

Minister
of National Defence



Ministre
de la Défense nationale

Ottawa, Canada K1A 0K2

25 October, 2006

RE: C-221- An Act to amend the Canadian Forces Superannuation Act and the Royal Canadian Mounted Police Superannuation Act

Dear Colleagues,

My purpose in writing is to articulate my opposition to Bill C-221 and to provide clarification concerning the pension benefits of the Canadian Forces Superannuation Act (CFSA), specifically relating to its integration with the Canada Pension Plan (CPP).

In short, there is no unfairness in the military pension system.

Bill C-221 intends to alter the current pension program for CF members, the CFSA. Though well meaning, Bill C-221 is the result of confusion on the issue of pension integration, still occurring some forty years after the original CFSA implementation. I oppose this bill for the following reasons:

- CF members receive all the benefits for which they have paid;
- The current CF pension plan is one of the most generous pension plans in the country. In fact, when a member chooses to take CPP early, they gain a benefit not open to other Canadian citizens;
- CF members see the same or an actual increase in their take home pay at age 65. Anyone who receives less has either elected to receive early CPP benefits and therefore a reduced CPP at 65 or, upon early retirement from the CF, ceased to be a contributor to the CPP; and
- Bill C-221 will result in more money taken out of the pockets of our soldiers, sailors, airmen and women.

The military pension that CF members receive is exactly the same both before and after they reach 65. A “bridge benefit”, which exists to ensure a stable retirement income, is paid from the day of retirement and *replaced* after 65 with an amount the same or greater paid by CPP.

Members may see a reduction after age 65 when they have elected to receive early CPP benefits (from age 60-65). Note that although a minor reduction will be seen in their pension after age 65, those who elect for early CPP generally attain an overall financial advantage.

I must emphasize that the CFSA is an excellent pension plan which includes a generous basic pension formula, a full pension after 20-25 years of service, benefits payable to survivors and full cost of living indexing. These features easily make the CFSA one of the best pension plans in the country.

Unfortunately, the integration of the CF pension plan with the CPP that happens at age 65 is not well understood. This misunderstanding results in perceiving the switch from one source of pension income prior to age 65 to two afterwards as unfair.

The decision to “integrate” the CPP with the CFSA was made in 1966 when the CPP was introduced by Parliament. They chose not to “stack” the plans. Virtually all other employer-sponsored pension plans in Canada adopted the same model. If a “stacked” approach (CPP paid on top of a continuous “bridge benefit”) had been adopted, the pension benefits would have been greater. Unfortunately though, the resulting increased contributions by CF members and the Canadian Government would also have been significantly higher. I agree with the decision taken at the time that members’ retirement contributions were already substantial and more should not be taken out of their pockets to pay for their pension plan.

CF members are deserving of our gratitude and respect, both while serving and in retirement. Again, there is no unfairness in the military pension system. The CFSA is a generous program designed to provide generous benefits to which members have paid significant contributions. Altering pension benefits further by “stacking” the CPP and the military pension, as Bill C-221 intends, would substantially increase contributions of our serving members and incur further funding from taxpayers, most of whom have far inferior pension plans, if one at all.

Sincerely,

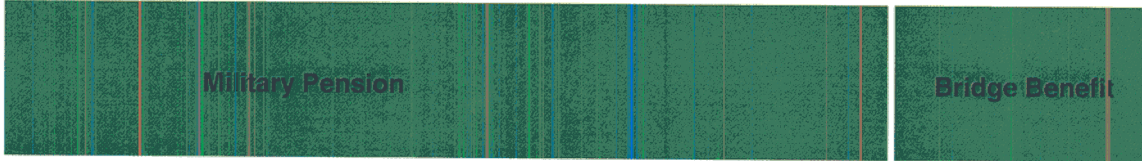

The Honourable Gordon J. O'Connor, PC, MP

Appendix: 1

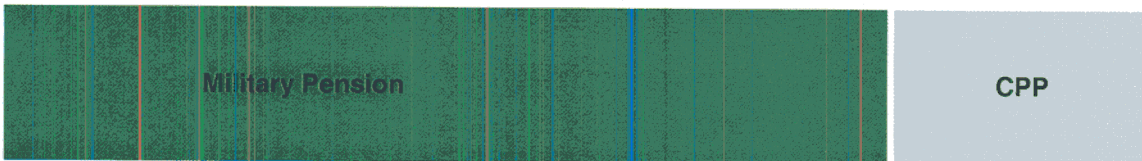
MILITARY PENSION BENEFITS

Standard Pension

BEFORE AGE 65

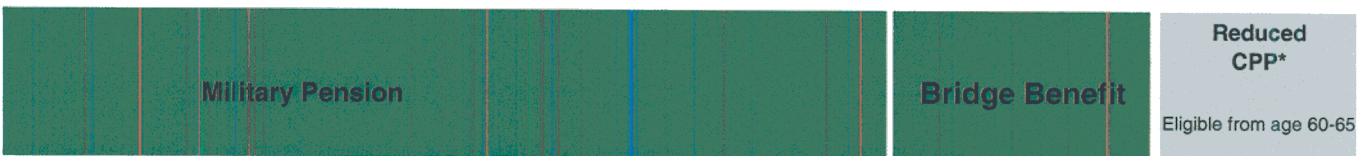


AFTER AGE 65

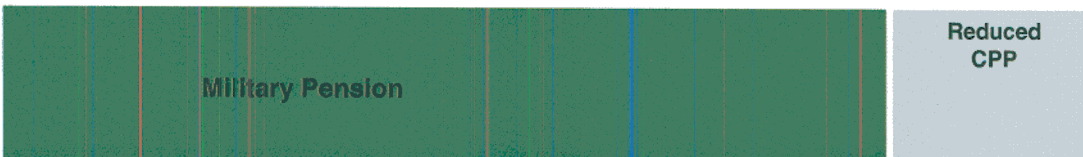


With Early CPP Payments

BEFORE AGE 65



AFTER AGE 65



* Note that CPP early benefit is an option not open to other Canadians