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Canada

Funding of the Public Service Pension Plan

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Funding of the Public Service Pension Plan

The Government of Canada recognizes the importance of an affordable and sustainable defined benefit pension plan for its employees. It is a cost-effective means for the government to attract and retain the talented and competent employees required to deliver services to Canadians.

Find out how the public service pension plan is managed.

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Key facts about the pension surplus

- The public service pension fund's total actuarial value of assets is \$207 billion as of March 31, 2025, and the Chief Actuary of Canada calculated a non-permitted surplus of approximately \$0.9 billion.
- The government is legally required to act in response to a [non-permitted surplus](#). Similarly, should there be a [funding shortfall](#), the government is required to make up the difference.
- In both cases, plan members continue to have a guaranteed and predictable income in their retirement.
- The government is continuing its contributions to the pension fund, and there are no changes to pension benefits.

Plan overview

The public service pension plan is a defined benefit plan, funded by regular contributions from plan members and the Government of Canada as well as investment earnings, which provides pension benefits for federal public service employees. A defined benefit plan is designed to provide a stable retirement income. In a defined benefit plan, benefits are based on a member's average salary and years of pensionable service, that is, complete or partial years credited to the member at retirement. The government fully guarantees these benefits and the President of the Treasury Board is responsible for ensuring that the pension plan is adequately funded.

To determine the plan's funding requirements, the President relies on the [Office of the Chief Actuary](#), an independent unit within the Office of the Superintendent of Financial Institutions Canada, to conduct regular actuarial funding valuations. These valuations show the funded status of the plan and indicate the contribution rates needed to keep the plan well-funded.

Funding shortfall

The Government of Canada is obligated to pay plan member pension benefits. If the plan becomes underfunded for any reason (for example, higher-than-expected

benefit payments, lower-than-expected investment results), the government is required to transfer additional funds into the public service pension plan and employees would not be required to make additional contributions. This has occurred before, including during the period from 2013 to 2018.

Non-permitted surplus

As per the [*Public Service Superannuation Act*](#), the Government must take action when the amount by which the public service pension plan's assets that exceeds liabilities is greater than 25% of liabilities. This aligns with the surplus rules set in the [*Income Tax Act*](#).

When the public service pension fund is in a non-permitted surplus position, the [*Public Service Superannuation Act*](#) requires a mandatory employer contribution holiday until there is no longer a non-permitted surplus. The Act also allows the Treasury Board to approve a full or partial employee contribution holiday or a transfer of the non-permitted surplus amount to the Consolidated Revenue Fund.

The Consolidated Revenue Fund is the account into which the Government of Canada deposits taxes and revenues and from which it withdraws funds to cover public expenses. Funds are deposited and withdrawn by the Receiver General for Canada.

In 2025, the President of the Treasury Board announced the government's [intention to address a non-permitted surplus in the public service pension fund](#) by transferring this non-permitted surplus to the Consolidated Revenue Fund, where it will be held while next steps are considered, and discussions with stakeholders will be held as appropriate.

Investments

The [Public Sector Pension Investment Board](#) (PSPIB) was created in 1999 to manage the investments of net employee and employer pension contributions in financial markets. The PSPIB operates at arm's length from the government.

The returns generated by these investments contribute to keeping the pension plan fully funded.

Contribution rates

Member contribution rates for the public service pension plan are normally set on a triennial cycle based on the advice of the Chief Actuary of Canada. This approach helps ensure the long-term sustainability and stability of the plan.

Please refer to [Contribution Rates](#) for more information about the annual rate of contributions for the public service pension plan.

Accounting

The government places great importance on the financial integrity of its public sector pension plans.

The government's accounting standards are set by the Public Sector Accounting Board (PSAB) and published in the CPA Canada Public Sector Accounting Handbook. Given the long-term nature of public sector pension plans, these standards are the most appropriate basis for determining the public sector pension obligations as they reflect the unique environment in which governments operate. These standards recognize the appropriateness of using a combination of long-term plan asset earnings and costs of borrowing to value the government's pension obligations.

Sustainable management

The government is committed to ensuring that employee compensation is affordable and fair to both taxpayers and public servants.

Plan members pay 50% of their pension costs and the normal age of retirement for members who joined the plan on or after January 1, 2013, is 65. These features help ensure the affordability and sustainability of the plan.

Reporting

The Government's financial statements, presented each year in the [Public Accounts of Canada](#), include amounts and disclosures related to public sector pension plans. These statements are subject to annual audits by the Auditor General of Canada.

More information

- [Funding Policy for the Public Sector Pension Plans](#)
- [Roles and responsibilities for the public service pension plan](#)
- [Public Service Pension Plan History](#)

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