



6 November 2025

The Honourable Shafqat Ali, P.C., MP.
President of Treasury Board
Ottawa, Canada
K1A 0R5

**Subject: Update to the financial position of the Public Service Pension Fund as at 31 March 2025
following Budget 2025 announcements**

Dear Minister:

Considering the proposed changes to the *Public Service Superannuation Act* and related legislation announced in Budget 2025 tabled on 4 November 2025 and Treasury Board Secretariat's request to assess the impact on the financial position of the Public Service Pension Fund (PSPF), I am pleased to provide an estimate of the financial position of the PSPF as at 31 March 2025.

Description of the proposed initiatives

Frontline workers

Budget 2025 proposed an expansion of the operational service early retirement program for Canada Border Services Agency officers and other frontline first responders, jointly referred as frontline workers, such that they would be eligible to retire after 25 years of service, regardless of age, without pension reductions.

It would apply to frontline workers participating in the Public Sector Pension Plan (PSPP), including firefighters, border services officers, parliamentary protection officers, and other frontline employees.

Early retirement incentive (ERI) program

Budget 2025 proposed a temporary voluntary early retirement incentive program for public servants. Eligible employees would be able to retire with an immediate pension based on years of service with no penalty for early retirement. Implementation would proceed by January 15, 2026, or when legislation receives Royal Assent, and the government intends to conclude the program within one year.

For group 1 and group 2 members of the PSPP, the eligibility is based on attained age, employment tenure, and pensionable service during the election window:

- Group 1 members must be 50 years of age or more with at least ten years of employment and at least two years of pensionable service to their credit.
- Group 2 members must be 55 years of age or more with at least ten years of employment and at least two years of pensionable service to their credit.

This initiative includes changes to the *Public Service Superannuation Act* and the *Income Tax Regulations* such that incremental benefits and liabilities be paid by, and accounted in, the PSPF.

Integration of the CPP enhancement

Budget 2025 proposed to initiate consultations on the integration of the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) enhancement¹ in the PSPP.

Data

The results of this letter are based on membership data as described in the Appendix to this letter.

Actuarial methods and assumptions

The results in this letter are based on actuarial methods and assumptions from the statutory valuation on the Pension plan for the Public Service of Canada as at 31 March 2023, as well as revised assumptions as at 31 March 2025 described in the Special actuarial report on the financial position of the Public Service Pension Fund as at 31 March 2025 (PS2025). The following describes additional methods and assumptions used to estimate the impact of the proposed changes introduced in Budget 2025.

Frontline workers

For the purpose of this letter, the implementation date is assumed to be 1 January 2027. It is assumed that starting January 2027, all frontline workers would be eligible to an unreduced immediate pension regardless of their age upon reaching 25 years of operational service.

Pre-January 2027 assumptions

Until the implementation date, it is assumed that all demographic assumptions for frontline workers will continue to be the same as for the main group. Members eligible to the ERI are expected to retire in greater number in plan year 2027 due to the ERI program than assumed in PS2025.

Post-December 2026 assumptions

From the implementation date, members affected by the benefit improvement are assumed to behave the same way as the current operational employees. As such, the demographic assumptions for current operational employees are used.

It is important to note that since most groups of frontline workers identified are not listed as public safety occupation under the *Income Tax Act* (ITA), a portion of the additional benefit payable following the proposed changes is assumed to be paid out of the Retirement Compensation Arrangement (RCA).

Early retirement incentive program

Actuarial assumptions are unchanged from PS2025 except for the retirement rates in plan year 2027. Those retirement rates have been increased for active contributors eligible to retire under the proposed ERI program.

It is assumed that during plan year 2027 about 25% of those eligible would elect to retire with an immediate unreduced annuity.

There is significant uncertainty in the actual number of members who will elect to retire under this program since it will depend on individual circumstances and parameters set by Treasury Board.

¹ [Canada Pension Plan enhancement](#)

Results

The results are based on provisions described in the statutory valuation on the Pension plan for the Public Service of Canada as at 31 March 2023, as well as initiatives proposed in Budget 2025.

Financial position of the PSPF

Table 1 presents the financial positions for the PSPF as at 31 March 2025. The results of the PS2025 are also shown for comparison.

Table 1 Balance sheet of the PSPF
(in \$ billions)

Components of financial position	With proposed initiatives PS2025 2025-03-31	PS2025 2025-03-31	Difference
Assets			
Market value of assets	219.5	219.5	
Actuarial smoothing adjustment ^a	(12.8)	(12.8)	
Present value of prior service contributions	0.3	0.3	
Total actuarial value of assets	207.0	207.0	0.0
Total actuarial liability	164.9	162.9	2.0
Actuarial surplus	42.1	44.1	(2.0)
Non-permitted surplus	0.9	3.4	(2.5)

^a Includes the unrecognized investment gains and losses as well as the impact of the application of corridor, if applicable.

The estimated impacts of the frontline workers and ERI program proposed initiatives are to increase the actuarial liabilities as at 31 March 2025 by \$0.2 billion and \$1.8 billion respectively. The proposal to integrate the PSPF with the enhanced CPP has no impact on the liabilities as at 31 March 2025.

As at 31 March 2025, the PSPF has a revised surplus of \$42.1 billion and the funded ratio is 125.5%. As such, no special payments are required and there is a non-permitted surplus², as defined by the subsection 44.4 (5) of the PSSA, of \$0.9 billion.

Uncertainty of results

There is significant uncertainty around the proportion of members electing to retire under the ERI program and the resulting impact on liabilities. For illustration purposes, if this proportion were to increase from the assumed 25% to one third of eligible members, the impact of the ERI program on liability would be \$2.8 billion, resulting in a funded ratio of 124.8% and no non-permitted surplus.

Current service cost

Many elements have the potential to impact the current service cost and member contributions in both positive and negative directions, including the impact of proposed initiatives announced in Budget 2025 as well as actual demographic and economic data.

From an actuarial perspective, based on the information available as of date of signing this letter,

² A non-permitted surplus exists when the amount by which the actuarial value of assets exceeds the liabilities is greater than 25 percent of the amount of liabilities.

current service costs for calendar years 2026 and 2027 as determined in the statutory valuation as at 31 March 2023 remain appropriate. Emerging experience that differs from the corresponding assumptions will result in gains or losses to be revealed in subsequent valuation reports.

Any work produced by the OCA is completed for a specific purpose. It should not be used or quoted for any other purposes prior to obtaining approval from the OCA.

Opinion

In my opinion, considering that the above estimates were prepared pursuant to the request made by the Treasury Board Secretariat to provide the impact on the financial position of the Public Service Pension Fund as at 31 March 2025 of the proposed initiatives in Budget 2025 affecting the PSPP (frontline workers, ERI program, and CPP enhancement integration),

- the valuation data on which the valuation is based are sufficient and reliable for the purposes of the valuation;
- the assumptions used are individually reasonable and appropriate in aggregate for the purposes of the valuation; and
- the methods employed are appropriate for the purposes of the valuation.

This letter has been prepared, and my opinion given, in accordance with accepted actuarial practice in Canada. In particular, this letter was prepared in accordance with the Standards of Practice (General Standards and Practice – Specific Standards for Pension Plans) published by the Canadian Institute of Actuaries.

The *Pay Equity Act* and the Comprehensive expenditure review (CER) were not considered in this letter. To the best of my knowledge, there were no other subsequent events between the valuation date and the date of this letter that would have a material impact on the results of this letter.

Please do not hesitate to contact me should you have questions.

Yours sincerely,

Assia Billig, FCIA, FSA
Chief Actuary

Appendix Membership data

This letter is based on membership data from the statutory valuation on the Pension plan for the Public Service of Canada as at 31 March 2023.

Frontline workers

The population of frontline workers is projected to 31 March 2025 assuming the same increase in membership as for the main group.

The number of PSPP members as at 31 March 2025 that could be newly categorized as frontline workers is estimated at 12,100. About 1,600 of those are assumed to be considered as public safety occupations under the *Income Tax Act* (ITA). The remaining 10,500 frontline workers would have a portion of their benefits paid through an RCA. Some frontline workers are assumed to retire or terminate from the PSPP before the implementation date and are assumed to be replaced by new entrants.

A summary of the data as at 31 March 2025 used for the purpose of this analysis can be found in the table below.

Table 2 Frontline workers summary of data as at 31 March 2025

Groups	Group 1	Group 2	Total
Number	6,600	5,500	12,100
Average annual earnings	117,000	102,000	110,000
Average pensionable service (years)	21	6	14
Average age	49	37	43

Members eligible to the ERI program

The membership population of the PSPP was projected from 31 March 2023 to 31 March 2025. Then, only members that would be eligible to the ERI program were valued using the revised benefits and retirement rates.

A summary of the projected data as at 31 March 2026 for members who are assumed to be eligible to the ERI program can be found in the table below. Members who would already be eligible to an immediate unreduced annuity are excluded from the membership data presented below.

Table 3 ERI eligible members summary of data as at 31 March 2026

Groups	Group 1	Group 2	Total
Age range	50-59	55-64	All
Number	57,200	5,900	63,100
Average salary	\$122,000	\$106,000	\$121,000
Average pensionable service (years) ³	22	15	22
Average age	54	58	54

³ Includes prior service buyback.