

January 23, 2007

Our file no. 10606

Ms. Catherine Swift, President
Canadian Federation of Independent Business
4141 Yonge Street
Suite 401
Toronto, ON M2P 2A6

Dear Ms. Swift:

The Federal Superannuates National Association (FSNA) represents more than 150,000 retirees receiving a pension from the Public Service, the Canadian Forces, and the Royal Canadian Mounted Police superannuation plans. FSNA is very concerned about the comparison between public sector and private sector pension plans that you made public on January 17, in the report entitled "Canada's Pension Predicament: The widening gap between public and private sector retirement trends and pension plans".

A professional analysis provides all of the dimensions of a subject and not only one side of the story, as your study does. To say the least, your report is incomplete and unprofessional in that it is evident that it is aimed at perpetuating myths about public pension plans. My remarks, of course, can only relate to the three federal plans mentioned above, i.e. the superannuation plans. I suspect, however, that they generally apply to other public sector pension plans.

For a more balanced and professional perspective, your report should have acknowledged that, at least for the superannuation plans, the legislation requires contributions from employees. These contributions are reviewed periodically and increased as required to maintain the desired balance between the share of the cost of future pensions to be assumed by the government as employer and the federal employees.

In addition, the history of the federal superannuation plans shows that they are not underfunded. In fact, in recent years the federal government retired an accumulated surplus in excess of \$30 Billion from the superannuation plans and applied this surplus against the national debt – thus, benefiting all taxpayers.

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Further, federal superannuation plans are rarely amended and improvements have been introduced only if they did not jeopardize the long-term sustainability of the plans.

Also in contrast to statements in your report, the federal superannuation plans are subject to triennial actuarial reports. These reports are public documents tabled in Parliament.

The average pension under the Public Service plan is about \$20,000 per year, hardly a “fat” pension, as suggested in your report.

Finally, federal pension plans are part of the total compensation of public servants in the same way that the pension arrangements of employees of private organizations are part of their own total compensation packages.

Differences in the combination of employee advantages offered by employers are not necessarily ‘unfair’ as your report implies. Rather they may reflect the need for employers to make compensation decisions that support their continued existence and competitive advantages in the labour market and within the markets for their products and services.

The Canadian Federation of Independent Business should perhaps initiate another study to look at all dimensions of pension arrangements available to employers and employees in Canada, including the role of the Canada Pension Plan and the Old Age Security Program, as well as Registered Retirement Savings Plans and other similar tax-sheltered programs. Also, the Canadian Federation of Independent Business might devote more of its energy analysing the reasons why enterprises in Canada make the choices they make relative to pension arrangements for their employees.

Yours truly,

A handwritten signature in black ink, appearing to read "G. Dennis Jackson", with a long horizontal flourish extending to the right.

G. Dennis Jackson
National President

GDJ/hc