**86**	83
Other	**22**	18
Total	**$571**	$514
Total administrative expenses [1]	**$715**	$670

1 Administrative expenses related to the funded service for 2025 totalled $665 million ($612 million in 2024).

20. Superannuation account

A separate superannuation account has been established within the accounts of Canada in accordance with the PSSA and is not consolidated in the pension plan financial statements. In order for the government to track transactions made through the CRF, the superannuation account records contributions, benefit payments, interest and transfers that pertain to service before April 1, 2000. The superannuation account does not contain separate invested funds; rather, it is credited with notional interest as though net cash flows were invested quarterly in 20-year Government of Canada bonds issued at prescribed rates and held to maturity.

The following summarizes the financial position of the superannuation account and contributions receivable for service before April 1, 2000, as at March 31 ($ millions):

	2025	2024
Balance of account		
Superannuation account	**$91,257**	$ 88,212
Contributions receivable from plan members for past service	**3**	5
Contributions receivable from employers for past service	**3**	4
Subtotal	**$91,263**	$ 88,221
Pension obligation [1]	**$89,770**	$89,099
Excess (shortfall) of the balance of the account over the pension obligation	**$1,493**	$(878)

1 The pension obligation is consolidated in the pension plan's financial statements. The actuarial assumptions used to measure the pension obligation related to the superannuation account are included in Note 12.

The PSSA requires that any actuarial shortfall resulting from a lower balance in the superannuation account than the actuarial liability be addressed by the government, through crediting the superannuation account in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament.

For the year ended March 31, 2025, a special employer contribution of $6,425 million was credited to the superannuation account (no special employer contribution was credited to the superannuation account in 2024) to cover the actuarial shortfall, based on the triennial actuarial valuation of the pension plan as at March 31, 2023.

The PSSA also allows the excess, based on the actuarial valuation for funding purposes, to be reduced by decreasing the superannuation account over a period of up to 15 years; however, if the balance of the superannuation account exceeds 110% of the amount required to meet the cost of the benefits payable, the excess amount must be reduced by decreasing the superannuation account annually over a period of up to 15 years.

The following summarizes the transactions in the superannuation account for unfunded pension benefits for the years ended March 31 ($ millions):

	2025	2024
Opening balance	**$88,212**	$ 91,344
Increase		
Contributions by plan members	**$1**	$2
Contributions by employers		
Regular contributions	**1**	2
Special contributions	**6,425**	0
Interest income	**2,591**	2,747
Total increase	**$9,018**	$2,751
Decrease		
Benefits paid	**$5,914**	$5,817
Refunds and transfers	**9**	8
Administrative expenses	**50**	58
Total decrease	**$5,973**	$5,883
Closing balance	**$91,257**	$ 88,212

21. Retirement compensation arrangements

Retirement compensation arrangements (RCAs) have been established under the authority of the *Special Retirement Arrangements Act* to provide supplementary pension benefits to certain plan members. Since these arrangements are covered by separate legislation, the balance of the RCAs and the related pension obligations are not consolidated in the financial statements of the pension plan.

RCA No. 1 provides for benefits in excess of those permitted under the *Income Tax Act* restrictions for registered pension plans.

RCA No. 2 provides pension benefits to federal public service employees who were declared surplus as a result of a 3-year Early Retirement Incentive program that ended on March 31, 1998. The cost of RCA No. 2 is assumed entirely by the government.

Pursuant to the legislation, transactions pertaining to both RCA No. 1 and RCA No. 2, such as contributions, benefits, and interest credits, are recorded in the RCA accounts, which are maintained within the accounts of Canada. The legislation also requires that the RCA accounts be credited with interest quarterly at the same rates as those credited to the superannuation account.

The RCAs are registered with the Canada Revenue Agency (CRA), and a transfer is made annually between the RCA accounts and the CRA either to remit a 50% refundable tax in respect of the net increase in the accounts (contributions and interest credits less payments and other charges) or to receive a 50% tax reimbursement in respect of the net decrease in the accounts (payments and other charges less contributions and interest credits).

The following summarizes the financial position of RCA No. 1 and RCA No. 2 as at March 31 ($ millions):

	2025	2024
Balance of the accounts		
RCA accounts	**$1,978**	$1,942
Refundable tax receivable	**1,970**	1,954
Contributions receivable from plan members for past service	**3**	1
Contributions receivable from employers for past service	**1**	1
Subtotal	**$3,952**	$3,898
Pension obligations	**$4,079**	$3,321
Excess (shortfall) of the balance of the accounts over the pension obligations	**$(127)**	$577

The actuarial assumptions used to value the pension obligations pertaining to the RCA accounts are consistent in all respects with those used for the superannuation account.

The following summarizes the transactions in RCA No. 1 and RCA No. 2 for the years ended March 31 ($ millions):

	2025	2024
Opening balance	**$3,898**	$3,871
Increase		
Contributions by plan members	**$31**	$22
Contributions by employers	**141**	113
Interest income	**58**	59
Other	**0**	2
Net change in prior service contributions receivable	**2**	0
Increase in refundable tax receivable	**15**	17
Total increase	**$247**	$213
Decrease		
Benefits paid	**$176**	$167
Refunds and transfers	**2**	2
Refundable tax remittance	**15**	17
Total decrease	**$193**	$186
Closing balance	**$3,952**	$3,898

Actuarial shortfalls resulting from a lower balance in the RCA accounts than the actuarial liabilities are addressed by the government, through crediting the RCA accounts in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament.

For the year ended March 31, 2025, no special employer contribution was credited to RCA No. 1 (no special employer contribution in 2024), and no special employer contribution was credited to RCA No. 2 (no special employer contribution in 2024) since no actuarial shortfalls were identified in the triennial actuarial valuation of the pension plan as at March 31, 2023.

22. Guarantees and indemnities

The PSPIB provides indemnification to its directors, its officers, its employees and to certain PSPIB representatives asked to serve as directors or officers of entities in which the PSPIB or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the *Public Sector Pension Investment Board Act*, the PSPIB may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, the PSPIB has not received any material claims or made any material payment for such indemnities.

In certain cases, the PSPIB also provides indemnification to third parties in the normal course of business. As a result, the PSPIB may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, the PSPIB has not received any material claims nor made any material payments for such indemnities.

The PSPIB unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 9.

In certain investment transactions, the PSPIB and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2025, and March 31, 2024, the PSPIB and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, the PSPIB or its investment entity subsidiaries could assume obligations of up to $3,023 million as at March 31, 2025 ($2,717 million as at March 31, 2024), of which $2,216 million has been allocated to the pension plan ($1,992 million as at March 31, 2024) plus applicable interest and other related costs. The arrangements mature between July 2025 and June 2042 as of March 31, 2025 (between May 2024 and June 2042 as of March 31, 2024).
- As of March 2025, the PSPIB maintained stand-by letter of credit facilities totaling $312 million ($3 million as at March 31, 2024). These facilities can be utilized in various currencies as needed. The PSPIB and its investment entity subsidiaries issued letters of credit totalling $165 million as at March 31, 2025 ($1 million as at March 31, 2024), of which $121 million has been allocated to the pension plan ($1 million as at March 31, 2024) in relation to investment transactions.

23. Commitments

The PSPIB and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of the PSPIB's commitments that would be assumed by the pension plan is as follows as at March 31 ($ millions):

	2025	2024
Foreign equity	**$1**	$2
Real estate	**2,441**	2,828
Private equity	**7,428**	8,339
Infrastructure	**6,997**	2,925

	2025	2024
Natural resources	**271**	352
Private debt securities	**8,483**	6,337
Alternative investments	**1,474**	1,142
Total	**$27,095**	$21,925

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2025 (until 2041 as at March 31, 2024).

24. Subsequent events

Budget 2025 initiatives

On November 4, 2025, as part of Budget 2025, the government announced its intention to offer a temporary, voluntary Early Retirement Incentive (ERI) program through the public service pension plan and to expand the operational service early retirement program under the plan to additional front-line employees. Amendments to the *Public Service Superannuation Act* (PSSA) are required in relation to the above programs and have been introduced in the *Budget 2025 Implementation Act, No.1*. Amendments to the *Public Service Superannuation Regulations* and the *Retirement Compensation Arrangements Regulations, No. 1*, would also be required for the expansion of the operational service program and would be introduced at a later date, should the required legislative amendments receive royal assent.

The proposed ERI program would allow plan members age 50 or above for Group 1 and age 55 or above for Group 2 who have at least 10 years of public service employment and at least 2 years of pensionable service to apply to retire with an immediate pension based on years of service with no reduction for early retirement. Entitlement to an unreduced pension would be subject to Treasury Board approval based on the criteria it establishes. The costs of the temporary ERI program were estimated to increase pension obligations by $1.8 billion based on the OCA's update to the Special Actuarial Report (referenced in the section below), where the OCA made the assumption that approximately 25% of eligible plan members would apply and be approved for an early retirement under the ERI program. There is significant uncertainty around this assumption since it depends on individual circumstances and approval by the Treasury Board.

The proposed expansion of the operational service early retirement program would allow front-line firefighters, border services officers, parliamentary protection officers, search and rescue personnel, paramedics, and territorial correctional employees to retire earlier with an immediate unreduced pension after completing 25 years of actual operational service, or at age 50 with 25 years of actual and deemed operational service combined (at least 10 years of actual), as is presently available to employees of Correctional Service Canada working in a federal correctional institution. This change was estimated to increase pension obligations by $0.2 billion based on the OCA's update to the Special Actuarial Report (referenced in the section below).

Non-permitted surplus related to the pension fund

On December 17, 2025, the OCA Special Actuarial Report on the financial position of the Public Service Pension Fund (pension fund) as at March 31, 2025, and the update to the Special Actuarial Report, entitled "Update to the financial position of the Public Service Pension Fund as at 31 March 2025 following Budget 2025 announcements", were tabled in Parliament. Note that the pension fund relates to service since April 1, 2000.

The Special Actuarial Report estimated the pension fund to be in a non-permitted surplus position of $3.4 billion. Following the Budget 2025 announcements, while specifically considering the proposed ERI program and the proposed expansion of the operational service early retirement program described above, the OCA prepared an update to the Special Actuarial Report, which estimated the pension fund to be in a non-permitted surplus position of $0.9 billion.

Based on the update to the Special Actuarial Report, and pursuant to section 44.4 of the PSSA, the President of the Treasury Board formed an opinion that the pension fund was in a non-permitted surplus position in the amount of $0.9 billion as at March 31, 2025. Pursuant to subsection 44.4(5) of the PSSA, a non-permitted surplus exists when the amount by which the pension fund's assets exceed its liabilities is greater than 25% of the amount of liabilities in respect of contributors.

In accordance with paragraph 44.4(2)(b) of the PSSA, the Treasury Board approved a transfer of the amount of $0.9 billion from the pension fund to the CRF. This action required the amount to be transferred from the PSPIB to be deposited in the CRF.

This transfer was completed on December 22, 2025. As a result, the President of the Treasury Board formed the opinion that there is no longer a non-permitted surplus in the pension fund.

The financial effects of these measures are expected to have a future impact on several areas of the financial statements.

While an estimate of all financial effects cannot be made at this time, the following line items are expected to be directly impacted by the transfer of the amount of $0.9 billion to the CRF:

- Reduction in the net investment assets in the amount of $0.9 billion and a subsequent reduction in investment income for the period.

Footnotes

1 For information on plan eligibility and benefits, visit Public service pension at a glance.

2 More information on the rate of return on assets held by the PSPIB is available in the PSPIB 2025 Annual Report.

3 Public service corporation means any board, commission or corporation specified in Part I of Schedule I of the act.

4 Amounts include indexation.

5 **Group 1:** Members of the public service pension plan who were participating in the plan on or before December 31, 2012.
Group 2: Members of the public service pension plan who began participating in the plan on or after January 1, 2013.

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