

PAC News



The Voice of the RCMP Pension Advisory Committee Fall 2008

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2008 Annual Report of the Public Sector Pension Investment Board (PSPIB)

In July 2008, the PSPIB released its eighth annual report on its investment management of public sector pension funds, including those of the Public Service, Canadian Forces, the Royal Canadian Mounted Police, and the new CF Reserve Force.

The market value of consolidated assets under PSPIB management totalled \$38.9 billion, as of March 31, 2008, compared to \$34.96 billion a year earlier. This includes \$4.237 billion in net contributions received from the four pension plans, and net investment income losses of -\$274 million compared to net income return of \$3.5 billion in 2007, and \$4.1 billion in 2006. The share of assets in the RCMP pension fund represents 7.2 % of total assets held by PSP Investments.

Investment Performance:

This was the first negative return reported by the PSPIB in the past five years. The one-year rate of return earned by the PSP Investments was - 0.3%, compared to 11.3% in fiscal 2007 and 19.1% in 2006. The five year annualized return of 12.5%, and 10.7%, after inflation, continues to exceed the long term goal of 4.3 % over inflation. PSP Investments' investment returns continue to rank in the top quartile of Canadian pension funds.

Asset classes that contributed significantly to the fund's one-year return in 2008 were real estate earning a return of 21.9 % vs. 36.5% in 2007, private equities which earned 10.1% vs. 0.6% in 2007, emerging-market equities which earned 7.2% vs. 18.8% in 2007, world inflation-linked bonds (6.1% in 2008 vs. -1.4% in 2007, and Canadian Bonds (5.9% in 2008 vs. 5.4% in 2007).

As a comparison, the CPP Investment Board, which manages funds for the Canada Pension Plan, reported a similar -0.3% one-year return in 2008, and a four-year return of 9.0% compared to PSP returns of -0.3% and 9.3% for the same periods.

Due to adverse media coverage related to write-downs of approximately \$920 M on asset backed commercial paper (ABCP) and collateralized debt obligations (CDO), the President & CEO of PSP Investments has met with the Chairs of the Canadian Force, Public Service and RCMP Pension Advisory Committees to provide an opportunity for a candid discussion on investment performance.

The RCMP PAC continues to monitor the administrative costs and number of employees at PSP Investments, as costs rise. PAC meets formally with representatives of the PSPIB at an annual Tri-PAC meeting.

The full 2008 Annual Report can be viewed on the PSPIB website at: <http://www.investpsp.ca>

2007 CEM Benchmarking Report on RCMP Pension Plan Administration

The RCMP PAC received a presentation on the third annual pension administration benchmarking service for the fiscal year ending March 31, 2007. Results compare the administrative costs and service standards of the RCMP pension plan with a peer group of ten other pensions of similar size.

Results for 2007 indicated costs for the RCMP pension administration continued to decrease, on a per Member basis, year over year but continued to be higher compared to its peer group. RCMP plan costs were \$198 per plan member in 2007 compared to \$203 in 2006 and \$223 in 2005. This represents a 11% reduction since 2005. The RCMP plan continues to be in a disadvantaged “economies of scale” position relative to comparison with its peer group, with the size of 34,000 plan members being less than half the peer group size of 85,000 plan members.

Analysis indicated the RCMP plan’s volume of transactions was 18% higher than the peer median, indicating the RCMP is doing more transactions or a more costly mix of transactions per plan member and annuitant than its peers.

In terms of service measures, the RCMP plan continued to score higher than its peers on the operation of its call centre and website, annual members statements provided to plan members and inception of new pension for annuitants.

An executive summary of the 2007 Benchmarking Report is available on the RCMP PAC website, at: [2007 Benchmarking Report](#) .

2009 Indexation

Your pension, through the *Supplementary Retirement Benefits Act (SRBA)*, provides for annual increases on all pensions payable based on a Cost of Living Index. This is known as indexation.

Indexing accrues from the first of the month following the month in which you are discharged from the RCMP, but is never payable during the year in which you are discharged. If you fulfil the eligibility criteria during the year of discharge, the indexation benefit is payable effective January 1st of the following year.

If circumstances indicate that consumer costs have decreased, there is no adjustment to the pension payments.

Calculation for 2009:

Pension increases for retired members and their survivors are calculated each year using Consumer Price Index (CPI) data published by Statistics Canada. In accordance with the *SRBA*, the increase is based on a comparison of the twelve-month average of the monthly CPI for the year just ended, to the twelve-month average of the monthly CPI for the previous year. The *SRBA* specifies that the twelve-month period from October 1 to September 30 is to be used to calculate the increase payable the following January. The index used for the calculation is the CPI for Canada for All Items (not seasonally adjusted).

The pension increase (indexing rate) for 2009 is 2.5%

New Chair and Member of RCMP PAC

The Minister approved the appointment of Peter Martin, the CHRO, as incoming Chair of the RCMP PAC. The Committee thanked out-going Chair A/Commr. Pat McDonnell at its May 30, 2008 meeting for his work as Chair for the past year.

D/Commr. Martin joined the RCMP in 1969 and after two years of general duty was assigned to the Canadian Police Information Centre (CPIC) where he was involved in the beginning of automated/IT System in the Force.

During his long-standing career with the RCMP, D/Commr. Martin has held a number of diverse positions across the country. D/Commr. Martin became the RCMP representative for the Emergency Communications for Southwestern British Columbia (E-com) project, and retired from the RCMP in 1998 to become the project's general manager for the next three years.

In 2001, D/Commr. Martin returned to the RCMP as the Director of Informatics and became the Chief Information Officer and was responsible for the management of information and technology across the organization, including those national technology systems accessed by the Canadian law enforcement and criminal justice communities. In December 2004, he was appointed Deputy Commissioner of National Police Services (NPS), and after three successful years with NPS, D/Commr. Martin was named Chief Human Resources Officer on February 6, 2008.

S/Sgt. Gord Dalziel of the "E" Division SR program in Kelowna was also appointed as one of three SR representatives on PAC. S/Sgt. Dalziel was also appointed to a five-year term to represent the RCMP PAC on the nominating committee for the PSPIB, which recommends proposed members to that Board. Gord replaces S/Sgt. Don Taylor who retired from the Force in June after 35 years of service. The Chair acknowledged Don's experience and efforts to both the PAC and RCMP Pay Council. Don served with PAC since 1999.

Gord Dalziel joined the RCMP in Sydney, Nova Scotia on July 27, 1981, after graduating from St. Francis Xavier University in Antigonish, Nova Scotia. He has served all of his service in "E" Division in General Duties, Commercial Crime, and the Criminal Intelligence Section working on Organized Crime and Undercover Operations. He was elected as a SRR in November 2001. Gord is a former member of the SRR Internal Affairs Committee. In June 2005 and 2006, he was elected by the SRR Caucus to the SRR Pay and Benefits Committee. In February 2008, he was elected to the Pay Council.

The complete list of RCMP PAC members is available on the [PAC News Homepage](#).

Pension Portability

A legislative proposal put forward by the RCMP in the Spring of 2008 to allow for changes to the Elective Service Regulations to proceed, has been delayed due to the Federal Election. It is anticipated this legislative initiative will be proposed again by the RCMP, subject to the will of the new Parliament..

The Regulatory Group at NCS continues to work on drafting changes to the *RCMP Superannuation Act*. Once changes to the *Act* are completed, subsequent work will be required to complete drafting and obtain TB approval of amended Regulations detailing the costing and administrative processes to be used in the expanded elective service provisions. Not until these Regulations are completed, will prior service with other police forces be eligible for election. Given the suspension of Parliament and the length of this legislative process, no firm timetable is available for the completion of this regulatory work. Further progress updates will be provided in future editions of PAC News as steps in the regulatory process are completed.

Verification Process for Pensioners

In recent months, some pensioners have expressed their concerns about the process used by the RCMP “pension administrator” to certify their continued pension entitlement from the RCMP pension plan. The process currently in use by the RCMP is based on pension industry best practices and also complies with direction from central agencies and the auditor general’s office on this issue. We sample a number of recipients (10%) that are believed to be at the top end of our clients’ age spectrum, review their responses and input the data provided into the system and take any other related action as required. The goal is to have sufficient financial controls in place to protect against paying pension benefits to recipients no longer eligible.

We were confident in our approach and processes until when pressed by our clients we discovered we couldn’t locate the authoritative source documentation indicating the direction from central agencies. Also, we decided to confirm the business rules and procedures in use for this verification process to ensure these were performing as intended. What we discovered was not expected. For example, the practice of random sampling of clients was much broader than anticipated and maybe not as random as we had directed. **This is unacceptable.**

For these reasons, I have directed our pension services group to look at our policy, procedures and practices in a fresh light. We must protect the interests of all of our stakeholders, central agencies included, but we also must be respectful of our clients and our pensioners’ concerns. Prior to next spring, we will have a new protocol in place which will be constructed with the help some of you, our colleagues at Treasury Board Secretariat, Department of National Defense, and Public Works and Government Services and of course various areas of the RCMP.

Thanks to all of you who brought this issue to our attention and we hope this leads to more positive service changes for our clients.

Michael Cape
Director, Pension Services

WHAT’S NEXT?

Future editions of the PAC News will provide updates on other pension issues, and will be available on the “*What’s New*” Section of the [RCMP Pension & Benefits Solutions web site](#), as well as the [RCMP PAC web site](#).

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