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Employer costs of Public Service Insurance Plans and Programs



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The Parliamentary Budget Officer supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

In response to a motion from the Standing Senate National Finance Committee (NFFN) made December 9, 2025, this report to examines the cost trajectory of the public service insurance plan and programs and compares those costs with other jurisdictions.

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Highlights

Employer costs for federal public service insurance plans and programs represented roughly 5 per cent ($3.3 billion) of the $71.4 billion in total personnel expenditures in 2024-25.

We project that expenditures of federal public service insurance plans will reach $4.2 billion in 2030-31, up from the $3.3 billion in 2024-25.

Health and dental costs-per-claimant were notable cost-drivers within federal plans from 2020-21 to 2024-25, although costs per claimant declined over this period for the Disability Insurance plan. The federal average annual growth rate of employer costs was 10.9 per cent, compared to a range of 3.0 to 7.7 per cent across selected Canadian jurisdictions.

Summary

In response to a motion from the Standing Senate Committee on National Finance (NFFN), the Parliamentary Budget Office (PBO) compared the historical growth of select public service insurance plans with growth in other jurisdictions, and prepared a projection of federal public service insurance plans from 2025-26 to 2030-31.

Federal Public Service Insurance plans are the group benefit plans provided to core federal public servants. They include the Public Service Health Care Plan (PSHCP) Public Service Dental Care Plan (PSDCP), Pensioners' Dental Services Plan (PDSP), Disability Insurance Plan (DI), the Public Service Management Insurance Plan (PSMIP), and the Royal Canadian Mounted Police (RCMP) Life and Disability Insurance Plan.

The employer and employee share the cost of contributions, though for some plans the employer contribution is 100 per cent. For this report, spending on public service insurance plans represents employer contributions as well as administration expenses and relevant taxes.

In the context of federal spending on personnel, the employer costs for public service insurance plans and programs are primarily centralized under the Treasury Board Secretariat (TBS) and represented roughly 5 per cent ($3.3 billion) of the $71.4 billion in total personnel expenditures in 2024-25.

The federal average annual growth rate of employer costs was 10.9 per cent from 2020-21 to 2024-25, compared to a range of 3.0 to 7.7 per cent across selected Canadian jurisdictions, although growth was strong across all jurisdictions in 2024-25, with rates exceeding 8.0 per cent.

Growth rate comparisons with other Canadian jurisdictions may reflect different factors in terms of composition and program management. The scope of coverage, cost sharing arrangements, employer premium rates, and administrative structures can differ substantially and each jurisdiction's plan costs may have evolved over time due to expansions, contractions, or other modifications in plan design.

Looking forward, growth in federal public service insurance plan costs is expected to slow. Declines in public servant membership due to the Comprehensive Expenditure Review (CER) are anticipated, though they are mitigated as some members become pensioner beneficiaries. While membership growth is reduced, price and utilization growth will outstrip the anticipated decline in the membership base between 2025-26

through 2029-30. Growth in membership is assumed to rebound beginning in 2030-31, pushing projected growth of public service insurance plan costs higher. PBO projects costs for public service insurance plan will grow from $3.3 billion in 2024-2025 to $4.2 billion in 2030-31.

Background

On December 9, 2025, the Standing Senate Committee on National Finance (NFFN) adopted a motion requesting the Parliamentary Budget Officer to examine the cost trajectory of the public service insurance plan and programs, and compare those costs with other jurisdictions.

Information on public service insurance plans and programs was requested of, and provided by, the Treasury Board Secretariat (TBS) in a Follow-up Response on Supplementary Estimates (B) for the fiscal year ending March 31, 2026.

For the purposes of this report, public service plans and insurance programs include the following plans under TBS:

- Public Service Health Care Plan (PSHCP) which includes retirees;
- Public Service Dental Care Plan (PSDCP);
- Pensioners' Dental Services Plan (PDSP);
- Disability Insurance Plan (DI);
- Public Service Management Insurance Plan (PSMIP), which includes retirees; and
- Royal Canadian Mounted Police (RCMP) Life and Disability Insurance Plan.

The PSHCP is by far the largest of these plans, accounting for roughly half of total expenditure. The dental plans (PSDCP and PDSP combined) represent the second largest share, at over one-fifth of total costs, followed by the Disability Insurance (DI) Plan, which accounts for approximately 18 per cent. The remaining plans, PSMIP and RCMP insurance plans, are smaller in scope (about 6 per cent combined) but remain important components of the overall benefits framework.

These are private plans, sometimes referred to as group insurance benefit plans, that provide benefits for active and retired employees and their eligible dependants. Costs are shared between employers and employees, although in some cases the employer covers 100 per cent of contributions. Table 1 provides an overview of the cost-sharing for these federal plans.

This report expands on the information provided by TBS by presenting projections of the employer costs, including employer contributions and administration fees, from 2025-26 to 2030-31. It also compares how some federal plans have grown over time relative to similar public servant plans in selected provinces.

Table 1
Federal employer-employee/pensioner cost-share by plan

Federal plan	Employer cost-share	Employee cost-share
PSHCP (employees)	100% extended health 100% hospital for Level I	0% extended health 100% hospital for Level II & III
PSHCP (pensioners)*	50% extended health 0% hospital	50% extended health 100% hospital
PSDCP	100%	0%
PDSP	50%	50%
DI	85%	15%
PSMIP long-term disability	85% (non-unionized employees) or 100% (executives)	15% (non-unionized employees) or 0% (executives)
PSMIP life insurance **(optional)**	0%	100%
RCMP disability	85%	15%
RCMP life insurance **(optional)**	0%‡	100%

Source:
Treasury Board Secretariat, National Joint Council, Office of the Veterans Ombudsman.

Note:
The employee cost-share can increase to 100% while on certain types of leave without pay.

* There is a relief provision, which offers a lower rate. As well, the extended health relief provision shifts the cost-sharing from to 75/25 employer/pensioner. The pensioner remains 100% responsible for hospital coverage.

‡ Monthly premiums for the Senior Officer Life Insurance Plan are paid by the employer.

While several plans listed above cover specific health, dental and disability benefits, the PSMIP is a broader 'package' providing long-term disability, life, accidental death and dismemberment and dependants' insurance to federal employees excluded from collective bargaining, typically those working in managerial or confidential positions.[1] Similarly, the RCMP offers disability and voluntary life insurance to RCMP regular and civilian members.[2]

The government awarded Administrative Services Only (ASO) contracts to Canada Life Assurance Company for the PSHCP December 1, 2021 and June 28, 2023 for PSDCP and

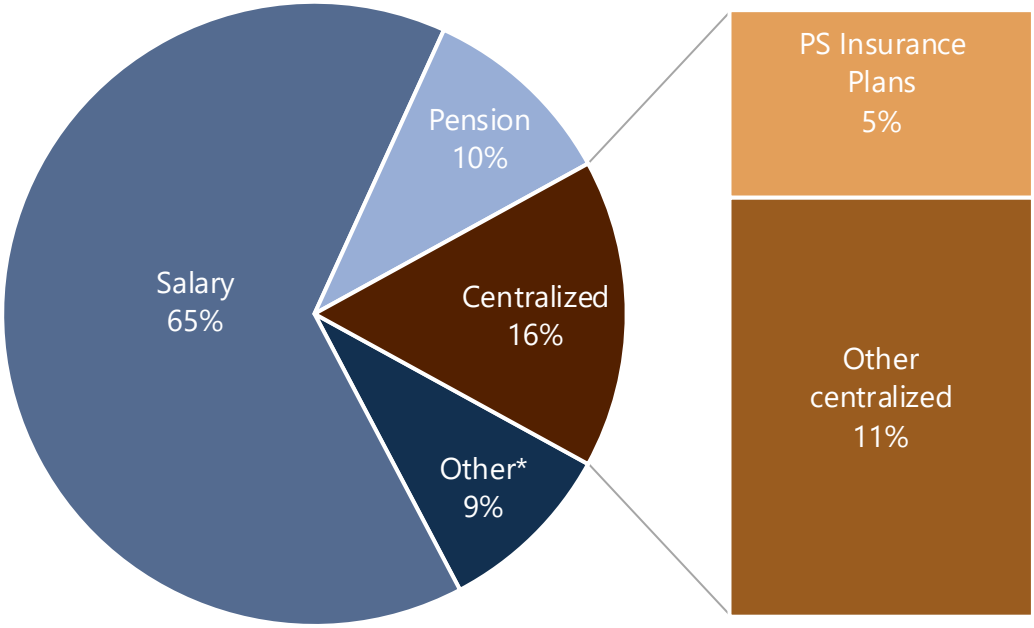
PDSP.[3] Before then, Sun Life was the plan administrator for the PSHCP and PDSP. The change in administration of the PSHCP, from Sun Life to Canada Life, took effect July 1, 2023. The change in administration of the PDSP took effect on November 1, 2024.

Under an ASO contract, the Government of Canada funds its own employee benefits plan. The government hires a third-party administrator, often an insurance company, to perform specific administrative services, such as claims processing and claims payment. Premiums are set to ensure sufficient funding for benefits payable, and may change annually, consistent with experience-rated insurance plans.

For the DI and PSMIP, the government uses an insured group insurance policy rather than an ASO which transfers the financial risk to the awarded contractor – Sun Life Assurance Company of Canada for the DI plan and Industrial Alliance Financial Group for PSMIP.[4] Premiums are more stable, often integrating a surplus as part of the target, creating a fund to cover disability claims. For the RCMP, Canada Life is the underwriter for group plans, and benefits administration services are provided by Morneau Shepell Ltd.[5]

Figure 1 shows that spending on the sum of federal PSHCP, PSDCP, PDSP, DI, PSMIP and RCMP represented 4.7 per cent of total personnel expenditures in 2024-2025. PBO projects this share to remain fairly stable over the projection horizon, indicating that insurance plan costs will roughly grow in-line with overall federal spending on personnel.

Figure 1
Federal personnel expenditure by type, 2024-2025



Source:
Parliamentary Budget Office, Treasury Board Secretariat (IR0913), Personnel Expenditure Analysis Tool.

Note:
Total personnel expenditures include employer contributions and administration fees.

* Other includes employer contributions to employment insurance, as well as overtime and bonus payments.

Other centralized includes other employer contributions, account deficiencies related to the public service pension plan, and other personnel costs. See the notes in PBO's PEAT for more information.

Analysis

Historical trends and jurisdictional comparisons

PBO compiled employer costs for health, dental and disability insurance plans using data from the Public Accounts of British Columbia, Saskatchewan, Manitoba, and Ontario.[6]

These aggregated employer costs are not directly comparable across jurisdictions. The scope of coverage, cost-sharing arrangements, employer premium rates, and administrative structures can differ substantially. Moreover, each jurisdiction's plan costs may have evolved over time due to expansions, contractions, or other modifications in plan design.[7]

The federal average annual growth rate of employer costs was 10.9 per cent from 2021-22 to 2024-25, compared to a range of 3.0 to 7.7 per cent across selected Canadian jurisdictions. That said, growth was relatively strong across all jurisdictions (including the federal government) in 2024-2025, with rates exceeding 8.0 per cent (Table 2).

Table 2

Annual growth rates of employer costs for health, disability and dental insurance plans by jurisdiction, fiscal year

Jurisdiction	2021-22	2022-23	2023-24	2024-25	Average*
Federal	4.2	11.4	18.0	10.6	10.9
Ontario+	3.2	1.6	-1.2	8.8	3.0
British Columbia[8]	6.7	-0.4	9.4	15.9	7.7
Manitoba	8.2	6.9	1.3	8.4	6.2
Saskatchewan	-0.7	6.3	7.2	16.7	7.2

Source:

Parliamentary Budget Office, Treasury Board Secretariat (IR0913), provincial documents.

Note:

Ontario and the federal government were the only jurisdictions that explicitly listed pensioner's benefits. For Ontario, this refers to all retirees' non-pension benefits. For federal, this refers to only the PDSP.

* Calculated as the compound average annual growth rate from fiscal year 2020-21 to 2024-25.

[+]Administration costs could not be explicitly identified.

Federal growth was primarily driven by expenditures per member for health and dental plans, driven by both price and utilization (Table 3).

Table 3

Cost drivers of federal growth for health, disability and dental insurance plans, by fiscal year

Cost Driver	2020-21	2021-22	2022-23	2023-24	2024-25	Growth* (%)
PSHCP Average cost-per-member ($)	1,397	1,538	1,673	2,046	2,174	11.7
PSHCP Members (000')	732	757	783	797	803	2.3
PSDCP Average cost-per-member ($)	674	848	890	947	1,084	12.6
PSDCP Members (000')	415	432	455	472	477	3.5
PDSP Average cost-per-member ($)	223	347	390	437	620	29.2
PDSP Members (000')	307	315	320	319	324	1.4
DI Average cost-per-member ($)	2,659	1,835	1,868	1,989	2,110	4.8**
DI Members (000')	259	274	293	302	308	3.9**

Source:
Parliamentary Budget Office, Treasury Board Secretariat (IR0913).

Note:
Average cost-per-member includes employer contributions, as well as administration costs.

* Calculated as the compound average annual growth rate from fiscal year 2020-21 to 2024-25.

**Expenditures for the DI program were atypically high in 2020-21. Growth rates for the program are provided on a four-year basis.

While the above table highlights differential cost drivers within total plan costs, the scope of this study does not assess more granular cost pressures such as changes in the price per service or integrity controls related to specific claim categories.

Projections of federal plans

The employer cost drivers consist primarily of the number of members, premiums—which reflect both price and utilization—and the applicable cost-sharing structure. Additional costs relate to administration and any applicable taxes.

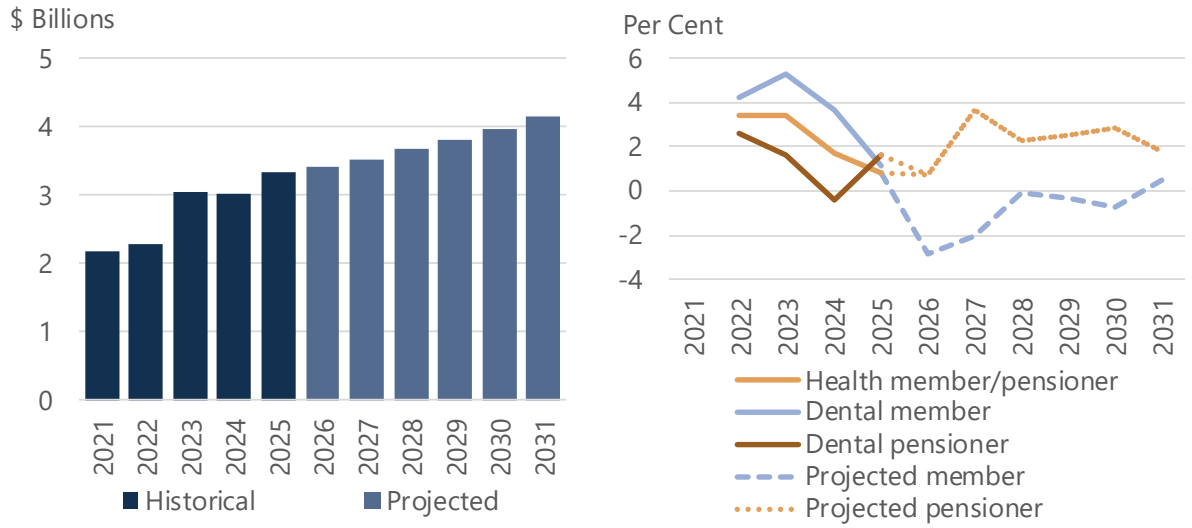
To approximate these cost factors, PBO applied the projected full-time equivalent (FTE) growth rate from its Economic and Fiscal Outlook (EFO), accounting for employees affected by the Comprehensive Expenditure Review (CER) as well as future members eligible through the Early Retirement Incentive.[9] These projections were then applied to the estimated cost-per-member.

The projected cost-per-member for the PSHCP, PSDCP, and PDSP is based on the average growth in future benefit costs for health and dental plans, as estimated by the Office of the Chief Actuary (OCA)[10] over 2025-2026 to 2030-2031. The projected cost-per-member for the DI, PSMIP and RCMP plans is derived by taking the average growth in total costs and subtracting the average growth in plan membership over 2021 to 2025.

We project that expenditures of federal public service insurance plans will reach $4.2 billion in 2030-2031, up from the $3.3 billion in 2024-25 (Figure 2).

Figure 2

Expenditure of federal public service insurance plans and growth of membership by plan, by fiscal year



Source:
Parliamentary Budget Office, Treasury Board Secretariat (IR0913) and Office of the Chief Actuary.

Overall growth in members is expected to be modest relative to historical trends, reflecting the impact of workforce reductions, which are expected to slow or reduce active employee participation in the PSHCP and PSDCP. However, these declines are partially offset by an increase in pensioner beneficiaries, as some departing employees transition into retirement, for example through the Early Retirement Incentive (ERI), and retain access to health and dental benefits.

As a result, the main driver of expenditure growth over the projection horizon is cost-per-member, specifically, growth in both prices and utilization. Beginning in 2029-2030, membership growth is assumed to recover, which contributes to a reacceleration in overall expenditure growth through the end of the projection horizon.

Notes

[1] Treasury Board of Canada Secretariat, Public Service Management Insurance Plan, Summary of the 2024 Annual Report of the Public Service Management Insurance Plan (PSMIP). Accessed February 27, 2026.

[2] Office of the Veterans Ombudsman, Supporting Ill and Injured RCMP Members and their Families: A Review - June 07, 2016. Accessed March 26, 2026.

[3] The ASO for PSHCP was awarded December 1, 2021 while the ASO for the PSDCP and PDSP were awarded on June 28, 2023. The PSHCP contract has a term for up to 12 years, whereas the PSDCP and PDSP ASO has a term for up to 14 years.

Sources: Treasury Board of Canada Secretariat, Public Service Health Care Plan – Information notices, New contract awarded to administer the Public Service Health Care Plan. Accessed February 27, 2026.

Government of Canada, Public Service group insurance benefit plans, About the new dental care contract. Accessed February 27, 2026.

[4] Treasury Board of Canada Secretariat, Public Service group insurance benefit plans, Disability Insurance plan document. Accessed February 27, 2026. This appears to be a long-standing group policy, as the DI Plan has been underwritten and administered by Sun Life Assurance Company since the plan's inception in November 1970. Source: National Joint Council, 2009 Disability Annual Report. Accessed February 27, 2026.

Treasury Board of Canada Secretariat, Public Service Management Insurance Plan, Summary of the 2024 Annual Report of the Public Service Management Insurance Plan (PSMIP). Accessed February 27, 2026.

[5] Office of the Veterans Ombudsman, Supporting Ill and Injured RCMP Members and their Families: A Review - June 07, 2016. Accessed March 26, 2026.

[6] Where explicitly available, PBO included administration costs as well as pensioners' health, dental, and disability benefits. However, differences in the level of detail across jurisdictions meant that it was not always possible to confirm whether these were consistently included. In cases where jurisdictions did not provide a detailed breakdown, costs for individual plans were aggregated.

[7] From assessment of the data, it is PBO's judgement the inclusion of administration costs had little to no impact, whereas the impact of the inclusion of pensioner's benefits on the growth of employer costs was unclear – it increased the federal growth rates but decreased Ontario's.

[8] See British Columbia, Public Accounts 2023/24: CRF Supplementary Schedules and British Columbia, Public_Service_Agency_Estimates_Notes_2025.pdf

[9] The federal government indicated an early retirement incentive could be offered, which make public servants eligible for retirement. Source: Workforce reductions in the federal public service - Canada.ca PBO assumed that 47 per cent of FTE (full-time equivalent) reductions represent retirements, representing more than 6,000 retirements. Accordingly, this share of reductions under the Comprehensive Expenditure Review was allocated to pensioners, reflecting that retirees retain access to health and dental benefits.

Office of the Chief Actuary produced an actuarial report assuming 25 per cent of the roughly 63,000 public servants eligible for early retirement incentive – that is they could retire with an immediate pension based on years of service with no penalty for early retirement – would elect to do so. Source: Update to the financial position of the Public Service Pension Fund as at 31 March 2025 following Budget 2025 announcements - Office of the Superintendent of Financial Institutions Accessed February 27, 2026

[10] Office of the Chief Actuary, Custom Data Request provided to PBO. The projected cost-per-member for the PSHCP, PSDCP, and PDSP is derived by extrapolating underlying price and utilization trends from the overall growth in future benefit costs estimated by the Office of the Chief Actuary over the 2025–26 to 2030–31 period.

Errata Log

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2026-07-23, 01:58 p.m.	On July 23, 2026 the Parliamentary Budget Office revised the paper “Employer costs of Public Service Insurance Plans and Programs”, originally published on June 2, 2026. For further details, see Erratum (pdf) under the Files section of this report.

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