



APR 23 2012



Mr. Kevin Page
Parliamentary Budget Officer
Library of Parliament
Parliament Buildings
Ottawa, Ontario
K1A 0A9

Dear Mr. Page:

Thank you for your letter, dated April 3, 2012, regarding Parliamentary Budget Officer information request IR0079 for actuarial and costing analysis data on potential amendments to the “marriage after 60” provisions under the *Canadian Forces Superannuation Act* and *Royal Canadian Mounted Police Superannuation Act*, and the “marriage after retirement” provision under the *Public Service Superannuation Act*.

With respect to survivor benefits, the norm in both private and public sector pension plans is to restrict eligibility for survivor benefits to situations in which the plan member and spouse were married (or common-law relationship was established) before the plan member’s retirement. The *Treasury Board Policy Framework for the Management of Compensation* sets the direction that government compensation should not be precedent setting compared to other similar large employers. I might note, however, that the Government has offered an optional form of survivor benefit coverage that is not available in most pension plans.

This optional form of survivor benefit coverage was created through an amendment made in 1992 to the three federal superannuation acts which allows some flexibility for plan members to provide protection for their post-retirement spouses. While under the current provisions of the major federal public sector pension plans, spouses of plan members who marry after retirement or after the age of 60 for the Royal Canadian Mounted Police and Canadian Forces pension plans are not eligible for survivor benefits under the plan, such benefits can be provided if the member elects to reduce his or her annuity to provide such benefits at the time of his or her death.

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The Office of the Chief Actuary (OCA) was asked by the Treasury Board Secretariat to prepare a costing in September 2009 on the estimated cost of introducing full pension benefits for spouses regardless of the timing of the marriage. Their analysis was based on the most recent year-end actuarial liability data available, March 2009, and results are shown below. It should be noted that the detailed methodology and analysis was not conveyed to the Treasury Board Secretariat, and should that be required by you, it should be requested from the OCA.

To provide spouses of members who marry, or enter into a common-law relationship, after retirement (or after age 60) the same benefits as other survivors without adjustment to the member's benefits, the OCA estimated the financial impact to the public sector pension plans would be as follows:

Impact on Pension Liability of removing the marriage after retirement provisions
(\$ millions)

Actuarial Liability as at 31 March 2009	PSSA	CFSA	RCMPSA
Existing plan	120,240	51,000	14,900
Amended plan	<u>120,850</u>	<u>51,260</u>	<u>14,950</u>
Increase in liability	610	260	50

The costs shown above do not consider the impact on current service costs to commence funding the benefit on a go-forward basis. As well, the valuation does not take into account any retroactive payments that could become payable or additional pension payments that could become payable to spouses who were disqualified by the current rules.

I trust that this information will be helpful to your analysis. It should be noted, however, that while the President of the Treasury Board has financial oversight of the public sector pension plans, the Office of the Chief Actuary of Canada is responsible for preparing the cost estimates and for performing the valuation of these plans. For the costing information related to optional survivor benefits, please consult the Chief Actuary of Canada, Mr. Jean-Claude Ménard.

Yours sincerely,



Michelle d'Auray

c.c.: Rick Stewart, Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for Macroeconomic Policy
Jean-Claude Ménard, Chief Actuary of Canada