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Chair

Mr. David Christopherson

Standing Committee on Public Accounts

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• (1530)

[English]

The Chair (Mr. David Christopherson (Hamilton Centre, NDP)): I now declare this 22nd meeting of the Standing Committee on Public Accounts open for business and in order.

Welcome to our guests. I would ask you to introduce yourselves to the committee and begin any opening remarks you may have.

[Translation]

Mr. Robert Fonberg (Deputy Minister, Department of National Defence): Thank you, Mr. Chairman.

Good afternoon, committee members.

[English]

Thank you very much for this opportunity to discuss chapter 3 of the spring 2011 report of the Auditor General pertaining to the reserve force pension plan.

I'll introduce my colleagues. With me today are Vice-Admiral Bruce Donaldson, the vice-chief of defence staff; Rear-Admiral Andrew Smith, the chief of military personnel; Kevin Lindsey, the chief financial officer; and Mr. Dave Grandmaison, the director of Canadian Forces Pensions Services and of the military pension renewal project.

As vice-chief of the defence staff, Vice-Admiral Donaldson offers a unique perspective on the reserves themselves.

[Translation]

He will make a short speech and will provide important information on the history and the implementation of the reserve force pension plan.

Vice-Admiral Bruce Donaldson (Vice-Chief of the Defence Staff, Department of National Defence): Mr. Chairman, if I may.

The Chair: Yes.

[English]

VAdm Bruce Donaldson: Thank you, Mr. Chairman.

Reservists are indeed a vital part of our Canadian Forces, significantly contributing to Canada's success in military operations. Over the decades and during the recent years of high operational tempo, our reservists have volunteered to serve either on active operations at home or abroad, or by backfilling important support roles. In fact, at one point at the height of our operations back in February of 2010, 15,000 of our 27,000 primary reserve members were on full-time service. Individuals from across the country

answered the call to duty in a time of need and voluntarily took leaves of absence from their regular jobs or education programs to serve full time with the Canadian forces. They've been instrumental in keeping our military operational and successful, and I think all Canadians owe them a tremendous debt of gratitude.

Mr. Chairman, the reserve force pension plan is designed to provide members of the reserve force with a modern pension plan that matches their level of service and provides them benefits comparable to those of their regular force counterparts.

[Translation]

It is also aimed at ensuring that the Canadian Forces retain reservists and are able to continue attracting talented men and women.

The Government of Canada began work on this plan in the late 1990s, in response to demands from reservists, parliamentarians and Canadians. It was an extremely complex undertaking, requiring a substantial amount of work to plan and implement.

[English]

In fact, when the department introduced the reserve force pension plan in March 2007, it was the first new pension plan to be introduced in the federal public sector in more than 40 years.

We knew we would have our challenges. The unique nature of a reserve service means that no two individual cases are alike. Therefore, developing a generic system that would account for every possible scenario was close to impossible. Furthermore, some of the members' records dated back from the 1960s, when these had existed only in paper format, if at all, thus requiring a substantial amount of time to extract and consult.

While the department was aware of some risks associated with these challenges, we decided that these were not sufficient to delay the introduction of benefits to reservists, as the risk mitigation would have resulted in further delays to the plan's implementation. We therefore proceeded to introduce the reserve force pension plan in March 2007.

As a result, we learned many lessons from the implementation that reshaped our approach and have permitted us to identify ways in which the program could be improved to quickly apply lessons learned and start making adjustments for increased program efficiency. I'm not sure that we could have predicted these lessons by delaying the implementation to study it further.

Mr. Chairman, many of the issues raised by the Auditor General's spring 2011 report were similar to some of our own observations made after the implementation of the plan. We therefore agreed with the findings and recommendations of chapter 3 of the report. In fact, the department has been working to address the issues for several years.

Since the publication of the Auditor General's report, we've made significant progress on the management action plan. We've hired and trained additional staff to address backlogs, growing the team from 132 in March 2007 to more than 230 employees today. We continue to assess whether another spiral of growth, with its associated spike in plan administration costs, would significantly improve the situation. We've improved internal controls, adding additional document checks to prevent errors. We've addressed systems issues, improving the way the applications are processed.

With these improvements, we have doubled our capacity to process files every year since 2007.

• (1535)

[Translation]

We also recognize the importance of open and clear communications with reservists. To improve this, we will have an interim website solution in place by March 2012, with the final website available by next December.

In addition, the military pension renewal project, which is currently at the approval stage, will review the overall business process and administrative systems of the plan.

[English]

As already noted, this has been a complex and challenging undertaking, but I believe we have established significant momentum, and we're continuing to build on this momentum. We recognize there is still much work to be done, but at the same time we'll continue to look for ways to improve the effectiveness and efficiency of the RFPP's implementation in the months and years to come.

Today my colleagues and I welcome this opportunity to address any questions you might have.

[Translation]

Thank you very much.

[English]

The Chair: Thank you, Vice-Admiral.

My apologies, colleagues. I should have gone with the Assistant Auditor General first, which is our normal practice. It is my mistake.

Mr. Berthelette, you have the floor, sir.

Mr. Jerome Berthelette (Assistant Auditor General, Office of the Auditor General of Canada): Thank you, Mr. Chair. There is really no need to apologize.

Mr. Chair, thank you for the opportunity to meet with your committee today to discuss chapter 3 of the Auditor General's spring 2011 report about the reserve force pension plan at National Defence.

With me today is Tom Wileman, principal.

[Translation]

Reservists play an important role in the Canadian Forces. While most serve part time, some volunteer for full-time service and have been deployed to overseas operations.

In November 2008, we audited the financial statements of the reserve force pension plan. For the 2007-08 and 2008-09 fiscal years, the audit resulted in a denial of opinion, because there was not sufficient information to determine the reliability of the financial statements. It is rare that we are unable to express any opinion on whether financial statements fairly reflect the financial position of a federal program. Therefore, we decided to conduct a performance audit to find out why this occurred.

Establishing a new federal pension plan is a rare and specialized undertaking. National Defence designed the plan to include all reservists, subject to eligibility requirements, and to allow pension buybacks for an unlimited period of past service. As of March 2010, approximately 21,000 contributors were in the plan.

• (1540)

[English]

As outlined in exhibit 3.1 of our chapter, the establishment of a pension plan for reservists has a long history. The need for a pension can be traced to the late 1980s when National Defence determined that such a plan could help with the recruitment and retention of reservists. In September 1999 Parliament authorized the establishment of a pension plan for the reserve force. In March 2007 the reserve force pension plan came into force. We examined the approach the department had followed to plan and implement a separate pension plan for reservists.

[Translation]

We found that National Defence did not have adequate planning in place. No senior official was made responsible for coordinating both the policy development and the delivery of the reserve force pension plan.

As a result, pension services were prone to delays and errors in the first three years of operations.

[English]

Consequently, there is a serious backlog in processing pension buybacks. National Defence statistics show that 4% of 9,213 buybacks requested by March 31, 2010, have been processed. Many reservists could wait seven years or more from the 2007 start date to know what pension benefit to expect and what it will cost them. There will still be a backlog in March 2012.

[Translation]

We recommended that National Defence adopt comprehensive measures to improve the management of the reserve force pension plan. The work on this audit was completed in November 2010, and we have not reviewed actions taken by the department since then.

The committee may wish to ask National Defence about its progress in improving pension services for reservists. The committee may also wish to ask the department what the current backlog is, when they plan to eliminate the backlog, and when they will be in a position to provide a set of reserve force pension plan financial statements that can be audited.

[English]

Mr. Chairman, this concludes our opening statement. We would be pleased to answer any questions that the committee may have.

Thank you.

The Chair: Thank you very much, Mr. Berthelette.

We'll move now to our questions and rotation, beginning with Mr. Saxton. You have the floor, sir.

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Mr. Chair.

Thanks to our witnesses for being here today to discuss the reserve force pension plan. I don't think anybody would dispute that value is critical in any pension plan. The reserve force pension plan has many features that make it a valuable part of planning for members' financial futures. Some of these features include early retirement, indexing, bridge benefits, and generous benefits for survivors.

My first question is for the Office of the Auditor General. In the Auditor General's spring 2011 report, the Auditor General mentioned that there was a serious backlog in processing pension buybacks of past service. Could a reason for the backlog be attributed to the fact that, prior to the reserve force pension plan, there had been no new pension plans introduced within the public service for the past 40 years?

Mr. Jerome Berthelette: Mr. Chairman, certainly the introduction of a new pension plan requires a great deal of work. It's a complex undertaking, and if one hasn't done it before then, yes, it is going to be more difficult to do.

However, what we found was that the reserve force pension plan was introduced without coordinating regulation and policy development with the coming into force of the plan's operation. It was not identified as a stand-alone project. As I mentioned in the opening statement, no senior official was made responsible for it at the project level. As well, there was no master implementation plan that coordinated the development of the policies and regulations with regard to the delivery of the reserve force pension plan.

I think this contributed more to the situation we faced than the fact that there had not been a new pension for a number of years.

Mr. Andrew Saxton: Thank you.

If the Department of National Defence waited until it had a 100% foolproof plan in place to prevent complications, would there even be a reserve force pension plan in place right now?

Mr. Jerome Berthelette: Mr. Chair, I would like to note for the committee that at no point in our audit do we suggest that the department should have waited to introduce the reserve force pension plan. The observation we have with respect to planning is that from our perspective, from what we saw when we reviewed the files, it seemed to us that the planning for the implementation of the

plan could have started a lot earlier and could have been coordinated with the development of the policies and the regulations.

• (1545)

Mr. Andrew Saxton: Your report indicates that there have been a significant number of members of the reserve forces—approximately 11,000, in fact—buying back their pensions. Your report also states that there are few records dating back over four years, many of which are incomplete or non-existent.

Do you know how many hours it takes to process a file, especially a file that is only partially complete?

Mr. Jerome Berthelette: Mr. Chairman, the information we have is that it takes between 80 and 100 hours to process these buybacks, in part due to the issue with respect to the records, which prior to 1999 were in hard copy, and which are very hard to retrieve or may not exist, resulting in the fact that National Defence has to use other records in order to make the determination.

Mr. Andrew Saxton: Thank you.

Can you confirm the steps the department had to take to review and confirm past service?

Mr. Jerome Berthelette: Mr. Chair, maybe I could ask our colleagues from the department to answer that specific question.

The Chair: Please, whichever one of you wants to answer.

Mr. Dave Grandmaison (Director, Canadian Forces Pensions Services, Department of National Defence): I think that's me, Mr. Chair.

As mentioned, pre-1999, there are no electronic records. In a lot of cases there are actually no paper records that exist. To verify the validation of records, members would send in their pay records and we would gather archived pay slips. Back then they actually called them pay cards as well.

If they couldn't find those, we'd accept course attendance records. A lot of members had to go to CFB Borden for six-month courses, and that type of thing. Therefore, we could prove they were a second lieutenant from 1962 to 1963 and so on. As a fail-safe measure, if they were confident they had military service, we would accept a T4 from the CRA to fill in the missing gaps. The problem with a T4 is that it doesn't say at what rank and how many hours you served. It simply says how much you earned. From that, we can work backwards. If they were a second lieutenant and thought they had worked six months, we could figure out how many hours they did work.

It is up to my staff to assist the member and verify that all their records are there. They sign off that, yes, it is complete, and then from there we process the files.

Mr. Andrew Saxton: Okay.

Finally, you mentioned that adequate pay records did not exist prior to 1999. Has there been an improvement in the way the records have been kept since then?

Mr. Dave Grandmaison: Mr. Chair, since 1999 all records have been electronic. They are audited annually by the OAG in its National Defence audit. So everything has been in line from the date the plan went forward. Most of the difficulties were encountered because the reservists could buy backwards. The electronic records did not exist, and that's where most of the delay is, sir.

Mr. Andrew Saxton: Thank you.

The Chair: Moving on to Madame Blanchette-Lamothe, you have the floor, Madame.

[*Translation*]

Ms. Lysane Blanchette-Lamothe (Pierrefonds—Dollard, NDP): Thank you.

First, I would like to congratulate our guests for taking on the implementation of a reserve force pension plan, which posed a number of challenges. I am pleased to hear today that you are interested in taking on the challenge of improving this regime.

I would like to better understand the challenges that lie ahead. The report says that a number of responsibilities were shared, but that there was no senior official responsible for managing the project.

I would like to know whether there is currently someone responsible for managing this project as a whole.

Rear-Admiral Andrew Smith (Chief Military Personnel, Department of National Defence): As Chief Military Personnel, it falls on me to manage this, in terms of both policy and administration. That was not the case before, but since the summer of 2011, I am responsible for both aspects of the program.

Ms. Lysane Blanchette-Lamothe: So, you are the one who will coordinate implementing and improving the plan?

RAdm Andrew Smith: That is correct.

Ms. Lysane Blanchette-Lamothe: Thank you.

I have some questions about the procedures and systems considered to be insufficient. The document we received mentions computer problems, which have been fixed.

Could you tell me what the problems were and what was done?

RAdm Andrew Smith: Could you repeat your question?

• (1550)

Ms. Lysane Blanchette-Lamothe: The action plan we received indicated that the computer problems were fixed.

RAdm Andrew Smith: That is correct. In 2010, we made some major changes. In the fall of 2011, we also adopted a series of changes to our computer system. As problems are discovered in the system, they are fixed.

Ms. Lysane Blanchette-Lamothe: Could you tell me about web-enabling for self service, which was considered to be insufficient? Was this incorporated?

RAdm Andrew Smith: Are you specifically referring to the calculator?

Ms. Lysane Blanchette-Lamothe: I do not have other details; the report mentions “web-enabling for self service”.

RAdm Andrew Smith: In the past, when the administrative aspect fell under another assistant deputy minister, there were two

systems and two websites. We will combine them to have a single website, so that reservists have one place to access all of the required information.

Ms. Lysane Blanchette-Lamothe: In your opinion, will the improvements that you briefly mentioned considerably help reduce the processing and examination time needed for the files?

[*English*]

RAdm Andrew Smith: In terms of processing times, I'll just correct one thing. When we started this endeavour, the processing times for the files were in the order of 150 hours per file. That is just a further indication of the complexity associated with going through manual records.

Due to the efforts put in place, we're now down to about 100 hours, and that number of hours per file will decrease over time as we automate more of the records.

As for the website that I speak of, I don't necessarily see it affecting the processing times. I see those as two independent pieces, but in relation to processing times, it is instructive to note that each individual file can involve up to 10,000 line entries for somebody to pour through to confirm the rates of pay, the timing, the periods in question, and on service and not in service. That's an indication of just how complex this undertaking can be.

[*Translation*]

Ms. Lysane Blanchette-Lamothe: I understand that the process is complex and that it requires many hours of work. What is the backlog right now? Do you think you can eliminate this backlog for processing files?

RAdm Andrew Smith: Are you asking me whether we will be able to eliminate the backlog in question?

Ms. Lysane Blanchette-Lamothe: What is the current backlog? Do you think you will be able to eliminate this backlog?

RAdm Andrew Smith: Right now, we have a backlog of around 12,000 applications.

[*English*]

Again, it is instructive to have a look at how that 12,000 number is broken down. Fully 83% of those applications refer to people who are still in service today and not yet in a position to receive a pension. That does not in any way diminish the fact that they need to have information in place to enable them to make informed decisions about a buyback. So that's an acknowledged challenge going forward, to make sure that we can provide them the information in a timely manner to make informed decisions.

Of the remaining 17% of the 12,000 files—amounting to almost 2,000 files—for the people who are retired or are retiring, 56% or just over 1,100 have already been processed. The other 871 files in question are in various stages of audit evaluation and final checking for us to be able to present the pension cheques in question.

I don't diminish the challenge in front of us, but it is instructive to put into context that 83% of those files are for people who are still serving today.

•(1555)

The Chair: The time has expired, so I thank you both.

Mr. Kramp, you have the floor, sir.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Chair.

Let me at this time speak on behalf of all reservists in Canada, and I know I certainly speak for a local organization. Of course, I'm from the proud home of the Hasty P's, who have a tremendous history of participating in this. I guess this is the first new piece of federal pension legislation in 40 years, so we're delighted to see it. Imperfect as it is, at least it's a significant move forward, and we thank you for that.

I'll deal with the triage issue in a subsequent question, but first, the Auditor General has said this is good news and bad news. The good news, of course, as I mentioned, is that we're finally doing something to address the needs here.

There were a number of valid concerns registered by the Auditor General. So, Mr. Fonberg, or whoever feels comfortable responding to this, I'd like to know what you are doing with the recommendations that were put forward. What is the status of your response in dealing with the recommendations? There are a number of them. I don't know if we have time now to go through each and every recommendation, but I would like to be comfortably assured that you're dealing with these issues and are placing a priority on an effective response.

Mr. Robert Fonberg: Mr. Chairman, I'll turn to the rear admiral on that question.

RAdm Andrew Smith: Thank you for the question.

I'll address each recommendation. There is one recommendation, but there are really four sub-components of it, and I'll come at those in turn, if I may.

On the first one with respect to hiring and training of staff, both prior to the audit and post-audit, we significantly increased the staff horsepower associated with addressing the backlog. When the plan came into place in March 2007, we had 132 staff in place to address this. In advance of the plan coming into place, we had hired 40, so we went from 92 to 132 staff. Between coming into force on March 1, 2007, and July of 2010, we hired another 70 people to bring it up to 202. Since that time, we have hired and trained another 30 people to address this.

We have a total of 232 people today dedicated to addressing the backlog. We continue to look on an ongoing basis at the value proposition associated with hiring more people, conscious, of course, of the cost that would be against the plan itself. So that's an ongoing piece we look at and continue to evaluate. That's the first piece.

On the second one with respect to system improvements and administrative processes, I spoke previously about some of the systems changes that were put in place, both in the fall of 2010 and the fall of 2011. We continue to look at doing that on an ongoing basis. Some of the problems associated with that early on related to the fact that the system was really geared in much the way it would be for a regular force pension plan or a public service pension plan dealing with straightforward cases. They weren't necessarily well set

up to deal with the unique part-time cases associated with the reservists. So we have continued to put those changes in place.

With respect to the recommendation to redesign administrative processes, the military pension renewal project will certainly amend the business processes associated with pension administration. But with respect to the manual record-keeping going forward, it continues to be a manual process, and that, regrettably, is what it is, and we're going to have to deal with it as we work through the backlog.

With respect to the performance reporting part of the recommendations, we have implemented a rigorous quarterly reporting piece that will be reported both to me and, three times a year, to the Canadian Forces Pension Advisory Committee, which I chair. That committee has representatives from the army, the navy, the air force, and the reserve community at the senior leadership level. The reporting will then be disseminated back through their respective chains, and we will look to place those performance reports on the website as well.

With respect to improved communications, I spoke previously about the proposal to combine the two websites into one on a trial basis by March 2012, with a final version no later than December, a year hence. We have conducted town halls to get the word out. There is a reserve force pension communication working group, under the auspices of the chief of reserves, to help get this word out. We continue to have a call centre with nine people dedicated during business hours to addressing concerns related to administration, and we have our own internal messaging vehicle by which we endeavour to get the word out as well.

Those are some of the specific pieces associated with the recommendation. I am confident that we're on track. We've gained a lot of experience in the four years since the plan was put into place. We've increased staff capacity. The communications have improved. The processing time for a file has gone down significantly. We have completed over 11% of the files. There is a management action plan in place to address it, monitor it, and report on it.

I would submit, Mr. Chair, that we're on track and we know where we are.

•(1600)

Mr. Daryl Kramp: Thank you.

Do I have another second, Chair?

The Chair: No, you don't.

Mr. Daryl Kramp: Thank you. I thought I would try.

Voices: Oh, oh!

The Chair: I appreciate that, Vice-Chair. The nod is appreciated.

Moving along, Monsieur Dubé, you have the floor, sir.

[*Translation*]

Mr. Matthew Dubé (Chambly—Borduas, NDP): Thank you, Mr. Chair.

I thank our guests for being here.

Like my colleague, I see how important this type of program is. However, it still requires a certain degree of efficiency to be fully effective.

My questions will be in the same vein. Since the start of this meeting, there has been a lot of talk about the complexity of the challenge this system represents.

Senior officials at your department identified the major risks that could be encountered with this project. If you were not aware of this in the beginning, why did you not take measures to perhaps mitigate the problems highlighted in the auditor general's report?

RAdm Andrew Smith: In light of what we have learned since, I am not sure that today we would have acted the same way.

[English]

I would say that in keeping with standard project management practices and principles, we would have had a single senior-level official, at least at the assistant deputy minister level, in charge of the project, and equally a master implementation plan in place.

That, regrettably, was not the case when the project was established. That is noted. That is what it is; we can't change that. The focus has been to address the backlog, moving forward in as aggressive and positive a fashion as possible. I would submit that the measures we put in place are in line with that. The risks at the time of implementation were understood. The question remains as to whether we would have been better off to wait or better off to implement it.

Ultimately, based upon what we have learned to date, we were better off to implement it, though we acknowledge there are challenges associated with that. Had we waited, first of all, we would have had a more serious backlog than we have now. Second—and this is an important point—if we had waited for implementation, people who retired in the intervening year or two or three years prior to implementation would have been precluded from applying for the plan. We would have precluded some people's access to a pension.

On balance, I would submit that we made the right decision to proceed, acknowledging the challenges, to get as many people, if I could use the term, under the tent as possible early on.

[Translation]

Mr. Matthew Dubé: Thank you.

During your speech, you mentioned some measures you had adopted to resolve these problems. But you also mentioned some problems that were raised in the auditor general's report and that are causing delays: paper files, computer systems, and so on.

I would like to get back to my colleague's question. The report shows that you set an objective of 1,550 files by March 31, 2012. We know that in some cases, it can taken up to seven years for reservists to see their pension.

Can you tell us more about the measures you will take to achieve these objectives and also to resolve this problem in the long term?

•(1605)

RAdm Andrew Smith: As I mentioned earlier, we are continually examining how we can process files more quickly and make our current administration system more efficient. We will continue to

assess whether we can hire more staff to help us, something we regularly do to reduce wait times.

[English]

It's always possible to bring the seven years back to something along the lines of six years or five years. It takes more staff and there is a cost associated with that, but that remains something we continue to examine.

The Chair: Your time has expired.

[Translation]

Mr. Matthew Dubé: Thank you.

[English]

The Chair: Thank you, both.

Mr. Shipley, you have the floor, sir.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair.

Thank you, witnesses.

The Auditor General completed the report on November 30, 2010. I'm not sure when it started or whether that's important. So we've gone now a year since the report was completed.

A number of the things that I want to click onto here, I guess, are telling us we know what's in the report. I'm more interested now and, quite honestly, Mr. Donaldson, I want to say thank you, and I'd hope you would pass that on to the reservists. I'm learning more about their function, their appreciation, and our appreciation as Canadians for what they themselves offer to Canadians. And I want to say thank you to you and, through you, to them for that.

I'll come back to what's happened in that year.

Can I go to a basic question? Can you help me? If there is a reservist who has left education—university or college—or one who is employed but who volunteers now to become part...can you just explain quickly how that works with an employer and how that works with their education? Can they continue while they're reservists with National Defence?

VAdm Bruce Donaldson: Mr. Chairman, if I may, I'll answer that.

So, sir, your question is essentially how do the reserves work.

Mr. Bev Shipley: That's it, quickly.

VAdm Bruce Donaldson: Very quickly, we have reserve units across the country, and when people are recruited into the reserves, they join a unit. Quite often those who initially join the reserves are in school and are attracted by the excitement and the opportunity to earn money. They're assigned to a unit. They undergo a specific training regime until they are qualified, but the training continues throughout their entire service. They go into part-time service of between one and two nights a week, about one weekend a month, and for a period over the summer, depending on their availability, of between three weeks and three months.

When they leave school or go back into employment, they continue one or two nights a week. Typically as they get more senior, it will be two nights a week with their unit, and they will find time away from their work for summer training for about two to three weeks typically. We have been working with employers across the country to help them recognize the requirements for reservists to train and, therefore, to encourage them to give time away from work. We also highlight the benefits of reserve service to employers across the country. And throughout all this period when reservists are on full-time service, they're accumulating time towards a pension plan so that regardless of their other possible instruments on retirement, at the end of a career in the reserves, they would be entitled, after qualifying periods of service, to a pension.

Mr. Bev Shipley: I would think most Canadians would be surprised to know that there are 27,000 primary reserve members and that 15,000 of those are actually full-time. I guess that helps allude to my earlier comments about the appreciation we have across the country for them.

The second question I have, and this may be for Mr. Smith, is about the backlogs. You're now at 230 employees. To continue to work towards eliminating these backlogs.... I'm always concerned quite honestly when we continually add people to deal with things when I can know that the backlog will come to an end, and we will have hired all these people. Now we have a modernized system and most things will be done electronically. When do you see an end to that coming? Or are you concerned or saying that these employees once there will always need to be there to maintain the system?

• (1610)

Vadm Bruce Donaldson: Mr. Chair, if I may, I'll just kick off the answer.

Mr. Shipley, at its peak we had 15,000 reservists on full-time service. That was during the Olympics, Afghanistan, and the G-8 and G-20 timeframe. Typically we have between 8,000 and 9,000 on full-time service. It spikes at different times of the year, with the summer training that I was talking about. We're in the process now of reducing the number of reservists on full-time service as we move forward.

I'm sorry for the interruption.

RAadm Andrew Smith: Thank you for your question.

Currently based on the 230 people we have in place, as I said, the number of hours per file has gone from 150 down to 100. As we automate more records as opposed to the 1960 paper or manual processes, I fully anticipate that this number is going to come down to 80 hours and then 50 hours. So processing time is certainly going to speed up.

The 230 people we have in place to address this will not be required in the longer term for the pension buybacks. Therefore, going forward, if we were to bring more people in to address the backlog, I submit they would be hired in a term capacity, so that we would have the equivalent of a temporary surge capacity without incurring long-term liabilities, if we didn't then need them going forward.

Mr. Bev Shipley: Okay.

The Chair: You're all done.

Mr. Bev Shipley: Thank you.

The Chair: Thank you.

Mr. Byrne, you have the floor, sir.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thanks, Mr. Chair.

Thank you, gentlemen, for appearing before us. You gave us a very positive and helpful insight into the nature of the reservists.

You indicated that of the 12,000 outstanding applications, 83% of the 12,000 applicants are active duty reservists, active in a reserve at the moment. That gives us a window as to the age cohort of the applicants.

Twelve years ago, we went to an electronic records system. Of the 12,000 applicants, how many of those applications would involve records that have to be assembled through evidence?

Mr. Dave Grandmaison: Could you repeat that, please?

Hon. Gerry Byrne: How many of the 12,000 applications currently before you would represent applications that involve records that have to be assembled through evidence, as mentioned in the preamble?

Mr. Dave Grandmaison: As the admiral said, there are roughly 9,000 files of still-serving members that haven't really been moved along. Those people would have records that are more automated than those of the retirees, but because there were no automated records prior to 1999, there are, for sure, still paper files for those years. As we move further away from 1999, more years become automated.

Hon. Gerry Byrne: My question, Mr. Grandmaison, is this: how many are there?

Mr. Dave Grandmaison: We are unable to estimate exactly. In the 9,000 sitting there, for sure every one of them has some non-automated records.

Hon. Gerry Byrne: On the issue of the lack of a financial statement for the reserve force pension plan that the Auditor General could effectively audit in previous years, the only window that parliamentarians have on the financial status or the financial statements comes from the public accounts. In the Public Accounts of Canada in 2006-07, the year that the reserve force pension fund account was established, there were contributions collectively from personnel and government of \$4.8 million, but administrative expenses of \$1.5 million. That one and a half million dollars is about a third of the overall cost of the contributions.

For the reserve force in 2007-08, on the \$66 million in contributions that year, there were an undisclosed amount of administrative expenses—presumed to be zero—and pension transfer value payments of \$4.5 million. However, in 2008-09, the entire value of what was described in the previous public accounts as being pension transfer value payments became administrative expenses.

Exactly \$4,567,078 million was the figure used, which then became administrative expenses that year—from the previous year—and then for that current year, approximately \$4.5 million was booked as administrative expenses on \$88 million in actual receipts. Then, in 2009-10, \$5.3 million was booked on \$95 million in receipts. In 2010, \$5.2 million was booked as administrative expenses on \$65 million in receipts. When you look at it comparatively, for example, on the same page that they appear in the public accounts, the Royal Canadian Mounted Police super-annuation account, with \$13 billion, had listed administrative expenses of \$8.6 million.

Do you feel that's a reasonable representation of administrative expenses for those levels of receipts or contributions from the government and reservists? It would be my take that these administrative expenses are fairly high as a ratio of contributions, especially considering the fact that almost all funds are transferred to the pension investment board. They're not handled internally; there is simply a transfer to the pension investment board.

Would you be able to comment on whether or not reservists are getting good value from the administrative expenses?

• (1615)

Mr. Kevin Lindsey (Assistant Deputy Minister, Chief Financial Officer, Finance and Corporate Services, Department of National Defence): Mr. Chair, with respect to the figures, I can't comment on the RCMP data. I would say that the administrative expenses associated with the reserve force pension plan are in fact a function of the remedial efforts we're making to process this backlog. And when the plan reaches a steady state, when the records are automated, when the reservists are fully into the kind of pension system the RCMP are now—which we're targeting, I believe, to happen by 2015—then you will see this ratio change significantly.

I would just note, Mr. Chair, that while the contribution figures from plan members in the government are, as the member stated, pretty close, they do exclude the investment income from the Public Sector Pension Investment Board. That income was about \$32 million in 2010 and about \$39 million in 2011. So the ratio admittedly is not what we would want, but it is slightly better than the figures you cited would infer, simply because they didn't include the investment income.

The Chair: Okay, I'm sorry, but the time has expired.

Moving along to Mr. Hayes, you have the floor, sir.

Mr. Bryan Hayes (Sault Ste. Marie, CPC): Thank you, Mr. Chair, and welcome to our guests.

To the Assistant Auditor General, the 2007-08 and 2008-09 statements had a denial of opinion. I just want to understand clearly why that occurred. If I'm reading this correctly, it's because of the inability to estimate the accrued pension liability and contributions receivable.

Is that a correct statement?

Mr. Jerome Berthelette: Mr. Chair, that's correct.

I would also add the following points, though. The financial audit found deficiencies in the internal controls, both manual and automated, over transactions. There was a lack of data. There were

high error rates, inappropriate segregation of accounting processes, and a lack of quality assurance for financial statements. This contributed to the denial of opinion.

Mr. Bryan Hayes: It's been stated that National Defence requested that a financial audit not occur in 2009-10 and 2010-11 to allow it time to address the backlog of pension buybacks, which I am again assuming are used to calculate the accrued pension liability.

My question to you, sir, is do you feel that DND will be in a position in 2011-12 of having that accurate information? That same question goes to Mr. Smith as well.

• (1620)

Mr. Jerome Berthelette: Mr. Chair, I would defer to the CMP.

Mr. Bryan Hayes: Fair enough.

RAdm Andrew Smith: In going through the financial audit, we worked very closely with the Office of the Auditor General, and that very issue came up. We had a very engaging discussion back and forth on whether things would change with respect to the pension buyback in a material way to make it worth a significant investment of time by the Auditor General's office to go through the statements again. The conclusion mutual conclusion we reached was that it would be unlikely for 2009-10, and certainly for 2010-11.

It was initially envisioned that we would re-institute that financial audit process in the fiscal year 2011-12 timeframe. Recent discussions with Ms. Cheng from the Auditor General's office, who was the lead on that, indicate that from her perspective it would be highly preferable to have 50% of that backlog addressed so they can have a higher level of confidence in the financial statements. Based on that, the current assessment is that it's more likely to merit the resources and time of the Auditor General's office in fiscal year 2013-14, based on the current processing times and the anticipated progress being made.

Mr. Bryan Hayes: So in all likelihood then, if the statements are audited in 2011-12, we would anticipate having another denial of opinion. Therefore, the preference and the understanding is that it will take an additional year—

RAdm Andrew Smith: Yes, an additional year or two to get to a point where there really is a material change.

Mr. Bryan Hayes: I just want to be clear that we all understand that.

I have one further question to you, sir. You have taken on the lead role in this. The initial report did suggest that there were some areas of concern in the fact that responsibilities were divided between three individuals, the chief of military personnel, the assistant deputy minister of finance, and corporate services. I would expect there would still need to be communication between all of those parties. Is that correct? Are you the sole go-to person, or are you the coordinator and facilitator?

RAdm Andrew Smith: I have one small correction to make, if I could, upfront. You said three people, but you really only named two. The assistant deputy minister of finance and corporate services is one individual, Mr. Lindsey to my immediate left. The assistant deputy minister for information management is that third individual. He has a role to play in this as well.

The policy and the service delivery components now come under me, and so I have the responsibility of coordinating both, working closely with, as required, both of my counterparts in the finance and corporate services world and with IM on the systems improvement side, to bring issues and resources to bear to address the concerns that might be in play. But there's clearly one dog to kick, and that's me.

The Chair: You're right on time.

Mr. Bryan Hayes: Thank you, Mr. Chair.

The Chair: Very good.

Moving along to Mr. Allen. You have the floor, sir.

Mr. Malcolm Allen (Welland, NDP): Thank you, Chair, and thank you to everyone for being with us today.

Let me just say upfront that we certainly appreciate the fact that we've entered into this, no matter what the complexities, the heartache, headaches, and aches elsewhere that occur when the buck stops or the dog gets kicked—and hopefully not too often.

As my friend, Mr. Kramp, said in thanking you on behalf of his unit in his neck of the woods, I'm from Welland and so the Lincs and Winks are obviously very grateful as well. I send along their thanks for this, albeit some of them still have some issues about what this is, but they're one of many obviously.

So as part of this process that you're trying to get through, communication is a key ingredient because quite often you're right in what you said about the numbers. There's no question that you're wholly accurate about who's ready to retire and who needs to know now, and I'm glad to see you pulled that piece out and said, let's go do that first. It is about saying to all those folks, "We hear what you're saying and we're trying to answer your questions." How far along are you in that, because some issues raised by the Auditor General's report clearly say that communications just really weren't good?

I know you talked already about two websites eventually collapsing into one, albeit it sounds like they might still be there. So, Rear Admiral, could I get you to start with that.

•(1625)

RAdm Andrew Smith: Certainly.

The two websites will be combined into one by March 2012. The communications process related to reservists is in itself a challenging piece, particularly for part-time reservists. Sometimes they parade, sometimes they don't, sometimes they move, and then it might take them a while to re-engage in another unit. It's unlike the regular force, with whom we have a greater ability to communicate.

So getting the message out to reserve force units does present a challenge, which is why we've elected to do the town halls and have started up the working group that I referred to, in order to try to get that word out to reservists. And it's why we continue to dedicate nine people to a call centre to allow people to call in and have a face-to-face discussion related to their particular case during business hours.

Mr. Malcolm Allen: You talked earlier about how you'd split a certain number of cases off, and I think you actually said there were about 800 files worked on or ready to be worked on. Are they in

queue? Do you simply take one and follow it through until it's done, then pick up another one? Or do we pick bits and pieces depending on...?

Let's assume I was in the Lincs and Winks with my colleague, Matthew Dubé, and we both basically started around the same time. We might have attended the summer program, for instance, and then joined the reserves. Because both of us are asking the same questions at the same time, does it become an A versus a D thing, or how do you pick that up?

RAdm Andrew Smith: I will give you a partial answer and I'll ask Mr. Grandmaison to elaborate momentarily.

Of the 871 files that remain outstanding for people who are retired or retiring, they could be in a first, second, or final audit phase. With some of them, we have to go to the Canada Revenue Agency for a liaison function. There's a final audit process in play, and so they can be in the various stages of pension administration.

With respect to the triaging in place—you versus Mr. Dubé, for example—I'll ask Mr. Grandmaison to elaborate on how those are actually prioritized.

Mr. Dave Grandmaison: The files are currently processed in four priorities. Obviously, death or injury in theatre is number one, and retirement is priority number two. Those retiring are number three, and those still serving are number four.

As the admiral said, there are 871 files that my staff are currently in the process of working on. As it takes 100 hours of actual processing time to work on a file, you can see that they are working on many files at once.

We do have to go to the Canada Revenue Agency to make sure that the people have room in their RRSPs to transfer files. Usually we wait up to two weeks to get the response back from CRA on that. After that, we have to go to the member and they have to give us a cheque. If it's a big cheque, it's often anywhere from two to six weeks before that big cheque arrives.

So my staff isn't there waiting for the mail to arrive. They quickly grab another file, always working on number ones first. When they've done all the number ones they have, they work on the number twos, etc. They are more than gainfully employed.

As the CMP had said, we are looking at the feasibility of hiring an additional team of 50 term employees to make the backlog go away more quickly. I have a lot of files that can be processed, and we are doing the best we can with what we have.

The Chair: That's the time we have, but Vice-Admiral, I saw that you were trying to get in.

I can't get you both in, but if you'd take a quick moment, Vice-Admiral, go ahead.

VAdm Bruce Donaldson: I just wanted to come back to the first question and say that with each of these 12,000 files or 8,000 files, there really are quite different circumstances, with each of them needing a good deal of investigation.

There are 12,000 people who want to know the status of their file, how long will it take, and when they will get an answer, etc., so the communications challenge is huge. But we get that. We're doing the best we can to resolve that by putting out as much information as we can and by giving people the opportunity to call, with a volume that we can manage, while trying to stay ahead of it.

But we recognize that it's tough for the people who aren't getting the answers they need. It will be difficult for us to fix that in the short term. We'll just continue trying to do the best we can to get the work out.

● (1630)

The Chair: Thank you.

Mr. Aspin, you have the floor, sir.

Mr. Jay Aspin (Nipissing—Timiskaming, CPC): Thank you, Chair.

Welcome, gentlemen.

I personally regard this—and I guess it's been noted—as a really good news story. It's a real challenge, the reserve force pension plan. As Rear-Admiral Smith alluded to, he'd probably do it in a little different way, but as you know, we don't always know where to go when we're first attempting something. As my colleague Daryl Kramp often says, we're in progress here—we're in solid progress—but we're not in perfection.

I have a couple of questions. There are numerous references to what is referred to as “pension modernization” throughout the chapter. Could you perhaps explain to the committee what is meant by pension modernization?

RAdm Andrew Smith: I'll ask Mr. Grandmaison, who is also the director of the pension renewal project, to address that specific question.

Mr. Dave Grandmaison: We're currently in the approval process to join the rest of the federal government of Canada, Public Works, and the RCMP with a modern pension solution that has self-service capability, in order to increase service to the members and to fill in the missing automated pieces that we currently don't have.

The approval stage is rolling along. It's actually scheduled to go before the board tomorrow. Because it's not approved as of yet, I can't get into too many details, but it will allow the CF members to have the same level of services that public servants, like me and RCMP members, currently have or will have.

Mr. Jay Aspin: Thank you.

I understand from looking through a lot of this material, and from examples, that the administration and calculations involved in pensions can be quite complex. Can one of you perhaps walk us through, in layman's terms, what happens when a member of the reserve force decides to buy back pensionable service?

Mr. Dave Grandmaison: I think that's going to fall to me as well.

The first bit of information they have to submit is their file. Some files can be two inches thick, with all the records of all the time they're requesting to buy back. My staff and the administrative correspondence unit go back and forth with the member to make sure all of their records are complete and that they're happy with the

calculations we have provided. From there that file goes to my banking section, and the monthly deposits then come off the member's cheque. So they're in the plan. They're contributing towards what they owe. From there the records are validated by the actual pension buyback team. That's a big chunk of the time it takes, some hours of the 100 hours in total. A statement of earnings is then created—and because the records aren't automated, they first have to be built up in order to be automated. Then from there they're audited by a separate person. The OAG talked about internal control deficiencies, and because the numbers are manually entered, if a person puts a 6 instead of a 9, there's no system to check that, so we need a separate set of eyes to be able to verify the numbers. That's in the audit stage.

After that's verified, the statement of earnings is then put into the computer system. Again, that takes an awful lot of time. It then has to be approved to make sure what was supposed to go into the system is in the system. Again that's to catch what the OAG had said about internal controls. From there the final cost is approved and sent to the member. They have to say that they agree and that they are buying back the figure. We then have to notify the Canada Revenue Agency, because if the member wants to transfer \$300,000 or \$400,000 of RRSPs, we have to make sure they have the room to do that. CRA then either confirms or tells the member that they have to deregister the funds. Then the statement of service and election costs are finalized and sent to the member. The member signs it, and their buyback is complete.

Then that file goes to the reserve force pension benefits group, which is exactly the same as the regular force pension benefits group. It is important to note that it takes exactly the same time to do the pension benefits for reservists as it does for the regular force. There is no difference. The only hiccup is that the buyback has to be done for reservists; it's typically not done for the regular force. That's why you don't hear about as many complaints or issues with the regular force.

If that's not enough detail, let me know.

● (1635)

Mr. Jay Aspin: So that accounts for the 80 hours?

Mr. Dave Grandmaison: It currently takes 100 hours. For records that date back to the 1970s it takes roughly 100 hours per file. When we first started we had records going back to the 1960s. Those took about 150 hours per file. As the decades move on and more is automated and less is non-automated, that time shrinks, which is where we see the processing improvements.

The Chair: Thank you, gentlemen.

Mr. Byrne, you have the floor, sir.

Hon. Gerry Byrne: Thank you very much, Mr. Chair.

I just want to follow up on the question that Mr. Grandmaison answering. You had mentioned that interest is not included in the overall figures within the Public Accounts of Canada. Is that what you suggested? Is that correct?

Mr. Dave Grandmaison: The interest is not.

Hon. Gerry Byrne: Mr. Fonberg, would you like to respond?

Mr. Robert Fonberg: I believe the reference was to investment income, Mr. Chairman.

Hon. Gerry Byrne: Oh, I'm sorry, Mr. Lindsey, it was you who had mentioned it.

Mr. Kevin Lindsey: Not a problem.

I was simply suggesting that as you were reading the data from the public accounts and referring to the plan's income, I also heard you refer to contributions. I did not hear you refer to the investment income as well. So I was simply pointing out that as you were going through that list of numbers, I didn't hear you mention the investment income, which is part of the income of the plan in addition to the contributions.

Hon. Gerry Byrne: Right. Thank you, Mr. Lindsey.

There's a reason I didn't. It's because there is no line for income in the Public Accounts of Canada. Under receipts and other credits, you have contributions from personnel, and contributions by the government, but there are no other lines for other receipts. That obviously causes us some concern. There was a period of time during which this reserve force pension fund account was not able to produce auditable financial statements.

My next question leading from that is whether this investment income, these figures, represents gross interest, or is it net interest minus management fees from the pension investment board?

Mr. Kevin Lindsey: The figures I gave you earlier referred to the investment income. The administrative fees incurred by PSPIB are included in the administrative fees that you cited.

Hon. Gerry Byrne: Thank you.

Would you be able to provide the committee with a brief explanation of what occurred in the financial year 2007-08, when there were no administrative expenses booked in the Public Accounts of Canada towards the reserve force pension fund account, but there were pension transfer value payments of \$4,567,078, which we're all aware of?

There were no administrative expenses booked that year, yet that exact same figure, \$4,567,078, was booked the following year in the

Public Accounts of Canada for that previous fiscal year as an administrative expense.

Mr. Kevin Lindsey: Mr. Chair, I'll have to take the question on notice. I believe, sir, you said that pertains to the 2007-08 fiscal year. Frankly, I don't have the ability to respond to your question as I sit here. But we will certainly look into it and provide you with a response.

Hon. Gerry Byrne: I appreciate that very much.

When do you think the fund would be able to produce auditable financial statements? I'll ask that of you, and then I'll go to the Assistant Auditor General, if I could.

Mr. Kevin Lindsey: As Admiral Smith alluded to earlier, the original plan was to resume financial audits by the Auditor General at the end of this fiscal year. In discussing the issue with the Office of the Auditor General, as there remains sufficient doubt around the liability associated with the past elections, the conclusion is that an audit at the end of this fiscal year would, in all likelihood, result in a similar outcome—specifically, a denial of opinion.

I would defer to the OAG and to Admiral Smith, who's been more engaged in recent discussions on the matter, but I believe the current thinking is that it will be in fiscal year 2013-14.

● (1640)

RAAdm Andrew Smith: If I could elaborate on that, it has very much been a consultative piece with the Office of the Auditor General. We're fully cognizant of the amount of staff effort it takes from the OAG's office, so would it be a good investment of time and resources to do that, if we were fairly confident that we'd have the same conclusion?

That's why we have come to an agreement that it is more likely we will be in a better position in 2013-2014 to address that with greater confidence.

The Chair: Sorry, that's it. The time has expired.

Hon. Gerry Byrne: I would like to ask the Assistant Auditor General to reply, if there is an opportunity.

The Chair: Sure, I'll give him that opportunity.

Hon. Gerry Byrne: Thank you.

Mr. Jerome Berthelette: Mr. Chair, as the chief of military personnel has pointed out, there are ongoing discussions with our office as to when we will be conducting the next financial audit.

The Chair: Thank you.

We will move on to Madam Bateman. You have the floor, ma'am.

Ms. Joyce Bateman (Winnipeg South Centre, CPC): Thank you so much, Mr. Chair.

Thank you all for being here. I very much appreciate the role that the reservists play in our society and the recent large-scale events that have gone off without a hitch because of their input. I very much appreciate it, and I'm glad they are being recognized in this way.

I read with interest the Auditor General's report. I recognize that perhaps the technical summation wasn't quite ready to deliver this kind of program. I want to ask a few questions for clarification first.

Rear-Admiral Smith, I'll ask a question in a moment. But first, just to verify your remarks, you said the group had about 92 people, and it has grown incrementally to about 230 people in this unit that's dedicated to the implementation plan.

RAdm Andrew Smith: Correct. Some 92 people were in that section in October 2006, before the plan came into place. We have grown it incrementally and systemically over time to a total of 232 people.

Ms. Joyce Bateman: Okay. And those people are full-time people —

RAdm Andrew Smith: Yes, they are.

Ms. Joyce Bateman: —in the public service of Canada.

I also want to clarify something that I believe Vice-Admiral Bruce Donaldson indicated. We were talking about 15,000 to 20,000 reservists. You clarified that there's a trend to move that number down, to about 8,000 to 10,000, and that it's in the process of being reduced.

VAdm Bruce Donaldson: What I indicated, ma'am, is that at our peak we had 15,000 reservists. That reflected the high level of operational activity. We currently have between 8,000 and 9,000 full-time, although it fluctuates during the year. We're seeking to reduce that significantly, perhaps by as much as one half in order to come to a steady state as we come out of a high operational tempo. We'd like to have a steady state of full-time reservists, which will then fluctuate with training during the year and that type of thing, and really put our investments into an operationally ready part-time reserve as originally intended.

Ms. Joyce Bateman: I believe my colleague Bev Shipley spoke about your plan to reduce the backlog. We have a serious backlog. The Auditor General said that next year's opinion likely won't be clean because of the ongoing backlog, but you have a plan in place. What's a ballpark estimate, according to the plan, for when the backlog will be addressed?

RAdm Andrew Smith: Based on the current staff resources in place, the 232 people that we have—

Ms. Joyce Bateman: Plus there are the potential 50 term employees.

RAdm Andrew Smith: Fifty additional people would take it up to 280 people. But based on 230 today, our best assessment is that it would take until 2017 to clear that backlog.

Now in fairness I need to say that as the processing time comes down from 150 to 100 hours and to 80 hours and 50 hours, there is always the potential for that to go faster, and that is the expectation. But it will be very much be a matter of "see as we go" as that processing time per file is reduced.

• (1645)

VAdm Bruce Donaldson: If I may add something, Mr. Chairman, the employees are actually paid for by the pension plan itself. When we talk about the administrative costs of the plan, we're mindful of having a responsible level—

Ms. Joyce Bateman: Oh, yes, there's no question.

VAdm Bruce Donaldson: —balancing the desire to clear the backlog and the desire to ensure the integrity of the plan. So on an ongoing basis, as I said, we're reviewing the value for money of adding people to clear the backlog against the costs to the administration.

Ms. Joyce Bateman: So, Mr. Fonberg, why did you choose to hire permanent staff to solve a temporary problem?

Mr. Robert Fonberg: Let me turn it back over to Dave or Kevin. Do you want to answer that question?

Ms. Joyce Bateman: But you're the deputy minister, sir. There must have been a governance process in place. There must have been a discussion at very senior levels.

I'm just curious, because I view this as a very important issue to address but a temporary problem.

Mr. Robert Fonberg: I absolutely agree, Mr. Chairman. If you would like a substantive answer to the question—

The Chair: It will have to be brief. I'm sorry.

Ms. Joyce Bateman: Well then I'll just take your answer. If we can't have a substantive one, we'll take a brief one.

Do I have time for a response, sir?

The Chair: Yes, I'll take a brief answer.

Ms. Joyce Bateman: Thank you.

Mr. Robert Fonberg: Well, the short answer is that we're always cognizant of trying to balance what's essentially a contingent workforce against a full-time workforce. There was a question about how much of a backlog we actually had, and how many people it would actually take and over what period of time. It's not clear to me that it would have been appropriate to hire a contingent workforce, going back to 2007, over a 10-year period to clear out a backlog.

The Chair: There is a "why not?" hanging there that needs to be asked.

Go ahead, please. I want to hear a further answer. Why not?

Mr. Kevin Lindsey: Very quickly, Mr. Chair, there is a very high attrition rate among this staff. They're at relatively low classifications, and the work, as you can imagine, is highly labour intensive. People tend to move on quickly, so there is a very high attrition rate.

We are fully confident that, as the need for these staff abates as the backlog is dealt with, natural attrition will bring the numbers back to a proper equilibrium. Our experience is that there is about a 30% annual attrition rate with the staff working on this project, which frankly has been part of the issue. It has intensified greatly the need to train new staff as we're processing this backlog, so that is the answer.

The Chair: Very good. Thank you. That was a good question.

Madame Blanchette-Lamothe, you have the floor.

[*Translation*]

Ms. Lysane Blanchette-Lamothe: Thank you, Mr. Chair.

I would briefly like to continue the discussion my colleague started regarding staffing.

VAdm Donaldson said that he was looking to find a balance between the number of people and the administrative costs. RAdm Smith said that if there was more staff, for example 50 more people, applications could be processed more efficiently.

I would like to know whether you have achieved that ideal balance. Do you plan on hiring more staff? Where do things stand?

RAdm Andrew Smith: Since the plan was implemented in March 2007, we have continually evaluated this issue and have hired staff along the way. That is something we continually evaluated in order to determine, in light of the number of hours required to process each file, whether we should adjust the number of employees. We do that every day on an ongoing basis.

Right now, we are determining whether we should hire 50 people. That is something we have not yet found an answer to, but we are looking at that option.

Ms. Lysane Blanchette-Lamothe: Thank you.

VAdm Bruce Donaldson: Also, I believe that we need three to six months to train new members of the team. Every new employee is a huge investment. There must be a balance there.

Ms. Lysane Blanchette-Lamothe: For the time being, you are not discarding the possibility of hiring other people, based on the results of your assessment?

• (1650)

RAdm Andrew Smith: Yes, that is still a possibility.

Ms. Lysane Blanchette-Lamothe: Thank you.

You have told us a lot about what you did to fix the shortcomings highlighted in the report. What challenges remain to be overcome? What recommendations from the auditor general's report must still be implemented? We know what you have done, but what must you continue to do? What challenges remain to be able to reach maximum efficiency?

RAdm Andrew Smith: There are two things, in my opinion. First, we must continue to produce a performance report to ensure that we are transparent.

Ms. Lysane Blanchette-Lamothe: What do you mean by "performance report"?

RAdm Andrew Smith: We must measure our performance and openly and transparently communicate that.

Furthermore, I think that it is still a challenge to communicate efficiently and regularly with our reservists.

In my opinion, those are the two things we should continue to focus on.

Ms. Lysane Blanchette-Lamothe: In your opinion, there are improvements to be made, related to those two points.

RAdm Andrew Smith: Absolutely.

Ms. Lysane Blanchette-Lamothe: I do not know if anyone wants to add anything. Mr. Berthelette could perhaps comment on the recommendations of the report that he does not think have been implemented yet.

[*English*]

Mr. Jerome Berthelette: Mr. Chair, I'm not really in a position to be able to answer the question because we've not actually audited the action plan. We have a copy of the action plan, which we appreciate receiving, but....

[*Translation*]

audit, I am not able to comment.

Ms. Lysane Blanchette-Lamothe: Thank you.

[*English*]

VAdm Bruce Donaldson: I believe that we have addressed, in almost every respect, the observations of the Auditor General. But clearly, there are continuing areas, as the plan and the implementation evolve, that we are tracking as well. Communication is clearly one of those. Whereas, I think in large respect, we have addressed the concerns expressed in the audit, we are tracking those areas to address issues as they emerge as we move forward. So when we say that we are continuing to deal with communication issues and reporting issues, the whole challenge continues to evolve and we're trying to evolve our processes and our solutions with it.

The Chair: Thank you. The time has expired.

Mr. Dreeshen, you have the floor, sir.

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much, Mr. Chair.

Thank you, gentlemen, for being here today.

There are a couple of things, actually, that I was looking at. I know the AG report talked about this particular pension plan being a rare and specialized undertaking, and I think we have a feel for that. I believe what Mr. Grandmaison has gone through, the list of different types of things required to actually fulfill the needs of the individuals, is extremely important.

One of the things I'd like to get some information on is just how long it would take, usually, when you're serving in the reserve force to reach required service levels, and if there are other factors that are taken into account.

I'm not sure who would care to answer that question.

Mr. Dave Grandmaison: To qualify for the pension plan, a reservist must work for two years. But to get an immediate pension, they would have to work for 25 years. If they retired after the two years, before four years they could get a return of contributions. After the four years, the pension plan is vested. They can elect to transfer value options, so if they become a public servant or joined the RCMP, etc., their plan is portable to that other entity. They could elect to receive a deferred annuity of they've earned at age 60, or they could get what's called a reduced annuity once they hit age 50. It all depends on when they leave the plan, how many years they've worked, and what value they've earned. There are multiple combinations.

Mr. Earl Dreeshen: What type of interest rate is there usually on that annuity you're looking at? Do you have a general range?

• (1655)

Mr. Dave Grandmaison: I don't believe I have that.

Mr. Earl Dreeshen: All right, then. I'll go on to my next question.

I believe the Auditor General had spoken about the need to communicate the pension plan, and there was some discussion earlier with regard to a website and so on. I guess what I'm looking at is this. For those who are trying to decide and who wonder if the buyback is a requirement, or for those who have made an application, what types of things are important to make it easier so they have a little bit more upfront information? I'm just wondering whether what you said was on the website was helping you in any way to speed some of that up?

RAdm Andrew Smith: That's a great question.

This is based on some of the lessons learned that we experienced after the coming into force...which I think validates the decision to go forward on March 1, 2007. At the time it was introduced, there was an online calculator that people could use to get an appreciation of the buyback liability, and pension benefits, but it wasn't really reflective of the part-time nature of reserve force service. Since that time, there have been some really heroic internal efforts by the staff to put in place an online calculator that allows people to put in their service and their rates of pay and what not, which they can do themselves, to get a better appreciation of where they are and what that means, i.e., how much of a payback liability they might have, subject to confirmation obviously.

Mr. Earl Dreeshen: I think, too, when I look at exhibit 3.2 from the report, there are a number of different aspects to it. I can get down to where it describes pre-authorized debit payments being started so that reservists can begin paying for pension buybacks, with the final amounts pending the files' completion. I think that's another aspect of it. I assume that is coming through because of the base information they have given, or perhaps it might have to do with the time that it's been computerized versus the paper-trail aspect of it. I wonder if you could comment on how that works, and what one can expect.

There's one last part, because I know I'll probably run out of time. Does trying to make that happen, on this interim basis for some of these files, slow down the overall process as well?

Mr. Dave Grandmaison: That's part of the process before it actually gets to the buyback. All members must gather the documents. My staff help them do that. They then input it, as the

admiral said, into the calculator. From there, there is a very high-level estimate of what they will get and how much it will cost. They then take that printout or report, whatever they happen to have, and come back to my staff. They start the monthly deposits saying, "The calculator said I should pay \$500 a month for the next 20 years". We start their banking information. From there, once we get to the priority system—and I mentioned the priority one, two, three, and four system to another member of the committee—that's when we get to their files. But they've already used the calculator and know roughly what they're going to get; they know roughly what it's going to cost and they've started to pay for it.

The Chair: Thanks.

Your time has expired, Mr. Dreeshen. Thank you.

We've concluded our rounds. I would like to make a couple of comments, though, before we totally conclude. I must say that—

Hon. Gerry Byrne: Mr. Chair?

The Chair: Yes?

Hon. Gerry Byrne: If we do have additional time, could we do an additional round since we are scheduled to sit until 5:30?

The Chair: I'll put that to the committee as soon as I have done my little bit.

Hon. Gerry Byrne: Please do.

The Chair: Yes, I'd be glad to.

Hon. Gerry Byrne: Thank you.

The Chair: I've been sitting here listening and I want to say that I'm highly troubled by this. I find it a huge issue and, quite frankly, the conclusions are unacceptable.

At a time in this country when Canadians have never asked so much of their soldiers and have never felt so proud of them and the job they do—all of them, every soldier in uniform, including the two very senior officers here and the deputy—I'm very disturbed that we would end up treating our soldiers in this fashion.

Vice-Admiral, in your opening remarks, you said: "Reservists are...a vital part of our Canadian Forces, significantly contributing to Canada's success in military operations...In fact, at one point at the height of our operations back in February of 2010, 15,000 of our 27,000 primary reserve members were on full-time service."

A lot of the successes we've been having around the world have been because of reservists, and I have to say to you, sir, I'm very disappointed that throughout this whole thing there hasn't been a single apology from you or the deputy, who arguably are two the most powerful and influential military people. I believe our reservists are owed an apology for being treated in this fashion.

The auditor outlined this. This is pretty scathing as reports go. I've listened to a lot of reports. The Assistant Auditor General said in his opening statement that, "We found that National Defence did not have adequate planning in place". Well, next to fighting and training, planning is what Defence does. He continued in the text that, "No senior official was made responsible for coordinating both the policy development and the delivery of the Reserve Force Pension Plan".

My understanding of the military—though most of my time was in the police—is that you set a goal and then you make sure there is somebody responsible. So I would ask the Vice-Admiral, why wasn't somebody assigned? It has been pointed out by the auditor, one of the main reasons for the problems and the backlog was that a senior person wasn't assigned. So why wasn't someone assigned, sir?

• (1700)

VAdm Bruce Donaldson: Well, sir, there were personnel assigned. I think that—

The Chair: So the Auditor General is wrong?

VAdm Bruce Donaldson: No. There were two personnel assigned, and what we learned from this was that in hindsight we agree with the Auditor General: a single person being assigned and a full implementation plan would have significantly prepared us for some of the challenges we encountered. But at the time, sir, what I can say is that we did the best we could under the circumstances and moved out on this new initiative in a way that is respectful of reserves, sir. It is offering reserves a pension plan for which they have been looking for some time.

I would say that, notwithstanding the challenges we have had, we have acted with the best of intentions, understanding the constraints we've been managing and with the interests of reservists at heart. We have set clear priorities to make sure that reservists are not disadvantaged. We have been clear in the management of funds throughout this process. I think the Auditor General would agree that this is a question of the management of the rollout, and we have learned a lot of lessons from that. We—

The Chair: No, I accept that you've learned lessons. I just have to express my profound disappointment that the words said about the duty they performed weren't backed up by actions showing that the military really gave a damn about their pensions—and this is for those who came back alive. So this is huge, and I'm greatly disappointed that we have a report like this. It's not consistent with the approach that the military takes towards its soldiers, and that's why it stands out.

The last thing I want to leave here is what I heard—if I heard correctly—on a question of whether you were going to hire people, because your plan, as I'm looking at it, says that the backlog won't be completed until December 31, 2017. The Assistant Auditor General, in his opening remarks, said that some reservists could have to wait for up to seven years from '07. Yet when the question was put on whether you were going to hire people to make this a priority and get it fixed, what I heard was that it's an open question. I would have expected, “Yes, sir, we're going to be hiring people as quickly as we can because we don't treat our reservists that way”.

Why didn't we hear that?

VAdm Bruce Donaldson: Well, sir, as we hire people to fix this problem, we actually increase the administrative costs of the pensions, and reservists expect us to manage the pension plan responsibly as well. So it is not a question.... Frankly, sir, I ask myself the same question. My preference as vice-chief would be to throw 400 people at this problem and clear that backlog in six months. We cannot actually put 400 people on this without attributing the cost of those 400 people to the pension plan. I think the Auditor General would agree with that estimation.

So, sir, as frustrating as it is, throughout this process we have balanced the increase in personnel devoted to this and—notwithstanding a high attrition rate amongst those analysts—increased the number of analysts and their training to tackle the backlog as best we could. We have tried to communicate to reservists why this is a challenge.

I find it frustrating as well, sir, but to characterize our treatment of this issue as not giving a damn about reservists, frankly, I respectfully disagree, sir. It is—

The Chair: I believe—

VAdm Bruce Donaldson: —because we respect reservists that we undertook this in the first place.

• (1705)

The Chair: Well, first of all, I believe it was Parliament that undertook the pension. Secondly, I believe I said it looked like that was the case; I didn't say that's what happened. I said that's the impression given. It's about saying how important they are—and we know they're dying for us—and then not making sure that steps are taken at the beginning to have the pension plan in place, as it looked to me—and I stand by that, that it looked like....

VAdm Bruce Donaldson: Mr. Chair, I understand, and I respect and I'm thankful for your concern in this regard.

The Chair: I appreciate your comments, too, under difficult circumstances. Nonetheless, I don't think we can send fellow citizens out to put their lives on the line and then not honour them in every way we can, and part of that is making sure they got the pension their Parliament promised them.

VAdm Bruce Donaldson: And I agree, sir.

The Chair: All right.

Now, do we wish to go another round? We have 25 minutes left on the clock.

Mr. Byrne, you wanted to make a point earlier, so I will give you the floor.

Hon. Gerry Byrne: Thank you, Mr. Chair.

On that issue of—

Mr. Daryl Kramp: Mr. Chair?

The Chair: What?

Mr. Daryl Kramp: The government has not agreed to—

The Chair: No, I realize that you haven't agreed to anything, but Mr. Byrne asked for the floor earlier, prior to my turn, and I'm giving him the floor.

Mr. Daryl Kramp: Oh, okay. I just thought he was asking questions.

The Chair: No, he asked for the floor procedurally, and now I'm —

Mr. Daryl Kramp: Oh, no problem.

The Chair: —asking him what he wants to do.

He has the floor.

Hon. Gerry Byrne: This is a really important issue. The witnesses have highlighted it as an important issue. While it may seem a little edgy at times, we're both working for the same cause. I would hope that all members, in this public meeting, would just take 25 more minutes, which we're scheduled to take anyway, to just hear more questions and answers.

The Chair: Okay. You can make a motion to that effect, if you wish.

Hon. Gerry Byrne: I would like to make a motion, please, Mr. Chair.

The Chair: All right. That's duly in order and before us. Comments? Questions?

Hearing none, all in favour of the motion, please indicate. Those opposed?

(Motion negatived)

The Chair: Mr. Aspin.

Mr. Jay Aspin: Chair, as our business has concluded, I move that we adjourn.

The Chair: All right. Will you allow me to thank our guests before I move that motion? Thank you.

Thank you very, very much, all of you. It's tough job every day and, notwithstanding some of the criticisms—constructively taken, I hope—please know that every member of this committee and every member of this House is very proud of the work of our military. I think Mr. Byrne said it right: we're all doing this for the same people, for the same reasons. Thank you all very much. Thanks for being here.

Everybody, if I don't see you again, have a great Christmas and a good, happy holiday.

The motion to adjourn is in order. It's moved, seconded, and carried.

We're out of here.

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