Directive on Accounting Standards: GC 3250-3255 Retirement and Post-Employment Benefits

Note to reader

This document is part of the Appendix A of the Directive on Accounting Standards.

A. Primary PSAS references

PS 3250 Retirement benefits

PS 3255 Post-employment benefits, compensated absences and termination benefits

B. Effective date

April 1, 2017

C. Government of Canada Consolidated Financial Statements

1. Public sector pensions and other employee and veteran future benefits are measured on an actuarial basis in the consolidated financial statements. The actuarial valuations estimate the current value of benefits earned and use various actuarial assumptions in the process. When actual experience of the plans varies from estimates or when actuarial assumptions change, actuarial gains or losses arise.
2. Actuarial gains and losses are not recognized immediately but rather over the expected average remaining service life (EARSL) of the employees, which varies across plans, or the average remaining life expectancy (ARLE) of the benefit recipients under wartime veteran plans. Recognition commences in the year following the determination of the actuarial gains and losses. In addition, an unrecognized net actuarial loss is recognized immediately upon a plan amendment, up to a maximum of the related decrease in the accrued benefit obligation; similarly, an unrecognized net actuarial gain is recognized immediately, up to a maximum of the related increase in the accrued benefit obligation. The unrecognized net actuarial loss or gain, relating to the obligation that is curtailed or settled, is recognized immediately upon a curtailment or settlement.
3. Investments held by the Public Sector Pension Investment Board (PSPIB) are valued at market-related value. Under this valuation methodology, the expected return on investments is recorded immediately while the difference between the expected and the actual return on investments is recorded over a five-year period through actuarial gains and losses. The market-related value of

investments is adjusted, if necessary, to ensure that it does not fall outside a limit of plus or minus 10 percent of the market value of investments at year end; any amount outside this limit is recorded immediately through actuarial gains and losses.

4. Contributions receivable from employees for past service buyback elections are discounted to approximate their fair value.

D. Departmental Financial Statements

5. Retirement and post-employment benefits, with the exception of severance benefits, are not under the responsibility of departments; they are managed and recorded centrally. As a result, the following information must be disclosed in the Departmental Financial Statements:
    a. Substantially all of the employees of a department are covered by a public sector pension plan (e.g. public service, Canadian Forces – Regular Force, Canadian Forces – Reserve Force and Royal Canadian Mounted Police pension plans), that is, a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the department to cover the current service cost of the pension plan. The department has no responsibility to pay further contributions with respect to any past service or funding deficiencies of the pension plan. Consequently, contributions should be recognized as an expense in the year when employees render service and represent the total pension obligation of the department. Note that PS 3250 Retirement benefits is not applicable to departments. Further direction on the contribution rates is provided

annually to departments and agencies in the Year-End Call Letter issued by the Office of the Comptroller General of Canada: Departmental Financial Reporting Requirements related to Departmental and Agency Financial Statements for Fiscal Year Ending March 31, 20XX.

b. The obligation related to severance benefits earned by employees of a department should be recorded. The obligation is to be measured on an actuarial basis for the whole of government and allocated across departments on a percentage basis. Further direction on the percentage points is provided annually to departments and agencies in the Year-End Call Letter issued by the Office of the Comptroller General of Canada: Departmental Financial Reporting Requirements related to Departmental and Agency Financial Statements for Fiscal Year Ending March 31, 20XX.
c. The obligation for termination benefits associated with workforce adjustment should be recorded in compliance with PS 3255 Post-employment benefits, compensated absences and termination benefits. When applicable, guidance is provided as part of the Year-End Call Letter issued by the Office of the Comptroller General of Canada: Departmental Financial Reporting Requirements related to Departmental and Agency Financial Statements for Fiscal Year Ending March 31, 20XX.
d. Further disclosure guidance is provided in the Illustrative Departmental Financial Statements.

E. Other related references

Receiver General Manual - Public Accounts of Canada Instructions (formerly chapter 15)

GC 4500 Departmental Financial Statements

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