



# **Report on Public Sector Pension Plans to March 31, 2023 (Edits)**

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2023 (Edits)

# Report on Public Sector Pension Plans as at March 31, 2023

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The federal public sector pension plans provide a lifetime income to eligible plan members upon retirement, [disability](#) or termination. They also provide benefits to eligible [survivors](#) or children upon a member's death.

There are four main public sector pension plans:

- the public service pension plan
- the Royal Canadian Mounted Police (RCMP) pension plan
- the Canadian Armed Forces (CAF) - Regular Force pension plan
- the CAF - Reserve Force pension plan

The plans are established under legislation and are contributory defined benefit plans.<sup>1</sup> This means that both the employer and plan members contribute to them and that the benefits paid are based on the plan member’s earnings history and years of service under the plan.

## Introduction

The following provides an overview of the plans based on the most recent annual and actuarial reports for each plan, the [Public Sector Pension Investment Board annual report](#) and the [Public Accounts of Canada](#). Data is for the fiscal year ended March 31, 2023. If data as of this date is not available, data is presented for the most recent year available.

## Highlights

Table 1 shows plan highlights for the fiscal year, as at March 31, 2023.

**Table 1. Fiscal year highlights as at March 31, 2023**

Pension plan	Public service	RCMP	Canadian Armed Forces - Regular Force	Canadian Armed Forces - Reserve Force	Total *
<b>Membership</b>	<b>739,629</b> (72.9%)	<b>45,862</b> (4.5%)	<b>190,837</b> (18.8%)	<b>37,609</b> (3.7%)	<b>1,013,937</b> (99.9%)
Active members	396,541	21,734	68,769	19,879	506,923
Pension recipients	343,088	24,128	122,068	17,730	507,014
<b>Contributions (\$ millions)</b>	<b>\$6,196</b>	<b>\$595</b>	<b>\$1,440</b>	<b>\$76</b>	<b>\$8,307</b>
Employer share	\$3,062	\$328	\$893	\$54	\$4,337

<b>Pension plan</b>	<b>Public service</b>	<b>RCMP</b>	<b>Canadian Armed Forces - Regular Force</b>	<b>Canadian Armed Forces - Reserve Force</b>	<b>Total <sup>*</sup></b>
Member share	\$3,134	\$267	\$547	\$22	\$3,970
Ratio (Employer:Member)	(49%:51%)	(55%:45%)	(62%:38%)	(71%:29%)	
<b>Benefits paid (\$ billions)</b>	<b>\$9.2</b> (66.2%)	<b>\$1.1</b> (7.8%)	<b>\$3.6</b> (25.9%)	<b>\$0.01</b> (0.1%)	<b>\$13.9</b> (100%)
<b>Average annual pension paid</b>	<b>\$37,026</b>	<b>\$46,660</b>	<b>\$36,344</b>	<b>\$5,384</b>	
<b>Net assets available for benefits (\$ billions)</b>	<b>\$178.6</b> (73.1%)	<b>\$17.6</b> (7.2%)	<b>\$47.1</b> (19.3%)	<b>\$0.9</b> (0.4%)	<b>\$244.2</b> (100%)
<b>Total pension obligations <sup>†</sup> (\$ billions)</b>	<b>\$231.0</b> (66.6%)	<b>\$28.9</b> (8.3%)	<b>\$86.1</b> (24.8%)	<b>\$1.0</b> (0.3%)	<b>\$347.0</b> (100%)

<sup>\*</sup> Due to rounding, percentages for individual plans may not total 100%.

<sup>†</sup> Pension obligation figures are from the financial statements of the respective pension plans, as calculated by the Office of the Chief Actuary and presented in its actuarial valuations for accounting purposes.

**Data sources:** Public service, RCMP and Canadian Armed Forces annual pension plan reports (2023)

# Pension plan funding

## ► In this section

The plans are funded by contributions from plan members and the employer. These contributions fund the income members receive from the plans when they retire.

Members contribute a percentage of their salary. The member contribution rates are determined by the Treasury Board. The employer contribution amounts are determined by the President of the Treasury Board.

## Plan member contribution rates

Members contribute at a lower rate on salary up to the year's maximum pensionable earnings (YMPE) <sup>2</sup> that apply under the Canada Pension Plan and the Québec Pension Plan and at a higher rate on salary above the YMPE. In 2022, the YMPE were \$64,900, and in 2023, they were \$66,600.

The member contribution rates are set by calendar year. Table 2 shows member contribution rates as a percentage of salary for calendar years 2022 and 2023.

**Table 2. Contribution rates as a percentage of members' salary**

Member contribution rates for calendar year 2023					
Salary	Public service <sup>*</sup>		RCMP	Canadian Armed Forces	
	Group 1 <sup>†</sup>	Group 2		Regular Force	Reserve Force <sup>‡</sup>
Up to the YMPE	9.35%	7.93%	9.35%	9.35%	5.2%
Above the YMPE	12.37%	11.72%	12.37%	12.37%	

<b>Member contribution rates for calendar year 2023</b>					
<b>Salary</b>	<b>Public service <sup>*</sup></b>		<b>RCMP</b>	<b>Canadian Armed Forces</b>	
	<b>Group 1 <sup>†</sup></b>	<b>Group 2</b>		<b>Regular Force</b>	<b>Reserve Force <sup>‡</sup></b>
<b>Member contribution rates for calendar year 2022</b>					
<b>Up to the YMPE</b>	9.36%	7.95%	9.36%	9.36%	5.2%
<b>Above the YMPE</b>	12.48%	11.82%	12.48%	12.48%	

<sup>\*</sup> The public service pension plan has two groups of members:

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

<sup>†</sup> The contribution rates for Group 1 also apply to public service pension plan members who are employed or deemed to be employed in operational service with Correctional Service Canada. If a member accumulates deemed operational service, they contribute an additional 0.62% of their salary to the pension plan for that service.

<sup>‡</sup> Members of the Reserve Force contribute 5.2% on pensionable earnings up to two thirds of the defined benefit limit as determined under the *Income Tax Regulations*.

Note: Contribution rates are reduced to 1% of salary for all plan members who reach the maximum 35 years of pensionable service.

**Data source:** Actuarial Report (19th) on the Pension Plan for the Public Service of Canada as at 31 March 2020

# Impact of plan expenses on public finances

## ► In this section

Plan expenses are calculated based on Canadian public sector accounting standards and are included in the Public Accounts of Canada.

Plan expenses consist of:

- **pension expenses:** these include employers' contributions and recognized actuarial valuation gains and losses and other adjustments
- **net interest expenses:** these are calculated based on the average accrued pension obligations (benefits earned by members under their pension plan for pensionable service)

Table 3 is a summary of transactions for the plans that resulted in expenses for the Government of Canada in fiscal year ended March 31, 2023.

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

<b>Pension plan</b>	<b>Pension expenses</b>	<b>Net interest expenses</b>	<b>Total expenses</b>
Public service	2,454	986	3,440
RCMP	627	308	935
Canadian Armed Forces - Regular Force	1,809	1,009	2,818

<b>Pension plan</b>	<b>Pension expenses</b>	<b>Net interest expenses</b>	<b>Total expenses</b>
Canadian Armed Forces - Reserve Force	64	1	65
<b>Total expenses</b>	<b>4,954</b>	<b>2,304</b>	<b>7,258</b>

**Data source:** Public Accounts of Canada, Volume I, Table 6.12

## Measures to support sustainability

A strong governance framework is in place to keep the plans sustainable and affordable for both members and taxpayers. This framework consists of the Funding Policy for the Public Sector Pension Plans and measures including:

- actuarial valuations, which provide estimates of expenses and actuarial liabilities
- reviews of the funded status of the plans and plan sustainability
- annual reports

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

A sustainability review that was recently completed in accordance with the Funding Policy for the Public Sector Pension Plans confirmed that the plans remain sustainable.

## Actuarial valuations

### ► In this section

An actuarial valuation is an actuarial analysis that provides information on the financial condition of a pension plan. Such valuations are performed regularly to support the administration of the pension plans. The Office of the Chief Actuary (OCA) performs two types of actuarial valuations on the plans:

**1. Actuarial valuations for accounting purposes**

These valuations are conducted every fiscal year (as at March 31) to measure and report on the pension expense and obligations in the Public Accounts of Canada, and to provide the necessary information to prepare the plans' financial statements.

**2. Actuarial valuations for funding purposes**

These valuations are conducted at least once every three years to determine the contribution rates, the actuarial liability, and the funded status of the plans. They help the President of the Treasury Board make informed decisions on plan financing. The OCA also provides annual assessments of the funded status of the plans.

## **Methodology and assumptions used in actuarial valuations**

### **Actuarial valuation methodology**

The OCA uses the projected accrued benefit actuarial cost method to determine the actuarial liability and the current service cost. Other factors such as pensionable earnings, the year's maximum pensionable earnings, and other benefit limits under the *Income Tax Act* are projected and taken into account to determine the benefit payable under the pension plans. The actuarial liability, with respect to contributors, is the value discounted in accordance with the actuarial assumptions of all future payable benefits accrued as at the valuation date for all previous service. For pensioners and survivors, the actuarial liability is the value discounted in accordance with the actuarial assumptions of future payable benefits.

The current service cost for a given year of service is the sum of the value of all future payable benefits considered to accrue for that year's service, discounted in accordance with the actuarial assumptions.

## Actuarial assumptions

The actuaries or management use actuarial assumptions to perform actuarial valuations of the plans.

These assumptions include both economic and demographic assumptions. Economic assumptions include assumptions for discount rates, inflation, and salary levels. Demographic assumptions include assumptions for retirement ages, mortality rates, and population characteristics.

There are two sets of actuarial assumptions:

### 1. Actuarial assumptions for accounting purposes

These are based on management's best estimates and include opinions and forecasts from the Department of Finance Canada, Treasury Board Secretariat and the OCA.

- For **funded** pension benefits (since April 2000), the discount rates are the streamed expected rates of return on funds invested by the Public Service Investment Board (PSPIB).
- For **unfunded** pension benefits (before April 2000), the discount rates are 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.

### 2. Actuarial assumptions for funding purposes

These are determined by the OCA.

- For **funded** pension benefits (since April 2000), the discount rates are the streamed expected rates of return on funds invested by the PSPIB.

- For **unfunded** pension benefits (before April 2000), the discount rates are the streamed weighted average of Government of Canada long-term bond rates. This average is a calculated 20-year weighted moving average of Government of Canada long-term bond rates projected over time. The streamed rates account for historical Government of Canada long-term bond rates and, over time, reflect expected Government of Canada long-term bond rates.

Table 4 presents some of the key economic assumptions used in the most recent actuarial valuations. As part of the economic assumptions used in the actuarial valuation of each plan, certain discount rates are set to calculate the present value of future pension payments. These rates are used to determine the actuarial liabilities, the costs of benefits earned and the interest expenses.

**Table 4. Discount rates and assumptions used in actuarial valuations**

Actuarial report	Long-term discount rate		Long-term rate	
	Funded pension benefits (since April 2000) *	Unfunded pension benefits (before April 2000)	Salary increase	Pension indexation
For accounting purposes (as at March 31, 2023)	6.0%	3.0%	2.6%	2.0%

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

Actuarial report	Long-term discount rate		Long-term rate	
	Funded pension benefits (since April 2000) *	Unfunded pension benefits (before April 2000)	Salary increase	Pension indexation
<b>For funding purposes</b>				
<b>Public service (as at March 31, 2020)</b>	5.9%	4.1%	2.7%	2.0%
<b>RCMP (as at March 31, 2021)</b>	5.9%	4.0%	2.6%	2.0%
<b>Canadian Armed Forces - Regular Force (as at March 31, 2022)</b>	6.0%	4.0%	2.6%	2.0%

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

Actuarial report	Long-term discount rate		Long-term rate	
	Funded pension benefits (since April 2000) *	Unfunded pension benefits (before April 2000)	Salary increase	Pension indexation
Canadian Armed Forces - Reserve Force (as at March 31, 2022)	6.0%	n/a	2.6%	2.0%

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

**Data source:** [Public Accounts of Canada](#) and the most recent actuarial report for each plan. For links to the actuarial reports, go to the [Reference documents section](#).

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

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

Pension plan	Public service (2020)	RCMP (2021)	Canadian Armed Forces (2022)
			Regular Force

Pension plan	Public service (2020)	RCMP (2021)	Canadian Armed Forces (2022)
			Regular Force
Account balance	91,537	13,359	45,322
Actuarial liability	98,837	14,503	48,422
Actuarial excess (shortfall)	(7,300)	(1,144)	(3,100)

**Data source:** Most recent actuarial report for each plan. For links to these reports, go to the [Reference documents section](#).

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

Pension plan	Public service (2020)	RCMP (2021)	Canadian Armed Forces (2022)	
			Regular Force	Reserve Force
Actuarial value of assets <sup>*</sup>	125,409	13,802	41,091	738
Actuarial liability	110,909	12,720	36,972	792
Actuarial surplus (deficit)	14,500	1,082	4,119	(54)

Pension plan	Public service (2020)	RCMP (2021)	Canadian Armed Forces (2022)	
			Regular Force	Reserve Force
<p>*  The Office of Chief Actuary uses a five-year smoothed value method to evaluate the actuarial value of assets. Under this method, the expected return on investments is recorded immediately, while the difference between the expected and actual return on investments is recorded over a five-year period through actuarial gains and losses. The actuarial value of assets is adjusted, if necessary, to make sure it does not fall outside a limit of plus or minus 10% of the market value of investments at fiscal year-end. Any difference is recorded immediately through actuarial gains and losses.</p>				

**Data source:** Most recent actuarial report for each plan. For links to these reports, go to the [Reference documents section](#).

## Investment performance of the pension funds

Since April 1, 2000, the plans have made regular transfers to the Public Sector Pension Investment Board for investment (PSPIB). The transfers represent amounts equal to contributions in excess of benefit payments and administrative costs. Returns on these investments are essential to funding plan benefits.

The PSPIB had a net return of 4.4% for fiscal year 2023, down from 10.9% for fiscal year 2022. The decline in performance results from its exclusive allocation to public asset classes. These assets had modest returns in global equities, mostly because of currency effects, which offset the negative returns during the year, and because of negative returns on fixed income assets amid rising inflation and interest rates.

## Reference documents

For more information, consult the reports below:

- [Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2023](#)
- Royal Canadian Mounted Police Pension Plan Annual Report, 2022–2023
- Canadian Armed Forces Pension Plans Annual Report, 2022–2023
- [Public Sector Pension Investment Board annual report \(2023\)](#).
- [Public Accounts of Canada \(2023\)](#).
- [Actuarial Report \(19th\) on the Pension Plan for the Public Service of Canada as at 31 March 2020](#)
- [Actuarial Report on the Pension Plan for the Royal Canadian Mounted Police as at 31 March 2021](#)
- [Actuarial Report on the Pension Plans for the Canadian Forces - Regular Force and Reserve Force as at 31 March 2022](#)

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# Footnotes

- 1 The *Public Service Superannuation Act*, the *Royal Canadian Mounted Police Superannuation Act* and the *Canadian Forces Superannuation Act*.
  - 2 The year's maximum pensionable earnings (YMPE) is the amount the government sets each year and uses to determine individuals' contributions to, and benefits from, the Canada Pension Plan or Quebec Pension Plan. Annual changes to the YMPE are based on the average wage growth in Canada.
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