

Employment and Social Development Canada

Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Accounts by Employment and Social Development Canada

For the period from April 1, 2022 to March 31, 2023

(in thousands of dollars)

**Consolidated Statement of Administrative Costs Charged to the Canada Pension Plan Accounts
by Employment and Social Development Canada
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List of abbreviations

CPP

Canada Pension Plan

ESDC

Employment and Social Development Canada

ISSDB

Income Security and Social Development Branch

MoU

Memorandum of Understanding

NHQ

National Headquarters

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Independent auditor's report

To the Internal Audit and Enterprise Risk Management Branch of Employment and Social Development Canada

Our opinion

In our opinion, the accompanying financial information of Employment and Social Development Canada (ESDC) for the period from April 1, 2022 to March 31, 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the Memorandum of Understanding (MoU) between the Canada Pension Plan (CPP) Accounts and ESDC dated March 7, 2023.

What we have audited

The financial information of ESDC comprises the consolidated statement of administrative costs charged to the CPP Accounts by ESDC for the period from April 1, 2022 to March 31, 2023 and the related notes and schedules, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of ESDC in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter, basis of accounting and restriction on use

We draw attention to note 1 to the financial information, which describes the basis of accounting. The financial information is prepared to assist ESDC in complying with the financial reporting requirements of the MoU for the period from April 1, 2022 to March 31, 2023 between the CPP Accounts and ESDC. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for ESDC in accordance with the terms of our engagement and should not be used by parties other than ESDC and the Office of the Auditor General of Canada. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial information

Management is responsible for the preparation of the financial information in accordance with the financial reporting provisions of the MoU for the period from April 1, 2022 to March 31, 2023 between the CPP Accounts and ESDC, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing ESDC's financial reporting process.

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ESDC’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP/limited liability company/professional services firms

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario

August 7, 2023

Table 1: Consolidated statement of administrative costs charged to the CPP Accounts by ESDC

| Service area as per the Memorandum of Understanding | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Deputy Minister’s Office (Schedule 1) | 789 | 668 |
| Chief Operating Officer (Schedule 2) | 496 | 412 |
| Income Security and Social Development Branch (Schedule 3) | 19,713 | 17,022 |

| | | |
|---|---------|---------|
| Corporate Secretariat (Schedule 4) | 2,276 | 2,176 |
| Public Affairs and Stakeholder Relations Branch (Schedule 5) | 3,842 | 3,557 |
| Human Resources Services Branch (Schedule 6) | 22,737 | 19,741 |
| Legal Services Branch (Schedule 7) | 3,063 | 2,817 |
| Internal Audit and Enterprise Risk Management Branch (Schedule 8) | 1,245 | 1,062 |
| Strategic and Service Policy Branch (Schedule 9) | 6,668 | 4,596 |
| Transformation Management Branch (Schedule 10) | 19,909 | 22,495 |
| Benefits and Integrated Services Branch (Schedule 11) | 274,740 | 284,431 |
| Citizen Service Branch (Schedule 12) | 22,317 | 23,461 |
| Integrity Services Branch (Schedule 13) | 16,858 | 16,335 |
| Social Insurance Register (Schedule 14) | 6,902 | 6,758 |
| Innovation, Information and Technology Branch (Schedule 15) | 110,577 | 114,658 |
| Chief Financial Officer Branch (Schedule 16) | 50,763 | 51,763 |
| Strategic Services Bureau and Regional Assistant Deputy Ministers (Schedule 17) | 6,149 | 4,794 |

| | | |
|---|----------------|----------------|
| Corporate Reserve (Schedule 18) | 49 | 457 |
| Canada School of Public Service | 515 | 515 |
| Provision of Pay Administration Services | 350 | 350 |
| Financial Management Transformation | 125 | 57 |
| Total administrative costs charged to the Canada Pension Plan Accounts | 570,083 | 578,124 |

The accompanying notes form an integral part of the consolidated statement of administrative costs charged to the Canada Pension Plan Accounts.

Notes to the consolidated statement of administrative costs charged to the Canada Pension Plan Accounts

Note 1: Introduction

Under the *Canada Pension Plan* (CPP), the Minister of Employment and Social Development Canada (ESDC) has the responsibility for the administration of Parts II and III (except for some sections of Part III), that pertains to the general administration of the CPP. The CPP is administered by ESDC, with support from the Income Security and Social Development Branch (ISSDB), the Department of Finance, the Canada Revenue Agency, Public Services and Procurement Canada, the Office of the Superintendent of Financial Institutions, the Royal Canadian Mounted Police, the CPP Investment Board, and the Administrative Tribunals Support Service of Canada.

The Memorandum of Understanding (MoU) for the period from April 1, 2022 to March 31, 2023 between the CPP and ESDC was signed on March 7, 2023. This MoU is comprised of 2 parts: the first part (Part A) sets out the framework and basic principles regarding the services to be provided to the CPP. The second part (Part B) specifies the cost allocation methodologies used by ESDC to calculate the charges for its services to the CPP Accounts, in accordance with the costing principles approved by Treasury Board in January 1988.

The framework and basic principles for the comparative figures shown in the consolidated statement of administrative costs under the 2022 header is set out in a Memorandum of Understanding for the period from April 1, 2022 to March 31, 2023 which was signed on March 22, 2022.

The consolidated statement of administrative costs charged to the CPP Accounts focuses on authority for payments in a fiscal year and is prepared for on a modified cash basis.

Note 2: Canada Pension Plan enhancement

On December 15, 2016, legislation to enact the CPP enhancement received Royal Assent. The CPP represents 2 separate accounts, the CPP Account (base or existing CPP), and the Additional CPP Account (enhanced CPP), where the financial activities of each account are accounted for separately. For the purpose of the MoU and the consolidated statement of administrative costs, CPP refers to the whole of the Canada Pension Plan, which includes both the base and enhanced components of the CPP.

Based on benefit projections at maturity, a fixed percentage cost allocation ratio (entitled “fair share” under section 3.0, Part B of the MoU) was determined, where 27% of the indirect costs would be paid by the Additional CPP Account, and the remaining 73% by the CPP Account. This ratio was determined to accurately reflect the scope of the enhancement relative to the base CPP while considering the volume and the complexity of work being done by ESDC. In addition, costs directly attributable to either the CPP Account or the Additional CPP Account are charged to the appropriate account.

The consolidated statement of administrative costs charged to the CPP Accounts for the period from April 1, 2022 to March 31, 2023 of \$570,083,359 (\$578,124,209 for the period from April 1, 2021 to March 31, 2022), includes Contributions to Employee Benefit Plans and Public Service Insurance. These amounts include costs of \$405,399,651 (\$420,852,471 for the period from April 1, 2021 to March 31, 2022) associated with the CPP Account and \$164,683,708 (\$157,271,738 for the period from April 1, 2021 to March 31, 2022) associated with the Additional CPP Account (enhanced CPP).

Note 3: Contingencies

Due to the nature of its operations, ESDC as a department within the Government of Canada is sometimes subject to grievances filed by its employees. A grievance has been raised that will result in a change of classification, which may impact charges relating to the CPP Accounts for future periods beyond the period ended March 31, 2023. The resolution of this grievance could have a material effect on the expenses included in the consolidated statement of administrative costs charged to the CPP Accounts; however, the financial impact is not determinable at this time.

Schedules to the consolidated statement of administrative costs charged to the Canada Pension Plan Accounts

Schedule 1: Administrative costs charged to the CPP Accounts by the Deputy Minister's Office

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|---|-----------------------------------|-----------------------------------|
| Deputy Minister's Office | 642 | 542 |
| Contributions to Employee Benefit Plans | 92 | 76 |
| Public Service Insurance | 55 | 50 |
| Total | 789 | 668 |

Schedule 2: Administrative costs charged to the CPP Accounts by the Chief Operating Officer

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|---|-----------------------------------|-----------------------------------|
| Chief Operating Officer | 403 | 335 |
| Contributions to Employee Benefit Plans | 58 | 47 |
| Public Service Insurance | 35 | 30 |
| Total | 496 | 412 |

Schedule 3: Administrative costs charged to the CPP Accounts by the Income Security and Social Development Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Income Security and Social Development Branch | 16,205 | 14,008 |
| Contributions to Employee Benefit Plans | 2,188 | 1,829 |
| Public Service Insurance | 1,320 | 1,185 |
| Total | 19,713 | 17,022 |

Schedule 4: Administrative costs charged to the CPP Accounts by the Corporate Secretariat

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Corporate Secretariat | 1,877 | 1,789 |
| Contributions to Employee Benefit Plans | 249 | 235 |
| Public Service Insurance | 150 | 152 |
| Total | 2,276 | 2,176 |

Schedule 5: Administrative costs charged to the CPP Accounts by the Public Affairs and Stakeholder Relations Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|-------------------------|--|--|
|-------------------------|--|--|

| | | |
|--|--------------|--------------|
| Public Affairs and Stakeholder Relations Branch | 3,146 | 2,952 |
| Contributions to Employee Benefit Plans | 434 | 367 |
| Public Service Insurance | 262 | 238 |
| Total | 3,842 | 3,557 |

Schedule 6: Administrative costs charged to the CPP Accounts by the Human Resources Services Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Human Resources Services Branch | 18,889 | 16,409 |
| Contributions to Employee Benefit Plans | 2,400 | 2,022 |
| Public Service Insurance | 1,448 | 1,310 |
| Total | 22,737 | 19,741 |

Schedule 7: Administrative costs charged to the CPP Accounts by the Legal Services Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Legal Services Branch | 2,912 | 2,670 |
| Contributions to Employee Benefit Plans | 94 | 89 |

| | | |
|---------------------------------|--------------|--------------|
| Public Service Insurance | 57 | 58 |
| Total | 3,063 | 2,817 |

Schedule 8: Administrative costs charged to the CPP Accounts by the Internal Audit and Enterprise Risk Management Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|---|--|--|
| Internal Audit and Enterprise Risk Management Branch | 1,048 | 903 |
| Contributions to Employee Benefit Plans | 123 | 96 |
| Public Service Insurance | 74 | 63 |
| Total | 1,245 | 1,062 |

Schedule 9: Administrative costs charged to the CPP Accounts by the Strategic and Service Policy Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Strategic and Service Policy Branch | 6,189 | 4,272 |
| Contributions to Employee Benefit Plans | 299 | 197 |
| Public Service Insurance | 180 | 127 |
| Total | 6,668 | 4,596 |

Schedule 10: Administrative costs charged to the CPP Accounts by the Transformation Management Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Transformation Management Branch | 17,631 | 20,046 |
| Contributions to Employee Benefit Plans | 1,421 | 1,486 |
| Public Service Insurance | 857 | 963 |
| Total | 19,909 | 22,495 |

Schedule 11: Administrative costs charged to the CPP Accounts by the Benefits and Integrated Services Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Processing & Payments - NHQ | 39,913 | 40,299 |
| Processing & Payments - Regions | 164,833 | 173,186 |
| Call Centers - NHQ | 1,967 | 1,527 |
| Call Centers - Regions | 18,759 | 18,803 |
| Contributions to Employee Benefit Plans | 30,732 | 30,716 |
| Public Service Insurance | 18,536 | 19,900 |

| | | |
|--------------|----------------|----------------|
| Total | 274,740 | 284,431 |
|--------------|----------------|----------------|

Schedule 12: Administrative costs charged to the CPP Accounts by the Citizen Service Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Citizen Service Branch - NHQ | 2,307 | 2,394 |
| Citizen Service Branch - Regions | 15,944 | 16,765 |
| Contributions to Employee Benefit Plans | 2,536 | 2,611 |
| Public Service Insurance | 1,530 | 1,691 |
| Total | 22,317 | 23,461 |

Schedule 13: Administrative costs charged to the CPP Accounts by the Integrity Services Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Integrity Services Branch - NHQ | 3,954 | 3,635 |
| Integrity Services Branch - Regions | 10,640 | 10,501 |
| Contributions to Employee Benefit Plans | 1,412 | 1,334 |
| Public Service Insurance | 852 | 865 |

| | | |
|--------------|---------------|---------------|
| Total | 16,858 | 16,335 |
|--------------|---------------|---------------|

Schedule 14: Administrative costs charged to the CPP Accounts by the Social Insurance Register

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Social Insurance Register | 7,286 | 7,215 |
| Contributions to Employee Benefit Plans | 792 | 745 |
| Public Service Insurance | 477 | 482 |
| Total Administrative Costs | 8,555 | 8,442 |
| Less: Funding from Treasury Board | (1,653) | (1,684) |
| Total | 6,902 | 6,758 |

Schedule 15: Administrative costs charged to the CPP Accounts by the Innovation, Information and Technology Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Innovation, Information and Technology Branch - Regular Operating | 73,403 | 79,418 |
| Shared Services Canada | 28,304 | 26,233 |
| Contributions to Employee Benefit Plans | 5,533 | 5,466 |

| | | |
|---------------------------------|----------------|----------------|
| Public Service Insurance | 3,337 | 3,541 |
| Total | 110,577 | 114,658 |

Schedule 16: Administrative costs charged to the CPP Accounts by the Chief Financial Officer Branch

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|---|--|--|
| Chief Financial Officer Branch - Regular Operating | 15,497 | 14,607 |
| National Accommodation Plan | 32,183 | 34,332 |
| Contributions to Employee Benefit Plans | 1,923 | 1,714 |
| Public Service Insurance | 1,160 | 1,110 |
| Total | 50,763 | 51,763 |

Schedule 17: Administrative costs charged to the CPP Accounts by the Strategic Services Bureau and Regional Assistant Deputy Ministers

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Strategic Services Bureau and Regional Assistant Deputy Ministers | 5,029 | 3,923 |
| Contributions to Employee Benefit Plans | 699 | 528 |
| Public Service Insurance | 421 | 343 |

| | | |
|--------------|--------------|--------------|
| Total | 6,149 | 4,794 |
|--------------|--------------|--------------|

Schedule 18: Administrative costs charged to the CPP Accounts by the Corporate Reserve

| Cost description | 2023 cost in thousands of dollars | 2022 cost in thousands of dollars |
|--|--|--|
| Corporate Reserve | 47 | 362 |
| Contributions to Employee Benefit Plans | 1 | 58 |
| Public Service Insurance | 1 | 37 |
| Total | 49 | 457 |