House of Commons
Chambre des communes
CANADA

Standing Committee on Finance

FINA • NUMBER 088 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Monday, November 5, 2012

Chair

Mr. James Rajotte

Standing Committee on Finance

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● (1530)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order.

This is meeting number 88 of the Standing Committee on Finance. Pursuant to the order of reference of Tuesday, October 30, 2012, we are studying Bill C-45, A second Act to implement certain provisions of the budget tabled in Parliament on March 29, 2012 and other measures.

We have with us officials from the Department of Finance as well as other departments today to discuss division 15 of part 4. We have officials from CRA, Human Resources and Skills Development Canada, and the Department of Finance.

We want to welcome you all to the committee.

Colleagues, just for your information, in part 4 we have divisions 15, 17, 22, 23, and 24.

We have to be out of this meeting at 6:30 p.m. sharp because there are other meetings here tonight. I encourage us to get through all of this today.

We will start with division 15. I will ask members to state their questions as they did last week.

Could we have one of the officials give us a brief synopsis of these changes?

Mr. Ray Cuthbert (Director, CPP/EI Rulings Division, Canada Revenue Agency): My name is Ray Cuthbert. I am the director of the Canada Pension Plan and employment insurance rulings division in the Canada Revenue Agency.

We are here to talk about part 4, division 15, the hiring credit for small business for 2012. Essentially, it is the same as the hiring credit for 2011, except for the reference to the years involved.

Small businesses that had employer EI premiums for 2011 of $10,000 or less and whose employer EI premiums in 2012 have increased are eligible for a credit. The credit is equal to the difference between the employer EI premiums in 2012 and 2011. It must be greater than two dollars and it cannot exceed $1,000. The credit is calculated automatically by the Canada Revenue Agency upon processing of the employers' 2012 T4 information return.

We would be pleased answer any questions.

The Chair: Thank you very much for that briefing.

[*Translation*]

Mr. Caron, you have the floor.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much, Mr. Chair.

Unlike in 2011, employers did not necessarily know that there would be a tax credit in 2012.

The tax credit was introduced in the second omnibus bill, not the first. Is there an impact on the businesses that could benefit from this?

Ms. Mireille Laroche (Director General, Employment Insurance Policy, Department of Human Resources and Skills Development): First, as Mr. Cuthbert mentioned, the tax credit is automatic. So, even if the business doesn't know about it, it will still benefit from it.

Then, since it's in the second bill, rather than the first, the tax credit will be applied when businesses complete their tax returns next year.

Therefore, the question about the fact that the tax credit appeared in the first or second bill is irrelevant.

Mr. Guy Caron: The tax credit has been available to businesses for a year already. Are there any statistics indicating the percentage of retention, after one year, of employees hired by businesses that requested the tax credit?

Do you know if the employees are still there after one year? What is the normal duration of a job offered by businesses that received the tax credit?

● (1535)

Ms. Mireille Laroche: Given that the measure is included in Canada Revenue Agency income tax returns, we do not have that information. The tax credit is really allocated based on the increase in contributions from one year to another.

Mr. Guy Caron: Is there any way of knowing whether the tax credit met its intended goal?

Ms. Tamara Miller (Chief, Labour Markets, Employment and Learning, Department of Finance): Are you asking if there is a way of knowing whether the employees were retained for the year?

Mr. Guy Caron: That is what I want to know, or if the job was a permanent one or a temporary one, for example.

Ms. Tamara Miller: I don't think we have that information.

Mr. Guy Caron: I have a question about something else.

The expected costs are $205 million. Is that amount taken from the general government revenue or is it taken from the employment insurance account?

Mme Mireille Laroche: It is taken from the employment insurance account.

Mr. Guy Caron: That's it for now.

[*English*]

The Chair: Go ahead, Mr. Brison.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair, and thank you very much to the witnesses for joining us today.

Is the calculation of the 2012 EI credit based on the 2011 EI premiums before or after the 2011 EI credit is applied?

Ms. Tamara Miller: The calculation is based on approximation. I'm not sure of the exact calculation with respect to the numbers or whether the calculation is applied before or after.

Do you have any idea?

Ms. Mireille Laroche: The calculation is exactly as it was last year, and it was based on the employers' 2011....

It's going to be on the 2012 premiums, minus those paid in 2011. I would think that it would be based on what they paid as opposed to what the credit.... It would be based on what they paid.

Hon. Scott Brison: Is it possible to check on that and to get back to me with the methodology?

If the 2012 calculation doesn't include the 2011 EI credit, then we'd need some clarification, because under Bill C-45, small businesses will be hit for the full EI increase in 2012.

How much revenue from EI premiums would the government have expected to collect in 2012 if the government had not raised the EI rates by 5¢ but had instead kept it at $1.78?

Ms. Mireille Laroche: I'm not sure. The only calculations we have are with respect to the actuals. In terms of the revenue, they would be on page 239 of the budget document itself.

Hon. Scott Brison: The logic behind this tax credit is that lower EI premiums incentivize hiring.

Ms. Tamara Miller: That's the way it was presented in the budget. It's to make it a little bit easier for small businesses to hire new employees.

Hon. Scott Brison: Would it be logical to assume, then, that higher EI premiums have a negative effect?

Ms. Tamara Miller: I'm afraid I can't answer that question. It's an assumption that I can't make.

Hon. Scott Brison: Thank you.

The Chair: Thank you, Mr. Brison.

Monsieur Mai is next, please.

[*Translation*]

Mr. Hoang Mai (Brossard—La Prairie, NDP): Thank you, Mr. Chair.

I would like to thank Mr. Cuthbert for his presentation.

I would like to follow up on the question my colleague, Mr. Caron, asked. You said that the $205 million was coming out of the employment insurance fund.

How was it decided that the money would come from that fund and not from government revenues?

Ms. Mireille Laroche: Actually, it is the employment insurance contributions that go in this… Therefore, if you give a credit, it should in fact be taken from the same source.

Mr. Hoang Mai: It's a government decision that has a direct impact on the employment insurance account that, itself, is contributed to by workers.

Have any consultations been held in this respect?

[*English*]

Who are the stakeholders on this front?

● (1540)

[*Translation*]

Ms. Mireille Laroche: Through the various means of consultation available to our ministers and the government, consultations are always carried out. This measure, in particular, was undertaken by certain groups of employers, including the Canadian Federation of Independent Business.

Mr. Hoang Mai: Have groups of employees perhaps been consulted?

Ms. Mireille Laroche: That would have been done as part of the pre-budget consultations and other consultations that the ministers and departments carry out regularly.

Mr. Hoang Mai: In the 2012 budget, it was expected that 563,000 employees would be affected.

Have you done a study or have you some idea of the actual impact with respect to new hires?

Ms. Mireille Laroche: The numbers we have are the same as the ones in the budget: it will cost $205 million, and it could affect 535,000 employers.

Mr. Hoang Mai: You told Mr. Caron that there has not yet been a concrete study on this, isn't that right?

Ms. Mireille Laroche: We have no other information.

Mr. Hoang Mai: Thank you.

[*English*]

The Chair: Okay. *Merci*.

We go now to Mr. Marston, please.

Mr. Wayne Marston (Hamilton East—Stoney Creek, NDP): Mr. Cuthbert, I'm looking at what's happening with the pension plans for the employees. There's a provision in this bill that talks about the potential for some retroactivity. In other words, for existing employees—in my understanding of it, anyway—it gives a transition provision. It gives a section on retroactivity. What would that mean for the workers? Are we saying that somehow they could owe something for the plans they have? Do you have any sense of what that could be used for?

Mr. Ray Cuthbert: Unfortunately, I'm not sure what provision you're talking about in the budget. It would be difficult for me to answer that question.

Mr. Wayne Marston: They're calling it a transitional provision. If you can't answer, that's fine.

There's a heavy emphasis in the public and in certain media about the richness of public service pensions. My understanding is that the average pension plan for the public service is under $18,000 dollars a year. Is that a reasonable assumption?

Mr. Ray Cuthbert: Unfortunately, I'm not really an expert on that area. I can't answer that question.

The Chair: There will be a division on that. We can come to that later on in the public sector pensions.

Is there anything further on this?

Okay, I will go to Mr. Jean, please.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

I'm a past owner of a small business. I am very excited about the small business tax credit. I know many of my constituents and many small business owners are as well. You went through it—the maximum is if you pay $1,000. Was it $1,000 or $10,000? Could you just go through it again so that people who are listening can understand the basic fundamentals of the tax credit itself, and some changes? Then I will have some further questions for you.

Mr. Ray Cuthbert: The credit is a calculation based on the difference between EI premiums in 2012 and in 2011. To be eligible for the credit, you must have, in 2011, $10,000 or less in employment insurance premiums. If you meet that criterion, when the employer's T4 information return is processed, there is an automatic calculation that looks at the difference in the amounts.

Mr. Brian Jean: Canadian small businesses—the 534,000 of them—don't even have to know anything to do this. It's automatically done to encourage them to have more growth. Is that fair to say?

Mr. Ray Cuthbert: That's correct.

Mr. Brian Jean: Okay. They don't have to worry about telling their accountants or anything else. It's just automatically calculated for them. If the difference is over two dollars, for instance, they automatically get that credit.

How does that credit work? Let's say they paid $9,500 last year, and there's a difference this year of possibly $1,000. How does that $1,000 work?

Mr. Ray Cuthbert: If there is a difference of $1,000—that's the maximum—they would get a maximum credit of $1,000. That would be applied against their payroll deductions account.

Mr. Brian Jean: Wow. They automatically get that. They don't have to put any new paperwork in. What has been the uptake of this? Obviously 100% of the people who are eligible would take it up automatically. What has been the response by small business groups such as the Chamber of Commerce, the Federation of Independent Business? What has their response been?

● (1545)

Mr. Ray Cuthbert: Unfortunately, I am not aware of the response.

Ms. Tamara Miller: The general response after the last budget was fairly positive. The CFIB, in fact, has asked for it to be extended yet again, which was done in budget 2012.

Mr. Brian Jean: Has there been any other response from any other groups, from a positive or negative perspective, that you are aware of, Ms. Miller?

Ms. Tamara Miller: The general response in terms of doing a communications and media scan has been relatively positive. Certainly, the organizations that have raised the issue in pre-budget consultations have talked favourably of the credit from last year.

Mr. Brian Jean: Is the expectation by the government that small businesses will hire more workers as a result of this credit?

Ms. Tamara Miller: That's the stated intent in the budget, yes.

Mr. Brian Jean: Is there any other outcome that is expected or has happened as a result of this in past years?

Ms. Tamara Miller: There have been lower insurance premiums.

Mr. Brian Jean: It sounds like a really good-news story all around.

Ms. Tamara Miller: Yes, it has been positively received.

Mr. Brian Jean: Thank you very much. Those are all my questions, Mr. Chair.

The Chair: Thank you, Mr. Jean.

We will go to Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thanks very much.

On that point about how this tax credit is specifically going to work, can you tell me how long a person would have to be hired in order for the business to qualify for the credit?

Mr. Ray Cuthbert: I don't think it's a matter of one individual being hired; it could be a number of individuals being hired. Depending on how much in employment insurance premiums is paid by that number of employees, the employer has to match—actually, it's 1.4 times what the employees pay. We're looking at the employer premium increase. It depends upon how many employees might be with the organization, how many might be hired; it's not geared to one individual.

I'm not sure whether I've answered your question.

Ms. Peggy Nash: So it's an aggregate number, and as long as there's an increase, then that business would qualify for the credit.

Mr. Ray Cuthbert: That's correct.

Ms. Peggy Nash: Can you tell me what the threshold is to qualify? Is there a threshold? Is it any increase, or how much of an increase is it?

Mr. Ray Cuthbert: As long as the employer premiums in 2011 were $10,000, that's the criterion to be eligible for it.

It could be any amount of increase. It has to be over two dollars to be credited, but it's up to a maximum of $1,000.

Ms. Peggy Nash: What would the premium be to get the maximum credit?

Mr. Ray Cuthbert: I'm not sure....

Ms. Peggy Nash: What would the premium level that an employer pays be, to get the maximum credit of $1,000?

Mr. Ray Cuthbert: I don't think there would be a premium level that the employer would pay to reach the maximum. It really depends upon how much they pay in premiums in total. Employers pay 1.4 times what an employee pays. It really depends upon the aggregate amount. There is no premium level.

Ms. Peggy Nash: Are you saying that it's a minimum of $10,000 that they would pay? Is that the level at which they would qualify for any kind of...?

Mr. Ray Cuthbert: That's correct. If they're under $10,000, they could qualify for a credit.

Ms. Peggy Nash: Thank you.

The Chair: We'll go to Ms. Glover, please.

Mrs. Shelly Glover (Saint Boniface, CPC): Here is a quick question following along the same lines as Mr. Jean.

I think we have something on the order of 536,000 small businesses in the country. Do you have the number of businesses that took advantage of this measure the last time it was offered?

Ms. Tamara Miller: From 2011, the data indicates that about 533,000 employers benefited from the credit.

Mrs. Shelly Glover: Wow. That's 533,000 small business employers who were able to take advantage of this so that they could create 533,000 jobs at a minimum. You're saying that's how many businesses took part, but we're not sure how many of them had one or two positions or more.

Ms. Tamara Miller: Yes, and there are part-time employees. It's just the increase over their year before.

Mrs. Shelly Glover: That's amazing; it's awesome. I see no downside to this.

Do you know how much money they were able to keep in their coffers as a result of this advantage provided by the Conservative government?

Mr. Ray Cuthbert: I believe the number was about $204 million.

● (1550)

Mrs. Shelly Glover: That's excellent. Thank you.

The Chair: Thank you, Ms. Glover.

Monsieur Caron is next.

[*Translation*]

Mr. Guy Caron: Could I please have some clarification about the mechanism? Let's take a hypothetical situation. Let's imagine that a business is hiring about 15 people for a period of six to eight months and it subsequently lays them off, dismisses them or ends their contract. In that case, would the business still be eligible for the tax credit?

Ms. Mireille Laroche: Yes, as long as the business meets the eligibility criteria, meaning that it makes contributions of less than $10,000 and there is an increase in those contributions from one year to another.

Mr. Guy Caron: So there is no way of knowing whether the jobs created through this mechanism are permanent or temporary, meaning more than one year or less than eight months.

Ms. Mireille Laroche: The measure aims to simplify administration. This is done through the Canada Revenue Agency. These are aggregate amounts, meaning the contribution levels, the subtraction of one compared with the other and the allocation of a credit.

Mr. Guy Caron: Although the measure is worthwhile, since it makes it possible to hire new people, there is absolutely no way of knowing how many jobs have been created using this measure.

Ms. Mireille Laroche: We do not have information on that.

Mr. Guy Caron: Thank you.

[*English*]

The Chair: Monsieur Mai, *s'il vous plaît*.

[*Translation*]

Mr. Hoang Mai: Still, you have figures. There have been studies on the regions or places where this has had more of an impact. Do you have data in that regard?

Ms. Mireille Laroche: I don't think we have specific data in that respect but, given that the credit is applied automatically, it is really where the small businesses are located. So the distribution would be the same in terms of small businesses in Canada.

Mr. Hoang Mai: Okay.

[*English*]

The Chair: Okay.

I want to thank our officials for being here.

I want to thank in particular a number of you who commented on the pre-budget consultations, which are ongoing right now at this committee. I appreciate the fact that you referred to the consultations of this committee as leading into a budget and then a budget implementation act. In fact, it was CFIB's number one recommendation in the 2011 budget consultation.

I appreciate this, as the chair. Thank you so much for being with us and responding to our questions.

We will bring the next set of officials forward, and we will move to division 17 of part 4. This is dealing with the Canada Mortgage and Housing Corporation Act.

We'll welcome Ms. Pearse back to the committee.

Welcome back. Do you want to give us a very brief synopsis? It seems to be a very straightforward change.

Ms. Jane Pearse (Director, Financial Institutions Division, Financial Sector Policy Branch, Department of Finance): Yes, that's right.

I think my synopsis is actually longer than the amendment in the act. You'll have to forgive me for that.

This amendment repeals a paragraph within a subsection of the Canada Mortgage and Housing Corporation Act that stipulates that No person shall be appointed or continue as President or as a director from outside the federal public administration if that person...

> (c) has reached the age of seventy years

This change, to repeal an age limit on the president and directors, is consistent with changes made to other acts in 2011. These include changes to the Canadian Human Rights Act to prohibit federally regulated employers from setting a mandatory retirement age, and to the Auditor General Act repealing provisions stipulating that the Auditor General must cease to hold office upon reaching 65 years of age.

Likewise, there have been changes to crown corporations such as Canada Post and the Business Development Bank as well as the Bank of Canada to remove or amend age limits.

The Chair: Okay. Thank you for that synopsis.

Are there questions?

Go ahead, Monsieur Caron.

[*Translation*]

Mr. Guy Caron: Thank you, Mr. Chair.

Why was there previously an age limit?

Ms. Jane Pearse: Why—

Mr. Guy Caron: Why was there previously an age limit?

Ms. Jane Pearse: There is a minimum age in several pieces of legislation. There is a project to ensure that all legislation take the same approach and have the same policy. The current policy is to eliminate all minimums.

Mr. Guy Caron: My question was why there was initially an age limit.

Ms. Jane Pearse: I'm sorry. I have no idea.

[*English*]

As I said, there are a number of acts that have minimum ages in them, and the minimum ages seem to vary between 65, 70, and 75 years. I can't answer as to why they were introduced originally.

● (1555)

[*Translation*]

Mr. Guy Caron: Are there currently any administrators at CMHC who are close to 70 years of age? Do you have an idea of the current age of the administrators?

Ms. Jane Pearse: I have no idea. I'm sorry.

Mr. Guy Caron: That's fine. Thank you.

The Chair: Are there any other questions?

[*English*]

No?

Thank you, Ms. Pearse, for being with us here today to explain this section and to respond to us.

Ms. Jane Pearse: Thank you.

The Chair: Colleagues, we will move on to part 4, division 22, dealing with the Canada Employment Insurance Financing Board.

We'll welcome Madame Laroche and Ms. Miller back to the table.

Ms. Mireille Laroche: Hello again.

Division 22 suspends the Canada Employment Insurance Financing Board until the EI operating account has returned to a cumulative balance and the CEIFB can fulfill its full legislative mandate.

In the interim, the premium rate will be set by the Governor in Council according to the current rate-setting mechanism set out in the EI act. Specifically, it will take into account the recent changes to the rate-setting mechanisms that were introduced as part of BIA 1, namely that the premium rate cannot increase or decrease by more than 5¢ on an annual basis and that the rate be set every year by September 14.

To ensure the continued transparency and accountability of the rate-setting mechanism, reports done by the EI commission and its actuary are to be tabled in Parliament by the Minister of Human Resources and Skills Development.

Once the EI operating account is projected to be in cumulative balance, the CEIFB is to set the rates based on the new rate-setting mechanism that was introduced as part of BIA 1—that is, the new seven-year break-even rate approach.

I'd be happy to answer any questions you may have.

The Chair: Thank you for your presentation.

Are there any questions?

Go ahead, Monsieur Caron.

[*Translation*]

Mr. Guy Caron: It states that the mechanism that was implemented under Bill C-38 will come into effect only once the cumulative balance of the account is zero.

How much is the deficit currently? Can you remind me?

Ms. Tamara Miller: Yes, it is on page 241 of the budget. I'll speak in English; it's much easier for me.

[*English*]

The annual balance for 2012-13 is negative $3 billion, I think.

[*Translation*]

Mr. Guy Caron: We're talking about $3 billion.

[*English*]

Ms. Tamara Miller: That's the annual balance. The cumulative is negative $8.8 billion.

[*Translation*]

Mr. Guy Caron: How much?

[*English*]

Ms. Tamara Miller: It is $8.8 billion.

[*Translation*]

We're talking about $8.8 billion.

Mr. Guy Caron: I thought it was close to $9 billion.

When do you think we will be able to reach this zero balance, based on the projections, taking into account the increase in contributions?

[*English*]

Ms. Tamara Miller: Cumulative balance is expected to return in 2016-17.

[*Translation*]

Mr. Guy Caron: Bill C-38 is putting in place a new method of operating that will come into effect around 2016-2017. However, Bill C-45 aims to eliminate the board immediately.

What will happen in the meantime? Bill C-45 proposes eliminating the Canada Employment Insurance Financing Board. The board won't be abolished in 2016-2017?

Ms. Mireille Laroche: Bill C-45 suspends the board. Once the account is in the black, the board will determine the contribution rate based on the new approach under Bill C-38.

Starting today and until then, the rates will increase by 5¢ each year to balance out. Since the board cannot fulfill its duties as set out by the legislation, with respect to investment and funds allocated to the account, the government decided to suspend its activities and resume them once the balance is achieved.

● (1600)

Mr. Guy Caron: That's what I have the most difficulty understanding from a chronological perspective. The board was created in 2008?

Ms. Mireille Laroche: Yes.

Mr. Guy Caron: From 2008 to 2011-2012, has it accomplished anything with respect to its mandate?

Ms. Mireille Laroche: The board was created in 2008 and began establishing rates in 2010. It did so for 2010, 2011 and 2012.

Mr. Guy Caron: So the board established a rate that it submitted to the Minister of Finance for approval. And the board will be abolished as soon Bill C-45 receives royal assent.

Ms. Mireille Laroche: The abolition or, rather, the suspension of the board will be done by decree of the Governor in Council. The board is not expected to establish rates next September.

The next rate, which will be established in September 2013 for 2014, will be done by the Governor in Council.

Mr. Guy Caron: Why talk about "suspension" and not "abolition".

Ms. Mireille Laroche: The government's intention is that, once the account is balanced again, the board, which will be revived, will establish the rate under the approach that was presented and adopted in the budget implementation bill in the spring.

Mr. Guy Caron: It still isn't clear. Why does taking this approach require the board to be abolished or suspended? The board was created with a very specific objective that was, among other things, to propose contribution rates. That's what it has done for three years, based on what you said.

So now you are proposing the suspension until the employment insurance account is back to zero. Why suspend the activities? Is it simply to enable the minister to determine contribution rates?

Ms. Mireille Laroche: No.

The budget stated that the rate increase of 5¢ until the balance is achieved would lead to a review of the board's mandate. The purpose of this operation was to establish the contribution rate as effectively as possible from a financial perspective.

So following that review, the government decided to suspend the board and to have the Governor in Council establish the rate, which was a more effective way of doing things. Once the account is balanced and the board can fulfill all its legislative duties, the board's activities would resume. It was mentioned that the board would then return to its role of establishing the contribution rate and its other duties relating to the investment of any surpluses.

Mr. Guy Caron: Okay.

[*English*]

The Chair: Mr. Brison is next, please.

Hon. Scott Brison: Thank you, Mr. Chair.

On page 146 of budget 2012, it states that, “Over the next few years, the Canada Employment Insurance Financing Board...will continue to set the rate.”

Bill C-45 obviously does the opposite. It stops the board from setting the EI rate, and it gives that power to cabinet.

When did the government change its mind or decide to break its promise in budget 2012 and hand over the board's power to cabinet?

Ms. Tamara Miller: All I can tell you is that in the budget the government did make a commitment to look at the operations of the CEIFB and to undertake an examination to ensure that the EI rate was set in the most effective and efficient way possible. This was a decision taken by the government.

Hon. Scott Brison: It did say, again, on page 146 of budget 2012 that over the next few years the Canada Employment Insurance Financing Board will continue to set the rate.

You'd agree that this is a departure from that statement?

Ms. Tamara Miller: I will agree with you that it's a change.

Hon. Scott Brison: Okay. Thank you.

When is the last time the government implemented without changes a rate recommended by the board?

● (1605)

Ms. Mireille Laroche: It was this September.

Hon. Scott Brison: What was the recommendation?

Ms. Mireille Laroche: It was for an increase of five cents.

Hon. Scott Brison: In what year did the government first set up the board?

Ms. Tamara Miller: The CEIFB was originally announced in budget 2008. It took until 2009 to establish the board, to do the appropriate hiring, and to bring in all the necessary administration.

Hon. Scott Brison: How much has the government spent on the board since its inception?

Ms. Mireille Laroche: According to the numbers I have, the forecast expenditures for the board in 2011-12 were $1.8 million.

Hon. Scott Brison: You don't have information from the past years?

Ms. Mireille Laroche: The previous year, for 2010-11, it was $1.4 million, but I don't have any information for years previous to that.

Hon. Scott Brison: Thank you.

The Chair: Thank you, Mr. Brison.

Go ahead. Mr. Mai.

[*Translation*]

Mr. Hoang Mai: Thank you, Mr. Chair.

I would like some clarification. For this interim period, will the decision on establishing the contribution rate be made by the Minister of Finance or the Minister of Human Resources and Skills Development?

Ms. Mireille Laroche: The decision will be made by the Governor in Council, namely, the cabinet.

It will be done based on a recommendation from the Minister of Human Resources and Skills Development and the Minister of Finance.

Mr. Hoang Mai: Can you give us a bit of an explanation of the minister's decision-making process with respect to the contribution rate? Are there any consultations, any checks or a report?

Unless I'm mistaken, the board had an obligation to be transparent. In this case, it is a decision of the minister that is given to the Governor in Council.

Is there the same verification and transparency mechanism as for the board?

Ms. Mireille Laroche: The process is similar. An actuary hired by the board currently makes actuarial calculations and submits a report. In the interim period, an actuary will do the same kind of calculations, but the employer will submit the document to the Employment Insurance Commission, which will then draft another report. Both reports will be submitted and taken into consideration when the decision is made on establishing the rate.

Once the decision is made, the two reports will be tabled in Parliament by the Minister of Human Resources and Skills Development, and she will then have 10 days—and by 10 days, I mean 10 days when Parliament is sitting—to do so following the decision.

Mr. Hoang Mai: Could the minister's recommendation differ from recommendations that she would have received? Does she legally have the authority needed to make a decision that would not reflect what was recommended?

Ms. Mireille Laroche: As is the case currently, the documents will be considered as suggestions. So it will be up to the minister and the committee to make the decision, based on the information that has been presented to them.

Mr. Hoang Mai: In other words, the minister is not obliged to follow these recommendations, and she has the power to determine the rate that will be applied.

Ms. Mireille Laroche: Given that the account is in deficit, we expect the rate to increase by 5¢ until the account is balanced.

Mr. Hoang Mai: Okay. Thank you.

[*English*]

The Chair: Are there any questions?

I want to clarify for my own understanding here. I'm reading from the budget documents:

> Economic Action Plan 2012 ensures stable, predictable EI premium rates by limiting premium rate increases to 5 cents each year until the EI Operating Account is in balance, and then moving to a seven-year break-even rate.

Madam LaRoche, Ms. Miller, can you explain why the government made these changes?

● (1610)

Ms. Mireille Laroche: Do you mean the five cents?

The Chair: Yes.

Ms. Mireille Laroche: A series of consultations were held and championed by Ms. Glover and Ms. Leitch throughout the fall of 2011. The government heard that they wanted to ensure predictability and stability of the EI premium rates. Those changes were made as a result of these consultations, so the 5¢ was seen as a way to stabilize and to ensure that rates are going up or down in a marginal way so that employers and employees can adjust accordingly.

Similarly, there was a decision in budget 2012 to advance the date at which the rate was set by two months to give employees and employers more time, from September to next year, to adjust whatever systems they needed to and to be able to plan accordingly.

The Chair: This is mentioned in the budget. Ms. Glover and Ms. Leitch had broad cross-country consultations, including in my own community of Leduc, with small businesses from across that region, asking for advice on how to set these rates going forward.

Ms. Mireille Laroche: Yes.

The Chair: They did this because concerns were expressed in the past that funds paid in through EI premiums by both employees and employers were then used by the government for general revenues to reduce the deficit. They basically took funds that were there for the purposes of employees and employers and used them for general revenues. That was the concern that started this initially. Am I correct?

Ms. Mireille Laroche: I think first and foremost—and Ms. Glover's here—the goal of the consultation was how we—

The Chair: I'm going back even before the consultation, though.

Ms. Mireille Laroche: Before the consultation? You mean before the consultation, in terms of what you referred to, that led to the creation of—

The Chair: Of this board, which was designed then to ensure that the funds coming in were the same as the funds going out—

Ms. Mireille Laroche: Yes—

The Chair: —and the concern still expressed by people was—and they used the figure of about $50-plus billion from employees and employers—that it had actually been used for general revenues. Therefore, they wanted that concern addressed. That very large-scale concern, it seems to me, is exactly what budget 2012 and these actions are attempting to address in doing the cross-country consultations and coming out with specific recommendations to do so. Am I correct in that?

Ms. Mireille Laroche: Yes.

The Chair: Thank you for that.

Is there anything further?

Ms. Nash, go ahead, please.

Ms. Peggy Nash: Just so I understand the motivation for this change, governments have routinely put EI funds into general revenue and have used them for other purposes, including paying down debt, which the funds were never intended for, because premiums had been paid by unemployed workers and employers. Is that correct?

Ms. Mireille Laroche: The intention of this change is to ensure that the EI premium rate-setting mechanism is cost-effective. That is why the financing board has been suspended until the account is balanced and it can be in a position to fulfill its legislative mandate. That is the purpose of this change.

Ms. Peggy Nash: The account hasn't been able to be balanced, though, if governments have been using EI premiums for general revenue and not for the purposes for which they were intended. Tens of billions of dollars were taken out.

The issue is that when you're in a recession and then in a very weak recovery and unemployment remains persistently high, you have elevated demands on EI benefits. Of course, as we see in the report from Statistics Canada today, only 40% of unemployed workers are even able to get benefits, but if people were truly able to get the benefits that they were entitled to, the fund would be in even worse shape. Isn't that correct?

Ms. Mireille Laroche: People for whom the program is designed and who are able to meet the eligibility criteria of the EI program have access to the program.

● (1615)

Ms. Peggy Nash: That's right. The people who are eligible for it, the 40% who are the lucky ones, are able to get benefits.

Does it make sense that during a period of low unemployment the EI fund would be increased and have a surplus so that during periods of high unemployment the fund will be built up so that unemployed workers can get access to benefits?

Ms. Mireille Laroche: That is why we changed: to ensure that we have stable premium rates over the business cycle. That is why the government is introducing the new rate-setting mechanism, the seven-year break-even rate that will be introduced once the account is in balance, in order to have a longer span in which we project and have greater stability.

Ms. Peggy Nash: The fact that money was taken out before, when there was a surplus, and was not given to unemployed workers is part of the problem. Is that the problem you're trying to address, that these funds were used for other purposes? Are they going to be protected now so that the money cannot be siphoned off into general revenue?

Ms. Tamara Miller: I should point out that the EI account is actually part of the consolidated revenue fund, so the funds actually do go into the government's general revenue. It is all part of the same calculation.

Ms. Peggy Nash: Then this isn't going to fix the problem of moneys being used for purposes other than providing benefits for unemployed workers.

Ms. Tamara Miller: I can't speak to that, but I can speak to your concern that the money is consolidated. It is consolidated on the advice of the Auditor General, and it's a requirement. That is what I can speak to. I'm afraid I can't speak to your other question.

Ms. Peggy Nash: Thank you.

The Chair: I didn't mean to indicate there were two funds. I was attempting to show that the changes are actually there to address a lot of the concerns that have been raised with respect to that issue in the past, which I think they effectively do. Others may disagree.

Ms. Glover is next.

Mrs. Shelly Glover: Thank you, Chair.

I was actually trying to sit back and enjoy the conversation. However, it has gone quite off track, so I think I might step in and try to help, since I took part in a fairly extensive consultation across the country.

First and foremost, Ms. Nash is absolutely incorrect and misleading in the statements that she makes about governments using this account. There is no evidence that any other government, aside from the Liberals, entered into any kind of agreements or contracts to use this money from the EI account for general revenues, so I'd appreciate it if she'd clarify that she had no idea of what she was talking about, because it's in fact absolutely not true.

Ms. Peggy Nash: I don't appreciate the tone. I didn't specify which government. I specified that tens of billions of dollars had been taken out of the EI fund—

Mrs. Shelly Glover: Is this a point of order, sir?

Ms. Peggy Nash: —and I certainly don't appreciate my comments being taken out of context or my comments being taken in a misleading fashion. I'd appreciate a little better decorum at the committee.

The Chair: Yes.

I think some of these are points of debate, but there is a point of order with respect to decorum. I'd just ask members to deal with the arguments of the other side and not to use terms like “misleading” when referring to another member. We can counter other arguments, but when we speak of other colleagues, we should always speak respectfully.

Mrs. Shelly Glover: I'm attempting to do that by saying “misleading”, because I don't know another word to describe that, Chair. I apologize, but it is misleading. There were no other governments, save one, and it was a Liberal government.

With regard to the project at hand, there was a necessity to try to find a way to prevent that same situation from occurring, and under this government we provided for an account, an EI account, and an account that now requires some attention because of the several withdrawals from it by a previous government.

This project was put in place so that we could see predictability for many of our businesses. Under the board there was a suggestion that there be a 15¢ increase, which our government during a time of recovery from a global recession decided to step in and limit to 5¢, simply because businesses at that time were very much in jeopardy of having job losses.

We tried to do what we can to create and maintain jobs, particularly when it's a fragile economy. The predictability factor was taken under consideration across the country, and businesses, labour groups, and individuals who took part were very much in agreement that this is the direction they would like to see the government go.

However, I do want to ask a question. My understanding—and it may not be these officials—is that eight out of ten Canadians qualify for EI, that many of the measures that have been put in place actually are helping to make sure we move towards a balanced account, and that this measure is being suspended so that this board can act when the account is in surplus.

Do the officials agree that all of those things that have been in place appear to be measures that will lead to a balance being obtained, and then the board can be put back into place and continue the work that they would have done if they had had a surplus when they began?

● (1620)

Ms. Tamara Miller: We can say that the costs of the suspension of the board will not be borne by premium payers and that it does, as a result, make for a more efficient rate-setting process.

Mrs. Shelly Glover: Thank you.

As well, I apologize, Chair, through you. I don't know how else to express it when someone is misleading, but there have been no other governments. There have been no other governments, so I wanted that to be perfectly clear to Canadians who are listening.

The Chair: My advice as a chair, though, is to say that the member opposite is incorrect, and then state your view in terms of what is correct. Obviously you have a very detailed knowledge of the consultations that happened, so I would just ask members to state what their view is or disagree with the argument. As you know, the word “misleading” is.... Speakers in the House have said that this word ought not to be used.

The responsibility of the chair is to try to ensure that there is a good healthy debate here, but also one that is respectful. That's what I'm trying to do, and I'm encouraging members on both sides to argue with a point rather than to say something about a member opposite.

Mrs. Shelly Glover: I appreciate the clarification. Perhaps I would ask then that the member submit the proof rather than to comment on it the next time. I'll do that and continue from there.

I appreciate the officials answering the question with regard to the attempts by this government to close the loophole on other governments being able to access the account and on the fact that it was a consultation done across the board to try to get back to a situation that will benefit both employers and employees for many years to come.

Thank you.

The Chair: Thank you.

Go ahead, Monsieur Mai, *s'il vous plaît*.

Mr. Hoang Mai: Actually, I think Mr. Marston will go first.

The Chair: Mr. Marston is first.

Mr. Wayne Marston: Okay, I won't argue with that.

To my friend from Parkdale—High Park, I'd just make one comment. Every time there's a government elected, they are referred to as “governments”. If you have a Liberal government successively three times, they're governments. If you have Conservative ones successively, they're governments, too.

To go back to the point, originally my understanding of the concept of unemployment insurance was that it was an insurance program for workers when they lost their employment, underwritten by the Government of Canada, and using premiums to do that. Would that be an effective way of describing the intent originally?

Ms. Mireille Laroche: I'm sorry. I didn't understand that.

Mr. Wayne Marston: Okay. Unemployment insurance was changed to employment insurance under the Liberal government. I'll actually name one so we don't get confused here. Prior to that change, the concept of unemployment insurance was that if you lost your job, because you had paid premiums and your employer paid premiums to the government, that money was used. If there hadn't been enough in the account, the government would have added more to cover it. It was underwritten by the Government of Canada.

The concept that Canadian workers have is that there was an unemployment insurance fund that they were paying into. We were of the understanding that it was a separate amount of money and that it wasn't in general revenues in those days. The change that took place in the nineties was that they shifted it to general revenues and at that point in time—the dollar amount we were hearing thrown around was anywhere from $30 billion to $50 billion—it was used by the government of the day to pay down the debt.

My points were the general revenue aspect and that it was being underwritten by the Government of Canada at that time.

● (1625)

Ms. Tamara Miller: If the question you're asking is whether benefits paid out exceeded the amount of premiums that were collected on the part of the government—

Mr. Wayne Marston: In the nineties.

Ms. Tamara Miller: —then yes. People were not denied benefits as a result of the fact that benefits paid out exceeded premiums that came in.

Mr. Wayne Marston: We understood that during that time there was a surplus in the billions, without our going back and forth on exactly what it was.

The point I was getting to is this. You're talking about, currently, a break-even point. Instead of $50 billion, let's say there had been $30 billion in there previously. In the last Parliament—I believe it was the last Parliament—there was a motion passed to take that money off the books.

From a technical standpoint, workers perceived the money that had been used to pay down debt was like a loan and had to be repaid by the government to the fund in order to be there for workers. It was written off the books; thus, we got into this.... Well, I guess it would have been in 2007 or 2008 that this occurred. We started this investment board, the board that was going to take care.

What I'm looking for, though, is when we get to the so-called "break-even point", how much money would have to be on hand to have a break-even point?

Ms. Tamara Miller: On hand....

Ms. Mireille Laroche: When the account is in cumulative balance, we're going to start the new rate-setting mechanism. We'll be looking seven years ahead. We'll be looking at the rate, over those seven years, that would be needed in order to be in balance at that time. That is the way the rate will be set.

I'm not sure if that answers your question.

Mr. Wayne Marston: No. What I'm looking for is this. Over this interim period of time, we will be having rate increases or not. We will have whatever is deemed effective to get us to a break-even point. At the break-even point, will there be any money on hand to backstop the needs of workers who happen to be unemployed, or are we at zero?

Ms. Tamara Miller: Once again, the EI account is consolidated. It's general revenues.

With respect to your question, if you're asking whether workers will be denied benefits as a result of the account being at zero—

Mr. Wayne Marston: No. I'm asking what amount of money has to be available to cover that, whether it's in general revenues or whether it's in a separate fund.

You've referred to a break-even point. Does that mean the break-even point is where the cash premiums coming in cover those people who are on EI? Is that what you mean by break-even?

Ms. Tamara Miller: The break-even point is when the EI operating account reaches cumulative balance. That means the debt is repaid to the EI operating account, which again I point out is consolidated.

Mr. Wayne Marston: I understand that. Thus the incoming revenue from premiums will cover the outgoing costs without any further costs anywhere else, but there's no extra money anywhere backstopping it, other than general consolidated revenues over here. In other words, we're completely away from where we were.

The Chair: Go ahead on a point of order, Mr. Jean.

Mr. Brian Jean: On the relevance to this particular section, I understand now why the government has limited some of the scope of the budget that the NDP wanted to ask questions on. They're just going fishing, and they're using a fishing reel that goes in every direction at once. I don't really understand what it has to do with the particular section that we're here to have the officials answer questions on. It's like a fishing expedition with a shotgun.

The Chair: I think we are....

Mr. Marston, it was my understanding that you were done.

Mr. Wayne Marston: Yes, that's fine.

The Chair: Let's try to keep it as close to the legislative amendments that are before us as possible.

Mrs. McLeod, please go ahead.

Mrs. Cathy McLeod (Kamloops—Thompson—Cariboo, CPC): Thank you, Mr. Chair.

I too was going to raise a similar point, although not as a point of order. I think we can spend a lot of time in terms of the history of the EI fund, but certainly I've heard many people say that this is a good idea in terms of moving forward. In the medium term it's an effective way to save some money by not having a board operating when it doesn't have the flexibility to do what its original mandate was, and to balance that out with the employers and the employees having increases that seem reasonable and that they can count on.

To me, it is a relatively straightforward section that I would hope would have support from all parties, because I think it's a very sensible and reasonable way to move forward.

● (1630)

The Chair: Thank you, Mrs. McLeod.

Go ahead, Mr. Mai, please.

Mr. Hoang Mai: You mentioned that Ms. Glover and Ms. Leitch went out and consulted. What types of consultations were those, and which groups were actually pushing forward for the consultations?

[*Translation*]

Ms. Mireille Laroche: There were consultations on the Web. So people had an opportunity to submit reports.

Mr. Hoang Mai: Were they organized by the Department of Finance?

Ms. Mireille Laroche: It was a joint consultation between the Department of Human Resources and Skills Development and the Department of Finance. Subsequently, there were five or six round tables that took place in the various regions of the country. They were held in Quebec City, Halifax, Edmonton, Toronto and other places. There were stakeholders from various settings, including employees and employers, as well as academics. In short, they were people with a stake in the matter. They discussed issues, such as how the government could improve the way costs are established so that things become more stable and feasible.

Mr. Hoang Mai: Our committee has pre-budget consultations. So there are government as well as opposition members. That makes it possible to have two perspectives. If I understand correctly, there was no one from the opposition at those consultations.

Ms. Mireille Laroche: To my knowledge, no, there was no one.

Mr. Hoang Mai: So we got only one side of the story.

Thank you very much.

[*English*]

The Chair: We are really fishing here. We are going very, very broad on this topic. Can we get back to the legislative amendments?

Mr. Hoang Mai: I have a point of order.

Mr. Chair, you are the one who actually raised the issue of consultation. I am just asking questions with regard to what you yourself did regarding consultations, so I am just following up on that issue.

The Chair: What I did was tie together the pre-budget consultations, the budget, the consultations done by the two parliamentary secretaries, and the budget implementation act.

Mr. Hoang Mai: You did tie it to the consultation with the parliamentary secretary, and that's why I was asking questions with regard to what you actually raised, Mr. Chair, with all due respect.

The Chair: Thank you.

Can I just respectfully ask that we limit questions going forward to the clauses we have before us?

Go ahead, Monsieur Caron.

[*Translation*]

Mr. Guy Caron: Since I am running out of time, I would like to talk about the board itself. You are saying that the board has been suspended under Bill C-45. Yet clause 454 says that the board is dissolved.

Ms. Mireille Laroche: I am actually using the term “suspended” because the government intends to bring it back. The board will then be responsible for setting the rates once the budget of the fund is balanced again.

In fact, a crown agency cannot legally be suspended. That is why the bill dissolves the board. Once the government determines that the account is balanced, the board will be reinstated and it will then be able to set the rate.

Mr. Guy Caron: Given that the board is dissolved by law, is there a mechanism under the legislation that talks about going back to the way things were before it was dissolved?

Ms. Mireille Laroche: Yes. I am not exactly sure which provisions deal with that, but there are provisions for reinstating the board, which will be achieved through an order in council.

Mr. Guy Caron: So the dissolution is temporary.

Ms. Mireille Laroche: That's correct.

Mr. Guy Caron: Okay, thank you.

The Chair: Thank you.

[*English*]

Ms. Nash is next, please.

Ms. Peggy Nash: Just for information purposes—for Ms. Glover's benefit, actually, since she may not recall this—in 2010 the federal government reduced the EI fund from $57 billion to $2 billion and moved $55 billion into general revenues. That's for her clarification, because she was asking about that and I thought she would be very interested in getting some accurate information.

● (1635)

The Chair: Do the officials want to respond to that?

Go ahead, Ms. Miller, please.

Ms. Tamara Miller: In 2010 the government closed the EI account and opened the EI operating account. Again, I emphasize what I've already said a few times: it's part of the consolidated revenue fund, so it's a bookkeeping entry and it is how the ins and outs of the EI account are calculated.

That's all I can speak to.

Ms. Peggy Nash: Can you tell me how much money remained in the EI account?

Ms. Tamara Miller: Well, as I noted earlier, currently the EI operating account is in cumulative deficit.

Ms. Peggy Nash: In 2010, how much money remained in the EI account after the move of $55 billion into general revenues?

Ms. Tamara Miller: I believe the $57 billion was the bookkeeping entry in the EI account. That's in our public record.

Ms. Peggy Nash: So was $55 billion moved into general revenue —

Ms. Tamara Miller: It was $57 billion....

Ms. Peggy Nash: —and $2 billion remained in the EI account.

Ms. Tamara Miller: No, no, it was $57 billion. The last year that the EI account was in operation or was used as a bookkeeping entry, it was at $57 billion, yes.

Ms. Peggy Nash: It was at $57 billion, and then it was formally reduced to $2 billion.

The Chair: We had this debate on that budget implementation act. Ms. Miller, just to clarify, what the officials told us at the time was that they didn't actually move $57 billion over. It was a bookkeeping....

Ms. Tamara Miller: The government effectively changed the bookkeeping entry and how it tracked the ins and outs.

The Chair: It was an active debate at committee at the time. The officials are on record, the opposition's on record, the government's on record. I would strongly advise us, as a committee, to move on. Okay? I think I have a consensus to move on, unless you feel you have to make the point, Ms. Glover.

Mrs. Shelly Glover: Well, I want to make sure the officials are clear.... There was no cash moved. Perhaps you could clearly explain that there was no cash moved and that it was a simple way of recording numbers. The cash that was in the account when there was a new opening.... The new account was so that we could close loopholes allowing government being able to access money.

Can you just be clear about that so that Ms. Nash understands?

Ms. Tamara Miller: The EI account was a bookkeeping entry as a way of tracking the ins and outs of EI premium revenues versus EI benefits. All of the accounts are consolidated with the consolidated revenue fund and are part of general revenues, so it wasn't a matter of moving cash from one account to the other but simply a matter of how the ins and outs of the EI account were tracked.

Mrs. Shelly Glover: The cash in the account at the time was equal to what?

Ms. Tamara Miller: It wasn't a cash entry. It was a bookkeeping entry. I'm afraid I'm not an accountant, so I can't speak specifically to how that would be qualified in general accounting terms.

Mrs. Shelly Glover: Very good. Thanks.

The Chair: Okay, thank you.

If you wish us to consider anything further on that, you can always submit it to the committee, but debate will continue, I'm sure.

We want to thank you so much for being with us here and for responding to our questions on the two divisions you were here today to present on.

We will bring our next set of officials forward.

Colleagues, perhaps while we're getting the next officials to come forward, I'll ask the clerk to pass around a very small motion. I think it has been agreed to by the three parties, but perhaps I could ask all the members to read over the motion. If there are any problems with it, please indicate this to me as the chair.

Hon. Scott Brison: Mr. Chair, what do you want me to do?

The Chair: Mr. Brison, you don't have to do this formally, but do you wish to formally give notice of your motions?

Hon. Scott Brison: Yes, I'll just—

The Chair: Okay, Mr. Brison wishes to give notice for two motions, I believe.

Hon. Scott Brison: Mr. Chair, I'd like to give notice for the following two motions, to be debated on Wednesday. One motion is "that the committee requests the Parliamentary Budget Officer undertake a cost analysis of Bill C-377".

The other is "that the committee invite officials from the Canada Revenue Agency to appear as witnesses to answer questions regarding the cost of implementing and administering Bill C-377, and that this appearance take place prior to the committee's clause-by-clause consideration of this bill".

● (1640)

The Chair: Mr. Brison is just presenting these motions as notice. They will not be debated today.

Do you want to speak to this point, Mr. Jean?

Mr. Brian Jean: I have a point of clarification. Are they two separate motions or one motion? I'm just curious.

The Chair: My understanding is that they are two separate motions.

Mr. Brian Jean: They are two separate motions? Thank you.

The Chair: Thank you.

We want to thank our officials for being here, for discussing part 4, division 23, public sector pensions.

We'll ask you for a brief overview of these amendments, and then we'll have questions from members.

Ms. Kathleen Kelly (Executive Director, Pension Policy and Program, Treasury Board Secretariat): My name is Kathleen Kelly, and I am the executive director of pension policy and programs at Treasury Board Secretariat.

I am here with Joan Arnold, senior director, legislation, authorities, and litigation management, and Kim Gowing, director, pension program management and regulatory policy.

The amendments we're here to discuss are to the Public Service Superannuation Act, the Canadian Forces Superannuation Act, and the Royal Canadian Mounted Police Superannuation Act.

The Public Service Superannuation Act amendments provide that contributors pay no more than 50% of the current service cost of their pension plan. In addition, for the public service, the pensionable age is raised from 60 to 65 in relation to persons who become contributors on or after January 1, 2013.

For the Canadian Forces Superannuation Act, the amendment would change the limitations that apply in respect of the contribution rates at which contributors are required to pay, as a result of the amendments to the Public Service Superannuation Act.

Similarly, the Royal Canadian Mounted Police Superannuation Act is being amended to change the limitations that apply in respect of the contribution rates at which contributors are required to pay, as a result of the amendments to the Public Service Superannuation Act.

Thank you.

The Chair: Thank you very much for that presentation.

Are there any questions?

Ms. Nash, go ahead, please.

Ms. Peggy Nash: First of all, I have a technical question. What would these changes mean for people who are in the public service, leave, and then come back? Would they in fact be involved in two different plans? Would that be the outcome?

Ms. Kim Gowing (Director, Pensions and Benefits Sector, Treasury Board Secretariat): If members of the public service leave and they leave a vested interest in the plan—for example, if they leave a deferred annuity—and come back as employees after January 1, 2013, they will go under the old provisions, .

However, if these employees had severed all ties with the government and took a transfer value, for example, then they would come under the new provisions of the plan.

Ms. Peggy Nash: Thank you.

The Chair: Mr. Brison, do you have a question?

Hon. Scott Brison: Yes, certainly.

In the past, employee contributions under the public service pension plan were below 30%. Can you confirm that the previous Liberal government changed the rules in 1999 to increase employee contributions and moved towards a cost sharing ratio of 60:40?

Ms. Kim Gowing: Yes.

Hon. Scott Brison: On the increase in retirement age from 60 to 65, am I correct in understanding that this only applies to employees who join the public service pension plan after January 1, 2013?

Ms. Kim Gowing: Yes.

Hon. Scott Brison: What would happen to public servants who were in the pension plan prior to 2013, who leave the public service and return and rejoin after the pension plan? What would apply to them? Would it be a two-tier pension, effectively, or will it be 60 for their entire pension?

Ms. Kim Gowing: It depends on the circumstances when they leave the pension plan. As I just explained, if employees were to leave with a vested interest—for example, they had 15 years of service and they decided to take a deferred annuity, so they've left an interest in the old plan—and they were to come back as employees, they would come under the old provisions of a retirement age of 60. If they had no ties to the current pension plan and they came back again after 2013, they would be subject to a retirement age of 65.

Hon. Scott Brison: Thank you.

The Chair: Thank you.

I have Mr. Marston, please.

Mr. Wayne Marston: Does the person coming back have an option? If a person remained employed and had 15 years and has a certain amount vested, and the change comes in, could they opt out?

● (1645)

Ms. Kim Gowing: No.

Mr. Wayne Marston: Okay. They told me the same thing about ours. I thought I would ask, just in case. It's a good return on the dollar. There's no doubt about that.

You talked about the difference between the Canadian Forces and the RCMP relative to the rest of the public service pensions. Is there a way of explaining that a little more clearly? I understand that there are some concerns with Canadian Forces and RCMP not being treated quite the same as the other ones. Would that be accurate to say?

Ms. Kim Gowing: The RCMP and the Canadian Forces are subject to the same rates as the public service. However, because they have different plan provisions, they will not reach a 50:50 cost sharing.

Mr. Wayne Marston: They won't have to get to the same level?

Ms. Kim Gowing: No. They will pay the same rates as the public service, but because their plan has different provisions, such as early retirement, their cost sharing ratio will not reach 50:50.

Mr. Wayne Marston: Are they subject to a later retirement? They are not, are they?

Ms. Kim Gowing: No, they are not.

Mr. Wayne Marston: It once was that after 20 years in the military, you were out with a smaller pension, and after 25 years, you had a full pension. Is it still roughly that figure?

Ms. Kim Gowing: I can't speak to the terms and conditions of the Canadian Forces.

Mr. Wayne Marston: Okay, thank you.

The Chair: Thank you.

We will go to Mr. Jean, please.

Mr. Brian Jean: I am curious. Do these amendments—this section and division—also deal with the Prime Minister's pension?

Ms. Kim Gowing: No, they do not.

Mr. Brian Jean: That's separate. That has already been passed, obviously.

Are there any other pensions that are retroactive in the way that the Prime Minister's pension went retroactive? The changes in the pension went back to 2006, to the first day he was sworn in. Have any other pensions been dealt with in the same manner? Are there any other pensions at all that have gone retroactive?

Ms. Kim Gowing: No.

Mr. Brian Jean: So he's the only person taking a hit on this legislation that goes back some six years.

Ms. Kim Gowing: Yes.

Mr. Brian Jean: Thank you.

[*Translation*]

The Chair: Mr. Caron, you have the floor.

Mr. Guy Caron: One of the questions that were submitted by the Library of Parliament has to do with the impact of the amendments on unfunded liabilities. But could you first tell me what is the current amount in unfunded public sector pension liabilities?

[*English*]

Ms. Kim Gowing: I'm sorry, I didn't hear the translations.

[*Translation*]

Mr. Guy Caron: I am going to try to find the word in English. Give me two seconds.

The Chair: What is your question?

Mr. Guy Caron: What is the current amount in unfunded public sector pension liabilities?

[*English*]

Ms. Kathleen Kelly: The net liability for the public sector plans is about $150 billion—$149 billion.

[*Translation*]

Mr. Guy Caron: What will the impact of this measure be on unfunded liabilities?

[*English*]

Ms. Kathleen Kelly: What will the impact of these changes be? These changes don't change the funding of the plans. They just change the cost sharing of the plans.

[*Translation*]

Mr. Guy Caron: In other words, the liabilities will not be affected.

[*English*]

Ms. Kathleen Kelly: No.

[*Translation*]

Mr. Guy Caron: What is the impact of the unfunded liabilities on the government's budget? Does that lead to costs? Does that create operating costs for the government's overall operations?

[*English*]

Ms. Kathleen Kelly: Do you mean specific to the changes we are making?

[*Translation*]

Mr. Guy Caron: No, the question really has to do with the structure of the liability.

[*English*]

Ms. Kathleen Kelly: I'm not sure what you mean by the structure of the liability.

[*Translation*]

Mr. Guy Caron: Is the unfunded liability going to create budget costs for the government, be they real costs or accounting costs?

[*English*]

Ms. Kathleen Kelly: I can't speak as an accountant, but generally it's the annual current service amounts that affect the government on a budgetary basis. The overall pension liability is carried in the Public Accounts of Canada.

[*Translation*]

Mr. Guy Caron: Thank you.

The Chair: Are there any further questions?

Mr. Mai, go ahead.

● (1650)

Mr. Hoang Mai: Thank you, Mr. Chair.

Have studies or audits been done on the impact on attracting people to the public service? Have consultations been held with various groups about that?

[*English*]

Ms. Kathleen Kelly: Yes, in accordance with legislation, there are pension advisory groups under each superannuation act. These pension advisory committees were consulted leading up to these changes.

Mr. Hoang Mai: Can you talk more about the pension advisory committee? Who does that involve? Who are the stakeholders?

Ms. Kim Gowing: The pension advisory committee is made up of both employer and employee representatives. The employee representatives are nominated through the National Joint Council. There is one pensioners representative, as well.

Mr. Hoang Mai: What's the reaction from other organizations regarding the proposed changes? Do you have a feel for how things have been perceived or received?

Ms. Kathleen Kelly: They were constructive conversations, clearly, on the employee side. This was not something they were happy to embrace, but they were very constructive conversations, and they understand the pension plan.

Mr. Hoang Mai: Has it been stated in terms of the fact that for a lot of public employees, the pension is part of the remuneration package?

Is there any way to maybe keep the same benefits or

[*Translation*]

to make the prospect of working for the public service appealing? Have you considered some options on that matter?

[*English*]

Ms. Kathleen Kelly: These changes were specific to the pension plan. We aren't really well positioned to address compensation strategies on behalf of the government.

[*Translation*]

Mr. Hoang Mai: Okay. Thank you.

[*English*]

The Chair: Okay. Thank you.

I'd like to thank the three of you for being here and for explaining division 23 and responding to our questions. Thank you so much for that.

We will ask the officials for division 24 to come forward.

Colleagues, unless there are objections, could I ask someone to move the motion? Has everyone received a copy?

Mrs. Shelly Glover: I move that for the purpose of the clause-by-clause study on Bill C-45, the effect of the motion adopted on October 1, 2012, regarding substantive motions be suspended.

The Chair: Thank you.

(Motion agreed to)

The Chair: That's carried unanimously, I believe.

We want to welcome Mr. Trottier to the committee. He is from the Treasury Board Secretariat.

Mr. Carl Trottier (Executive Director, Compensation and Labour Relations, Treasury Board Secretariat): That's correct. Thank you.

The Chair: We are addressing division 24, which deals with amendments to the Canada Revenue Agency Act.

Please give us a brief overview, and then we'll have questions from members.

Mr. Carl Trottier: Thank you very much for having me.

I am Carl Trottier, the executive director of strategic compensation management at the Treasury Board Secretariat.

Before you today on division 24 are three amendments to the CRA Act. The first one is to require that CRA get Governor in Council approval prior to settling a negotiated settlement. The second requires that a bargaining mandate be obtained by the President of the Treasury Board before negotiating a mandate. The third is that they also come to the President of the Treasury Board on any major changes to their HR policies that could also have some cost implications.

The Chair: Thank you very much for that.

Are there any questions?

Monsieur Mai, *s'il vous plaît*.

[*Translation*]

Mr. Hoang Mai: Thank you for joining us today.

Could you explain how the consultations with the President of the Treasury Board will unfold in terms of determining compensation, work hours and leave?

Mr. Carl Trottier: Since the agency is a separate body, people will negotiate their own wages with the bargaining agents. However, before the start of negotiations, the President of the Treasury Board will be contacted to approve the mandate that they hope to negotiate. It will then be up to the President of the Treasury Board to determine whether the mandate is appropriate, in light of the mandates given to other employers.

● (1655)

Mr. Hoang Mai: In terms of the definition of the mandate, what would the instructions be for negotiations and procedures that will make it possible to get to that level? Do we have more information about that?

Mr. Carl Trottier: No, it is the responsibility of each separate employer to make the request and to discuss it with the Treasury Board Secretariat, even before going to the president's office to make the request. But prior to that, some kind of consultation has to take place.

Mr. Hoang Mai: If the President of the Treasury Board does not approve a mandate developed by the Canada Revenue Agency, who has the final say?

Mr. Carl Trottier: Are you asking who has the last word if the agency does not agree with the mandate provided by the Treasury Board?

Mr. Hoang Mai: Yes.

Mr. Carl Trottier: The President of the Treasury Board has the power to deny the agency's request. However, there will, of course, need to be an explanation for the underlying reason—

Mr. Hoang Mai: I would like to fully understand this. Could you tell us how it is possible to get more information about this topic? It is not public. It is a discussion that—

Mr. Carl Trottier: Unfortunately, it is not public for a number of reasons. That would make negotiations very difficult and probably very costly as well. For all those reasons, those documents are sealed when a request is made.

Mr. Hoang Mai: Could you tell us why the Canada Revenue Agency was not covered, while the other organizations were?

Mr. Carl Trottier: The agency was created with a board of management. The agency has the power to hand over mandates to this board. The agency is the only separate employer that has this flexibility. To err on the side of caution, we also wanted all separate employers to be governed in the same way in order to be able to go to one source for all the mandates.

Mr. Hoang Mai: What about the disparities in the conditions of the Canada Revenue Agency and those of other organizations? Are they very different? Is there a big gap?

Mr. Carl Trottier: The conditions are similar. Some differences may occur, as they did in previous years. However, I must say that the conditions now are almost the same.

Mr. Hoang Mai: Is double-dipping part of the negotiations or discussions?

Mr. Carl Trottier: No.

Mr. Hoang Mai: It is a completely different story.

Mr. Carl Trottier: It is entirely different.

Mr. Hoang Mai: Okay, thank you.

[*English*]

The Chair: *Merci.* Are there any other questions?

Mr. Brison, go ahead.

Hon. Scott Brison: Just to be clear, will these measures in Bill C-45 apply to the current collective bargaining negotiations?

Mr. Carl Trottier: Do they apply to the current parties that are negotiating? Sorry, is that the question? Yes, that's correct.

The CRA has two bargaining agents they deal with. They have two large collective agreements. One is currently bargaining, and one expired a month ago, I believe. Therefore, when this comes into effect, if their mandate has not yet been approved, then they will have to come to us and ask the President of Treasury Board for a mandate.

Hon. Scott Brison: Okay, but when did the negotiations begin?

Mr. Carl Trottier: They began a month ago. The collective agreement expired a month ago.

Hon. Scott Brison: But these provisions have not yet been passed?

Mr. Carl Trottier: No, they haven't, and they haven't been held to them either. However, if we just play this out and they take a year to 18 months to negotiate, when they are going to sign the collective agreement, they will be required to get Governor in Council approval before applying the settlement.

Hon. Scott Brison: Just to be clear, despite the fact that these measures haven't been passed in Parliament, are they being applied to the current negotiations?

Mr. Carl Trottier: No, no, no. Sorry, I didn't mean to mislead. They're not being applied right now. They will be applied once this comes into force.

Hon. Scott Brison: Thank you.

The Chair: Mr. Marston, go ahead, please.

Mr. Wayne Marston: Just so we're clear, in the past the department itself conducted its own negotiations. They didn't have to go back to get these permissions. Is this new?

● (1700)

Mr. Carl Trottier: That's correct. This is entirely new for them.

Mr. Wayne Marston: I'll follow up on what Mr. Brison mentioned. You would originally have to get an understanding of your mandate before negotiations started under these terms, and then when you concluded negotiations, you would have to go back to have that reaffirmed.

Mr. Carl Trottier: Are you talking about previously?

Mr. Wayne Marston: If this bill passes now, on anything going forward from there, would you get pre-approval of where you are expected to go by the government, and then when you concluded negotiations, would you have to go back again?

Mr. Carl Trottier: You'd have to go to the Governor in Council, yes.

Mr. Wayne Marston: So now we have a situation in which you had a mandate to negotiate a collective agreement that didn't have that participation by the government at this point in time, and when you conclude that contract, you may have to go to the government and they may say they don't agree with it.

I'm a little concerned about changing in mid-stride. You may have gone into negotiations in perfectly good faith with the employees, and they think they have a good relationship at the bargaining table, and that potentially could be turned upside down.

Mr. Carl Trottier: What's important to know also is that the Treasury Board Secretariat, though it didn't have to come to the President, would be in contact with them constantly, in terms of advising them if it's an appropriate mandate or not. That continues. Therefore, when they come back to the Governor in Council, it shouldn't be a surprise to anyone.

Mr. Wayne Marston: It shouldn't be a surprise. Okay. Well, that's a little better. Thank you.

The Chair: Thank you, Mr. Marston.

Are there further questions?

Thank you very much, Mr. Trottier, for being with us here this afternoon. We appreciate your presence.

Mr. Carl Trottier: Thank you very much.

The Chair: Thank you.

Colleagues, we have gone through the briefings for the divisions before us, so unless there's anything further, I'm going to adjourn the meeting.

The meeting is adjourned.

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