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# COMPENSATION ANNUAL REPORT 2008-2009



Public Works and  
Government Services  
Canada

Travaux publics et  
Services gouvernementaux  
Canada

Canada

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In 2008-2009, Public Works and Government Services Canada (PWGSC) Compensation continued its effective management of payroll, insurance and pension business processes and systems by providing administrative functions to 110 departments, agencies and organizations representing over 332,500 employees and 341,000 pensioners. More than 13 million payments were made to employees and pensioners. Significant effort was made in support of the government's agenda to modernize the compensation administration by continuing with key initiatives such as the transformation of pay and pension administration. Work efforts continued to support client departments and agencies in the achievement of their objectives in spite of ageing technology and its inherent limitations. Efforts to build and maintain a skilled and knowledgeable workforce continued through the implementation of a comprehensive Human Resources plan, which is fully integrated with operational business plans.

### **PWGSC Compensation also:**

- completed the first release of the Pension Modernization Project, which includes Siebel client relationship management tools and a new telephony system for the Public Service Pension Centre, formerly known as the Superannuation, Pension Transition and Client Services Sector and/or Superannuation Sector;
- successfully centralized three services in the Public Service Pension Centre, including the first high volume transaction service, as part of the Centralization of Pension Services Delivery Project;
- completed a single repository of business requirements and the outline of a high-level process model, as well as various business models for modernizing our pay systems and processes as part of the transformation of pay administration;
- implemented a total of 111 collective agreements and 26 pay rate changes within the required timelines;
- extended direct deposit to include the majority of supplementary payments (e.g. overtime);
- introduced the following tools to support the departmental compensation advisors:
  - Additional features were added to the Compensation Web Applications, including enhanced calculators, improved search mechanisms and new functionalities to enhance client service, reduce the compensation community workload, and help improve the quality and integrity of data;
  - The Regional Pay System was modified to introduce additional features which results in more accurate data entry, including changes related to leave without pay, enhanced messages, and changes to reduce the risk of overpayments;
  - The enhanced Gross to Net Pay calculator provides salary reduction and entitlement estimates, as well as net pay calculations. A Leave with Income Averaging (LIA) module was added, delivering single-window access to departmental compensation advisors and

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PWGSC pay agents seeking information on LIA agreements, and on how LIA pay transactions must be entered into the Regional Pay System;

- commenced the development of three new courses for the compensation community;
- completed an options analysis for the administration of Royal Canadian Mounted Police (RCMP) and Canadian Forces pension plans;
- delivered a feasibility study, on time and significantly under budget, with respect to the migration of the RCMP pension plans to the new Public Service pension solution;
- began a feasibility study and fit/gap analysis between the new Public Service pension solution and the administrative requirements of the Canadian Forces pension plans;
- corrected a total of 30,347 pension data accounts identified as failing the pension data repository integrity test; and
- completed Phase II of an Internal Control Framework Project to document and assess internal controls for both pay and pension.

If you have any comments about this report or would like further information, please contact:

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## *A Few Words About PWGSC Compensation*

PWGSC Compensation administers Government of Canada payroll, pension and insurance processes, including the development and maintenance of computer systems and a national business administration infrastructure. This allows departments to administer pay and benefits in accordance with collective agreements and compensation policies established by Treasury Board Secretariat and certain separate employers, as well as to fulfil the requirements of the *Public Service Superannuation Act*.

PWGSC Compensation also provides specialized pension services for the administration of superannuation plans to the Department of National Defence, Members of Parliament, diplomatic services, lieutenant governors and judges.

Administration is provided for insurance plans, including the Public Service Health Care Plan, the Disability Insurance Plan, the Public Service Management Insurance Plans (Life Insurance and Long-term Disability), the Dental Care Plan and the Pensioners' Dental Services Plan.

The Compensation Sector, which is a part of the Accounting, Banking and Compensation Branch of PWGSC, directs these activities in partnership with PWGSC regional pay offices, the Public Service Pension Centre, located in Shediac, New Brunswick, and the Information Technology Services Branch.

The informatics aspect of compensation administration is managed by the Information Technology Services Branch, and the Public Service Pension Centre is responsible for the administration of benefits provided under the *Public Service Superannuation Act*. Regional pay offices provide pay, advisory and training services to compensation advisors across the country. Insurance administration activities and functions are divided between the Compensation Sector, the regional pay offices, and the Public Service Pension Centre.

The number of pay accounts paid through the Regional Pay System increased by 4.1 % in 2008-2009. On March 31, 2009, there were 310,261 pay accounts, an increase of 12,319 accounts from the previous year.

<b>PAY ACCOUNTS BY REGIONAL OFFICE</b>	
<b>LOCATION</b>	<b>NUMBER OF ACCOUNTS</b>
Atlantic - Halifax	30,800
Quebec - Montreal	33,248
National Capital Area - Ottawa	138,948
Ontario - Toronto	44,100
Western - Edmonton	38,498
Pacific - Vancouver	<u>24,667</u>
<b>TOTAL PAY ACCOUNTS</b>	<b>310,261</b>
<b>PENSION ACCOUNTS</b>	
Contributors	330,078
Annuitants	<u>341,233</u>
<b>TOTAL PENSION ACCOUNTS</b>	<b>671,311</b>

Pay Facts			
Payroll Clients		Annual Payments	
PSSRA I.I	77	Public Service	8.35 million
PSSRA I.II	21	RCMP	<u>.57 million</u>
Others	<u>12</u>	<b>Total</b>	<b><u>8.92 million</u></b>
<b>Total</b>	<b><u>110</u></b>		
Accounts		Direct Deposit Participation Rates	
<b><u>Regional Pay System</u></b>		(eligible employees only)	
PSSRA I.I	230,302		
PSSRA I.II	73,349	Public Service Pay	97.0 %
Crown corporations and agencies	<u>6,610</u>	RCMP Pay	93.3 %
<b>Total</b>	<b><u>310,261</u></b>		
<b>RCMP - Pay System</b>	<b><u>22,247</u></b>		
<ul style="list-style-type: none"> <li>• 4 different pay cycles</li> <li>• 470 types of entitlements</li> <li>• 354 types of deductions</li> </ul>		<ul style="list-style-type: none"> <li>• 31 collective agreements under TB</li> <li>• 80 collective agreements under separate employers</li> <li>• 218 remittance agencies</li> </ul>	

Pension Facts			
Annuitant Accounts		Benefits Paid	
PSSA - Shediac	229,186	PSSA	\$4.7 billion
CFSA	110,683	CFSA \$	\$2.4 billion
MPs and Judges	<u>1,364</u>	MPs and Judges	<u>\$0.2 billion</u>
<b>Total</b>	<b><u>341,233</u></b>	<b>Total</b>	<b><u>\$7.3 billion</u></b>
Annual Payments		Direct Deposit Participation Rates	
PSSA	2.77 million	PSSA	93.2%
CFSA	1.34 million	CFSA	95.0%
MPs and Judges	<u>0.01 million</u>	MPRAA	97.0%
<b>Total</b>	<b><u>4.12 million</u></b>	Judges	99.0%

Insurance Facts			
Insurance Accounts		Dental Care Plan Inquiries	
PSHCP	538,752	<b>Total Inquiries</b>	7,240
DI	221,747		
PSMIP - Life Insurance	29,844		
PSMIP - LTD	42,592		
DCP & PDSP	<u>433,059</u>		
<b>Total</b>	<b><u>1,265,994</u></b>		

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## ***PWGSC Compensation Activities***

The following is a summary statement of the objectives, commitments, strategies and key activities of PWGSC Compensation.

### **Objectives**

The objective of PWGSC Compensation is to provide payroll, insurance and pension plan administrative functions for the Government of Canada. This includes: the administration of payroll, pension and insurance processes for public service employees and pensioners; for the RCMP - payroll services; for the federal judiciary - pension services; and for active and retired Members of Parliament - pay and pension services.

Key commitments are to:

- meet the stewardship obligation to ensure the integrity and sustainability of the pay and pension operations for which it is responsible on behalf of the Government of Canada;
- support the government's commitment to modernize management practices ensuring sound management, delivering services smarter, faster and at a reduced cost with improved accountability and increased transparency, supported by adequate risk management - demonstrating that the Government of Canada and its employees and pensioners, are getting good value for taxpayer dollars;
- focus on the changing requirements of departments and agencies and those resulting from new legislation, policies and collective bargaining agreements; and
- promote a work environment through an expert, diverse and motivated workforce which supports, understands and practices the concepts of integrity, values and ethics.



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## *Initiatives Common to Pension, Pay and Insurance*

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### **Transformation of Compensation**

The compensation modernization initiative is PWGSC's renewal of its pay and pension business processes and systems, and a consolidation of government compensation services. The aim is to ensure the ongoing capability to provide compensation functions for federal public servants and pensioners, as well as to provide greater flexibility and functionality, and improved efficiency in service delivery. PWGSC's 40-year old pension and pay systems are in need of replacement: they use outdated technology and rely on the expertise of staff, many of whom are due to retire in the next few years. Additionally, it has become increasingly difficult to sustain quality service in the current context of fragmented service delivery.

The current decentralized pension delivery model relies heavily on the knowledge and experience of compensation advisors across 110 client departments, separate employers, agencies and Crown corporations. This fragmented and dispersed delivery model limits the plan administrator's ability to address significant duplication of effort and inefficiencies that currently exist, and allows for limited flexibility to augment existing service channels. In addition, the pressures will escalate in the coming years as the number of retiring public servants increases.

The payroll service delivery model is also decentralized. Part of the payroll administration process is conducted across government departments by compensation advisors. There are also many manual processes completed by pay and pension agents within PWGSC regional pay offices across the country. This cross-delineation of work processes makes the Government of Canada payroll administration the least efficient in terms of cost, quality and effectiveness, among its peers in the industry.

PWGSC has the opportunity to address these challenges and deficiencies with the delivery of new capabilities through the modernization of its technologies and business processes. Modernization will allow PWGSC to support competitive and industry best practice pension and pay services, with a new and greater focus on self-service, and contact centres providing expert advice and services.

### **Online Services**

The Compensation Sector is responsible for the management of the online transactional service "Compensation Web Applications", which provides pay and pension information and tools to public service employees, pensioners and the compensation community, as well as the management of three Websites.

#### **Compensation Web Applications**

[www.tpsgc-pwgsc.gc.ca/remuneration-compensation/txt/index-eng.html](http://www.tpsgc-pwgsc.gc.ca/remuneration-compensation/txt/index-eng.html), which won the 2008 Public Service Award of Excellence in the Innovation Category, are a suite of self-service pay and pension applications enabling employees to monitor and manage their personal compensation information, as well as calculate pay and pension "what if" scenarios to assist with financial planning. Compensation Web Applications' services, such as pay and pension

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calculators, reduce the number of estimate requests received by compensation advisors, allowing them to concentrate on other value-added activities.

As of March 2009, Compensation Web Applications were deployed to 76 departments and agencies, making the service available to approximately 239,400 employees. Departments with the highest take-up rates include:

- Health Canada - 98%
- PWGSC - 57%
- Canada Border Services Agency - 53%
- Industry Canada - 51%
- Service Canada - 51%

The Compensation Web Applications allow employees to view their Pension and Benefits Statement, their Statement of Earnings (pay stub), and request changes to their voluntary deductions. Employees can also use the Pension Benefits Calculator, the Service Buyback Estimator and Package, the Retirement Package and the Pension Portability Package to help them make important pension-related decisions. In 2008-2009:

- an average of 6,583 employees accessed the Gross to Net Regular Pay Estimate Calculator site each month
- an average of 25,690 pension calculations were performed each month
- an average of 1,715 service buyback estimates were calculated each month

As of 2008-2009, Pension and Benefits Statement updates are completed on a monthly rather than quarterly basis. As a result, contributors are able to perform calculations using the Pension Benefits Calculator and the Service Buyback Estimator, and view their online statement with the most up-to-date information possible.

In 2008-2009, additional features were added to the Compensation Web Applications:

- A newer, more comprehensive and information-rich version of the Gross to Net Regular Pay Estimate Calculator was developed and implemented. The enhanced version provides salary reduction and entitlement estimates, as well as net pay calculations. In addition, it includes a Leave with Income Averaging (LIA) module delivering single-window access to departmental compensation advisors and PWGSC pay agents seeking information on LIA agreements, and on how LIA pay transactions must be entered into the Regional Pay System. This module helps departmental compensation advisors and PWGSC pay agents improve the quality and integrity of the data being entered into both the pay and pension systems.
- The search capability for the online pay register was enhanced to be more user-friendly, and more options were provided to allow compensation advisors to search for payments for a specific date, by year, by direct deposit or by cheque only. In addition, employees' net pay was added to the Search Results pages, enabling compensation advisors to conduct faster searches and obtain the information they require more readily.

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- Other minor enhancements were put in place, such as:
    - enhancing the Statement of Earnings (pay stub) application to make the stop print option mandatory for Health Canada (at their request); and
    - improving the Record of Employment to ensure that entitlements are applied to pay periods for 7B pay cycle accounts.

### ***Your Public Service Pension and Benefits Web Portal***

[www.pensionandbenefits.gc.ca](http://www.pensionandbenefits.gc.ca) is managed in partnership with Treasury Board Secretariat. This site allows compensation specialists to reduce the time spent on pension/benefit queries, while providing rapid access to information to active and retired plan members. A new section for prospective members was added in 2008-2009, supporting broader Public Service renewal initiatives by providing an overview of pension and insurance benefits – a key feature of public service employment. From the site, active members can choose the paperless option for their annual Pension and Benefits Statement, and view it online. In 2008-2009, the Pension and Benefits Guide was made available for the first time solely online via the Web portal.

### **The Public Service Pension Plan Repository site**

[www.tpsgc-pwgsc.gc.ca/pension/](http://www.tpsgc-pwgsc.gc.ca/pension/) contains all communications directed to pension plan members. This common repository stores all PWGSC authored plan member communication products, thus ensuring that pension members have easier access to the information they require.

### **Compensation Sector Website**

<http://www.tpsgc-pwgsc.gc.ca/remuneration-compensation/txt/index-eng.html> provides information on both pay and pension services for Public Service employees and pensioners. The Website contains information concerning compensation products including: publications, directives, bulletins and communiqués, as well as Compensation Web Applications. The popularity and success of the Compensation Sector Website is demonstrated by the average number of visits which exceeded 1.3 million per month in 2008-2009.

## **Greening of Government Operations Through Compensation Web Applications**

Savings will be realized through a reduction in costs associated with printing, shipping, postage, handling and distribution of hard copy reports to all departments across Canada. In addition to cost savings, this will contribute to the greening of government operations by reducing the consumption of paper by approximately 26 tonnes per year.

In 2007-2008, a Paperless Record Keeping feature was added for the pay stub and this feature was expanded in 2008-2009. Specifically, direct deposit was enhanced to include the majority of supplementary payments (e.g. overtime) and employees were given the option to stop the print of their supplementary payment statements. During the fiscal year, 33,911 employees stopped the printing of their regular pay stubs, and 31,236 employees stopped the printing of their supplementary pay stubs, resulting in savings of 13.98 metric tonnes of paper.

Savings were also realized as a result of the automated Record of Employment which can be filed electronically with Human Resources and Skills Development Canada, through which 1.28 metric tonnes of paper were saved in 2008-2009. The 2008 Public Service Award for

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Excellence in Citizen-focused Service Delivery was awarded for the electronic version of the Record of Employment, which was implemented in 2007-2008.

Compensation administration processes were also improved this year with the introduction of the Web-based pay register made accessible to departments that implemented the Compensation Web Applications. By the end of the fiscal year, the paper version of the pay register was discontinued for 67 departments, and resulted in paper savings of 31.28 metric tonnes of paper.

In June and July 2008, PWGSC printed and distributed 294,358 Pension and Benefits Statements to all active *Public Service Superannuation Act* pension plan members. In keeping with the Government of Canada's initiative to reduce paper consumption, the explanatory guides, which in the past accompanied each statement, were only made available online. Additionally, the option to suppress the print of annual statements, introduced in 2007, resulted in 8,402 suppressed statements and saved one metric tonne of paper for fiscal year 2008-2009.

## **Recruitment and Development Programs**

To continue to support the pension and pay administration of departments and agencies, PWGSC Compensation Sector created the Compensation Officer Apprenticeship Program in 2004-2005, for both internal and external recruits. This Program has recently been updated to include an intensive structured eight-month Knowledge Transfer Program where the new recruits learn all aspects of the compensation business lines from a knowledgeable senior employee. After the in-depth training component, the participants progress to eight-month work assignments within all of the compensation business lines. To date, the Knowledge Transfer Program has demonstrated that the participants are significantly more productive on assignment and require less coaching by managers. In 2008-2009, a total of 11 new recruits were hired, which brings the total to 21 participating in the program. In addition, in 2008-2009, five participants successfully progressed through the program and two participants graduated from the program.

The Public Service Pension Centre has developed a Pension Benefit Advisor Apprenticeship Program to address the need to replace pension experts who are retiring and/or leaving the organization. The four-year learning program develops competencies through a variety of experiences gained through rotational assignments, mentoring, self-learning and classroom training. In 2008-2009, 13 recruits were hired.

## **Internal Controls Assessment**

PWGSC Compensation has undertaken an initiative to document and assess internal controls with the objective of correcting and strengthening them, as well as being able to attest to their adequacy. Given that PWGSC pay and pension processing is the completion of transactions initiated by departments, the results of the internal controls assessment could be used to substantiate departmental attestation.

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The project objectives are to ensure:

- effective internal control over the reliability of financial and non-financial reporting;
- adequacy of legislative and policy compliance controls over the pay and pension processes; and
- adequate operational controls for efficiency and effectiveness of operations.

The project used a phased approach:

- Phase I of the project was completed in 2007-2008. It consisted of documenting and testing key controls in pay and pension manual processes, and developing a framework to enable a yearly assessment of our program controls.
- Phase II was completed in September 2008. It consisted of undertaking a control optimization exercise and implementing the action plan developed in Phase I to address the gaps identified and to mitigate any risks.
- Going forward, we will ensure that internal controls are in place and tested on an ongoing basis. Ongoing work is underway to ensure key controls are being established in the new pension solution during development.

### **Transformation of Pension Administration**

PWGSC Compensation has undertaken several initiatives aimed at improving pension administration. These initiatives, collectively referred to as the Transformation of Pension Administration, are designed to ensure the sustainability of pension administration including system sustainability, strengthened accountability, increased capacity, and improved overall quality and efficiency of work. The initiatives include the Government of Canada Pension Modernization Project, the Centralization of Pension Services Delivery Project, the Pension Data Correction Project, the Pension Imaging initiative, and the Pension Communication and Web Development initiative. Although these are separate and distinct initiatives, they are being developed concurrently and share the same objective of implementing renewed services, processes and systems to enable a modern pension administration.

In June 2007, PWGSC received approval to proceed with the implementation phases of both the Government of Canada Pension Modernization Project and the Centralization of Pension Services Delivery Project. Over the next three and a half years, these projects will:

- transform pension administration business processes;
- centralize the delivery of pension services within PWGSC's Public Service Pension Centre in Shediac, New Brunswick; and
- replace outdated systems infrastructure with a technical solution based on proven commercial off-the-shelf software products.

### **Government of Canada Pension Modernization Project**

The Government of Canada Pension Modernization Project was initiated to ensure the ongoing capability to provide pension administration for federal public servants and pensioners, and to provide greater flexibility and functionality in service delivery. The current systems use outdated technology and rely on the expertise of key staff, many of whom are due to retire in the next few years.

Through extensive assessment activities, the Pension Modernization Project confirmed that the new commercial off-the-shelf software based solution proposed by the project vendor would meet technical and business requirements. Although the project is focused on the *Public Service Superannuation Act* administration, it will implement a multi-plan solution that will provide for the implementation of other public service pension plans. In July 2007, following receipt of approval, the Pension Modernization Project began start-up activities for the implementation phase of the project. Implementation of the system occurs in a series of five releases, and each release builds upon the successful implementation of the previous one(s).

PWGSC reached a major milestone with the completion of the first release of the new Public Service Pension Administration System. Detailed design and construction of Release 1.0 and 1.1, which focus on client services, began in October 2007 and was completed and implemented on

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February 2, 2009. It provides a client relationship management application (Siebel) to track all activities related to telephone requests from active members, retired members and employers, as well as a new telephony system. This release supports the government priority to improve the Government of Canada employee compensation services, and has been cited as one of the most successful implementations of a Siebel application by the Government of Canada.

The project team has been working on Release 1.5 since March 2008, with an anticipated completion in December 2009. This release will build on the functionality of Release 1.0 to provide enhanced client relationship management capabilities, including the electronic imaging of all incoming documents.

In January 2008, the project team began the detailed design for Release 2.0, which consists of the implementation of the core pension administration system. This release will replace the existing legacy Contributor System (and some associated systems) with a new application (Penfax) and will integrate it with the client relationship management, workflow and imaging functions implemented in the previous release. Implementation of this release is expected to be completed in the summer of 2010.

The Pension Modernization Project is both on schedule and within budget. The project expects to complete its implementation phase in late 2011, as planned.

In addition to ongoing project activities, the Pension Modernization Project team delivered, on time and under budget, a study on the feasibility of using the Pension Modernization solution for the RCMP pension plans administration. Furthermore, an option analysis for the implementation of *Royal Canadian Mounted Police Superannuation Act* and *Canadian Forces Superannuation Act* pension plans was completed in February 2009.

PWGSC Compensation conducted personal visits with Crown corporation clients who are members of the Public Service pension plan, briefing them on the pension transformation activities currently underway. The impacts of the transformation activities on their organizations were identified and questions and concerns regarding the unique pension administration requirements of Crown corporations were raised. As a follow up to this initiative, quarterly conference calls are being scheduled to maintain regular communication with our Crown partners to keep them informed of ongoing activities within PWGSC pension administration and to address any issues they may raise.

### **Centralization of Pension Services Delivery Project**

The centralization of pension services from departments to PWGSC will provide best practice pension administration services to all employees subject to the *Public Service Superannuation Act*. This is being accomplished by progressively implementing new and redeveloped pension services delivered centrally from the Public Service Pension Centre. Centralization, in concert with the Pension Modernization Project, presents an opportunity to improve the consistency, accuracy and timeliness of service delivery at a reduced cost, to provide direct access to pension expertise, to enable direct problem resolution, and to eliminate duplication of effort and inherent deficiencies of the current delivery model.

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Three services were centralized in 2008-2009:

- Pre-employment Information
- Spousal/Dependant Benefits Information
- Service Purchase

The first two services were successfully centralized in the Public Service Pension Centre on May 1, 2008, as planned. Service Purchase was the first high-volume transaction service to be centralized. To ensure sufficient capacity to assume the service, a client workload assessment was completed in September 2008. A revised phased-in implementation strategy was defined and the service was successfully implemented between December 2008 and February 2009.

The centralization of the six remaining pension services (Plan Enrolment, Orientation, Leave Without Pay, Employer Support, Pension Benefit Entitlements, and Survivor Pension Benefit Entitlements) is scheduled for completion in 2010, and is aligned with the Pension Modernization Project releases.

## **Data Quality Improvement**

The objective of the Pension Data Correction Project is to correct pension accounts failing the Integrated Pension Data Repository integrity test. The data integrity process facilitates compliance with the requirements of Bills C-71 (*Public Service Pension Reform*) and C-78 (*Public Service Pension Investment Board Act*) by ensuring the accuracy of pension contributions deducted and credited to the Public Service Pension Fund, and the accuracy of the salary and service upon which the contributions were based. The work of the Pension Data Correction Project is also considered to be a critical element for the success of the Pension Modernization Project, Centralization of Pension Service Delivery Project and Pension Communication and Web Development initiative.

The integrated Pension Data Repository is the primary tool used to ensure the integrity of pension data. Tests within the integrated Pension Data Repository calculate the required pension contributions based on a member's salary/service data reported in the Contributor System.

Since 2005, a team has been identifying the errors on accounts and sending out requests to PWGSC regional pay offices and compensation advisors to confirm the information and make the necessary corrections. For 2008-2009, the regional pay offices exceeded by 2% their annual commitment to correct pay data accounts identified as failing the pension data repository integrity test. As of March 31, 2009, a total of 30,347 accounts have been corrected and, although the project officially ended on March 31, 2009, data correction activities continue in the Public Service Pension Centre, the regional pay offices and departments. These efforts will continue as part of regular operations.

In addition to the work on the Pension Data Correction Project, PWGSC has continued working on the Data Integrity and Correction Initiative to ensure that changes required to the Regional Pay System and appropriate business processes are in place as the Pension Modernization Project is implemented. As a result, changes to the Regional Pay System are being made to ensure the integrity of the pay data that will be transmitted to the new pension solution and to minimize the need for manual intervention by the compensation community. A total of six



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changes were implemented throughout the last two fiscal years to achieve this goal, with two more to be implemented in 2009-2010.

## **National Routing System Project**

Led by Statistics Canada and with the participation of other federal and provincial government organizations, the National Routing System is an automated solution that, upon the death of a Canadian citizen, provides a mechanism to share provincial death information with various partners. PWGSC's engagement in this project is aimed at obtaining information on the death of public service pensioners to ensure that pension benefit payments are terminated in a timely manner. This will eliminate the number of overpayments and potential fraud cases that can arise when a pensioner's death is not reported, and will also eliminate the need to do the manual payment integrity testing.

Functional requirements were identified and a testing infrastructure initiative was set up. However, final implementation of the National Routing System is reliant upon the completion of memoranda of understanding with the provinces and a final privacy impact assessment. Legal implications around privacy have surfaced which has delayed the implementation of this initiative.

## **Sustainability of Systems**

In 2008-2009, enhancements were made to the following pension systems:

- The Annuitant System was updated to accommodate a new interpretation of legislation, as it relates to recovery of overpayments. The deduction for recovering overpayments no longer includes a mortality charge.
- The Canadian Forces Annuitant System was enhanced to display Canada Pension Plan (CPP) or Québec Pension Plan (QPP) reduction information on the pensioner's payment stub. *Canadian Forces Superannuation Act* pension plan members are now better informed regarding their CPP/QPP reduction once they reach the age of 65, or if they become eligible for a CPP/QPP disability benefit.

In 2008-2009, PWGSC Compensation successfully performed the following key pension activities:

- Pension payment services were provided to 229,186 retired members under the Public Service pension plan; 110,683 retired members of the Canadian Forces; 558 retired Members of Parliament; and 806 retired judges, or their respective survivors.
- Approximately 230,000 client service bulletins were successfully delivered to retired plan members in January 2009.
- A total of 12,938 public service employees attended 475 Retirement Planning Information Sessions.
- A total of 1,652 compensation advisors attended 213 various other pension training courses across the country - a decrease of 108 participants from 2007-2008.
- In partnership with Treasury Board Secretariat, PWGSC Compensation distributed the second edition of the *Liaison*, the pension and benefits newsletter for retired plan members, in August 2008. *Liaison* has been designed to offer retired members timely information about their pension and benefits plans. The articles chosen are based on frequently asked questions and recurring inquiries received from retired members.
- Marketing activities consisted of:
  - Compensation Web Applications and Web portal articles published in Compensation Focus, and a Web portal article in the PWGSC Western Region newsletter;
  - a pop-up message to promote the new Pension Benefits Statement suppress-print feature and the Electronic Services Portal (PWGSC only) on the Intranet site;
  - an electronic guided tour of the portal for distribution at events and exhibits;
  - a Compensation Web Applications (CWA) marketing package created and distributed to all Heads of Human Resources for all departments where CWA has been deployed; and
  - exhibits held at the following events:
    - the National Managers Community Professional Development Forum in Vancouver in April 2008;
    - the Public Service Week in the National Capital Region in June 2008;
    - the Government Technology Exhibition and Conference in Ottawa in October 2008;
    - the National Managers Conference for Department of National Defence in Kingston in November 2008; and
    - the Workforce Disability Support Forum in Ottawa in November 2008.

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## *Pension: Looking Ahead to 2009-2010*

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The following is a summary of the major initiatives scheduled for the next fiscal year:

- The Pension Modernization Project team will complete the construction and implementation of enhanced client relationship management and document imaging tools (Release 1.5). The team will also complete the detailed design and construction for the functionality related to active-member accounts (Release 2.0).
- PWGSC Compensation will continue to work with the Department of National Defence to complete the feasibility study and identify any gaps between the existing *Canadian Forces Superannuation Act* business processes and the future Pension Modernization Solution. The study will assess the possibility of migrating the administration of the Canadian Forces pension plans to PWGSC.
- Following the RCMP's receipt of Treasury Board approval for its pension project, the Pension Modernization team will begin planning for the migration of the RCMP pension plan administration to PWGSC, using the new pension system.
- The Centralization of Pension Services Delivery Project team will:
  - develop the business process related to Plan Enrolment and Orientation to help new employees and implement the service in January 2010;
  - complete the post-implementation activities related to the centralization of Service Purchase;
  - begin to develop business processes for the implementation of Pension Benefits and Survivor Pension Entitlements as well as Employer Support Services and Leave Without Pay; and
  - continue with the development of training strategies, plans and supporting materials as a result of centralization.
- To support the centralization of pension services, the Public Service Pension Centre will continue implementing its new structure to accommodate the expanded services that will be developed and delivered.
- In partnership with Treasury Board Secretariat, Compensation will continue its ongoing work on the Pension and Benefits Portal. A Survivor stream (information and services), a plan enrolment and orientation package for employees new to the public service, in addition to a Web-based information package for employers, are to be added to the Pension and Benefits Portal. Other planned features include the addition of life events for active members, such as service buy-back and working outside Canada, as well as the completion of the standardization of terminology and revised "At a Glance" type documents for the *Public Service Superannuation Act* pension plan.
- The implementation of the Compensation Web Applications to the remaining departments and the marketing of the Portal will continue in 2009. Ongoing outreach activities including

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articles in relevant publications, attendance at government tradeshow such as the Government Technology Exhibition and Conference and professional development conferences, such as the National Managers' Conference and National Public Service Week activities will continue.

- In 2009-2010, data correction activities will continue with the review, analysis and correction of accounts failing data integrity testing as part of the regular operational work of the Public Service Pension Centre and the regional pay offices. Together, these teams anticipate correcting another 5,000 accounts in fiscal year 2009-2010.
- PWGSC Compensation will continue its efforts to obtain death notification either through the implementation of the National Routing System or from Service Canada through the Social Insurance Registry.
- Amendments are expected in 2009-2010 to Public Service Superannuation Regulations to address the situation of individuals who were 70 and 71 years old when the age to contribute to the Public Service pension plan was increased from age 69 to age 71, on January 1, 2008.
- Pending new regulations in 2009-2010:
  - The pension administration would have the authority to pay interest where active plan members have overpaid pension contributions under the *Public Service Superannuation Act*.
  - The criteria for eligibility to Optional Survivor Benefits would be broadened to include common-law and same-sex partners. Changes in the regulation might also lift the one-year restriction period for plan members to apply for Optional Survivor Benefits.
- Communications with Crown corporations whose employees are members of the Public Service pension plan will continue with regularly scheduled conference calls to provide project updates and to respond to any concerns or questions.

### **Transformation of Pay Administration Initiative**

To sustain the government's long-term requirement for pay administration, PWGSC developed proposals to replace the 40 year-old system and transform the government's pay administration. By increasing automation and self-service, PWGSC could generate significant government-wide operational savings.

A number of key activities were undertaken in 2008-2009, including the following:

- Completed a single repository of business requirements including business rules and key edits, as well as technical, performance and integration requirements;
- completed the outline of a high-level process model to clearly delineate the scope of the transformation initiative and how it aligns to departmental responsibilities in human resources;
- held discussions with stakeholders on possible options to resolve the challenges faced by the federal government departments and agencies related to their capacity to deliver compensation services; and
- developed and assessed various service delivery models for pay administration services.

### **Implementation of Collective Bargaining Agreements**

In 2008-2009, PWGSC implemented a total of 111 collective agreements and 26 pay rate changes within the required timelines. The number of collective agreements to be implemented at the same time was unprecedented. Despite the limitations of PWGSC's 40 year-old pay system, the retroactivity cheques for the largest collective agreement, the Program and Administrative Services group, were issued within a few weeks from the date of signature. This remarkable success was recognized by the Government Services Union President and Treasury Board Secretariat Labour Relations. Communiqués and advice were also provided to the compensation community to enable them to complete their work on collective agreement implementations as quickly as possible.

### **Compensation Training Redesign**

PWGSC Compensation continued restructuring and redesigning paper-based self-instruction courses to capitalize on the potential of technology to empower learners with true self-directed learning.

In 2008-2009, the conversion to online modules continued for the Public Service Dental Care Plan, and was completed for the Pensioners' Dental Services Plan courses. Release to production for both is expected by fall 2009.

The following chart summarizes the number of pay and insurance training courses provided to clients across the country in 2008-2009.

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Region	Courses	Participants
Atlantic	18	132
Quebec	20	152
National Capital Area	129	1,015
Ontario	30	160
Western	23	220
Pacific	12	85
<b>Totals</b>	<b>232</b>	<b>1,764</b>

The development of three new courses for the compensation community was initiated:

- a course on the calculation and processing of leave with income averaging and pre-retirement leave transactions;
- a course to provide an overview of the basic concept of the compensation discipline and fundamental knowledge of the tools, manuals and procedures to allow compensation advisors to effectively conduct their day to day work; and
- a course for the Canada Revenue Agency compensation community explaining the full life cycle of a pay transaction and the correction of transactions in the PWGSC pay system.

In addition, the existing Online Beginners course was enhanced to incorporate instructions on the Compensation Web Application tools.

## **Transformation of Insurance Administration Initiative**

In June 2008, the Treasury Board Secretariat and Accounting, Banking and Compensation Branch approved a project to make improvements to the administration of the Public Service Health Care Plan (PSHCP). This involves, for example, process improvements, Web automation and system enhancements. In addition, this project will analyze options to re-engineer and transform the services and systems that PWGSC provides in the administration of insurance plans. In 2008-2009, PWGSC Compensation:

- completed a preliminary analysis for the long-term solution required for insurance administration;
- completed a system enhancement related to leave without pay, an important addition improving insurance administration, consisting of two new leave without pay deduction codes implemented in the Regional Pay System;
- reduced the significant backlog of PSHCP applications by dedicating a project team focused on reviewing, correcting and processing applications;
- completed a review of the insurance administrative activities conducted in the Public Service Pension Centre and modified insurance procedures to ensure alignment with the PWGSC mandate. A compensation directive was issued to reinforce that departmental compensation advisors are responsible for the accuracy, integrity, verification and timeliness of pay and benefits transactions;

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- completed the preliminary business analysis required to define a conceptual architecture for the creation of a self-service Web application which will modernize client service delivery by enabling eligible plan members to start, modify or stop their PSHCP coverage on the Web; and
  - completed draft business and functional requirements for the creation of integrated data files to reduce the number of data files currently being sent to the insurance administrator. To further improve claim processing times, PWGSC Compensation will increase the frequency with which file updates are sent to the insurance administrator from a monthly to a weekly basis.

### **Regional Pay Interface with the Government of Canada PeopleSoft Human Resource Management System**

PWGSC Compensation worked closely with the Department of National Defence to complete the full implementation of the interface between the Regional Pay System and the Government of Canada PeopleSoft Human Resources Management System. This interface allows for significant efficiencies for departments using this system by eliminating duplicate data entry, increasing data reliability and quality, streamlining workflow and saving time for human resources and compensation advisors. It also redirects the focus to value-added services rather than data management and correction.

### **Regional Pay System Improvements**

During 2008-2009, significant work was conducted to improve the accuracy of pay data, as well as to improve business processes, quality controls and audits/verifications. Due to the current context of high turnover and numerous retirements in the compensation community, and the resulting influx of new and less experienced employees, the emphasis on the importance of data integrity has increased, given its critical impact on the transformation of pension administration projects. Highlights of systems enhancements that improve accuracy of pay data include modifications to the Regional Pay System to ensure:

- correct pension type codes are used for casual employees eligible to contribute to the Public Service pension plan;
- recovered returns of contributions paid in error are credited to the correct pension account; and
- users are warned when the pension type code or the employee status field is not consistent with information found in the system.

Nine initiatives were undertaken to ensure the reduction of incorrect entry of pay information in the future; however, analysis has revealed that for two of the initiatives, there was insufficient business value to warrant the changes. The following five initiatives were completed:

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- **Deduct pension contributions based on pension eligibility in effect during retroactive periods was combined with an improved retroactive payment process** - The retroactivity processing on all salary changes was enhanced to allow for the correct withholding of pension contributions when there is a change to pension eligibility during the retroactive periods.
  - **Enhancements to messages** - Some of the Miscellaneous Staffing Action messages were revised to provide clearer and more specific information to users, which will be particularly helpful for new or inexperienced staff.
  - **Historical salary amendments** - An edit was added to ensure that when a salary is being amended, the correct historical data is used to reduce the risk of overpayment.
  - **Changes required to recover overpayments on supplementary payments** - The pay system was modified to ensure that appropriate pension contributions and other statutory deductions are withheld when there are insufficient monies to recover them from supplementary pay.
  - **Change in leave without pay** - Changes were introduced to ensure that the *Public Service Superannuation Act* contribution is correctly deducted when moving from maternity leave without pay to child care leave.

In addition, systems development work began and is scheduled for implementation by December 2009 on the following two initiatives that will help to reduce the workload of the compensation community:

- **Rate base “P” entitlements** - the Regional Pay System will be changed to ensure that the Contributor System receives the necessary data to determine the correct salary for the average salary calculation
- **Improve tombstone data** - Automate the coordination of changes to the Social Insurance Number (SIN) or Personal Record Identifier (PRI) between the Regional Pay System and the Central Index System.

An additional modification to the Regional Pay System was made in 2008-2009: the Service Location Code was added to provide the ability to seamlessly transfer pay accounts between pay offices. This new functionality permits workload balancing and resource levelling. In addition, the ability to transfer accounts permits regional pay offices to continue delivering services to their clients for business continuity purposes.

## **Legislative Changes Implemented in the Regional Pay System**

The 2007 Federal Budget announced changes to the *Income Tax Act* that increases the age an employee can contribute to a registered pension plan. Modifications were made to the Regional Pay System over a two-year period to allow employees to contribute to their pension plans to the end of the calendar year in which they reach age 71. Phase II of these changes were completed during the 2008-2009 fiscal year.



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## **Preparing Regional Pay System for the New Pension Solution**

Several system interfaces were developed this fiscal year to allow the future information flow between the pay system and the new pension system, and to ensure their availability, when required, during the phased implementation of the new pension system.

### **Other Improvements**

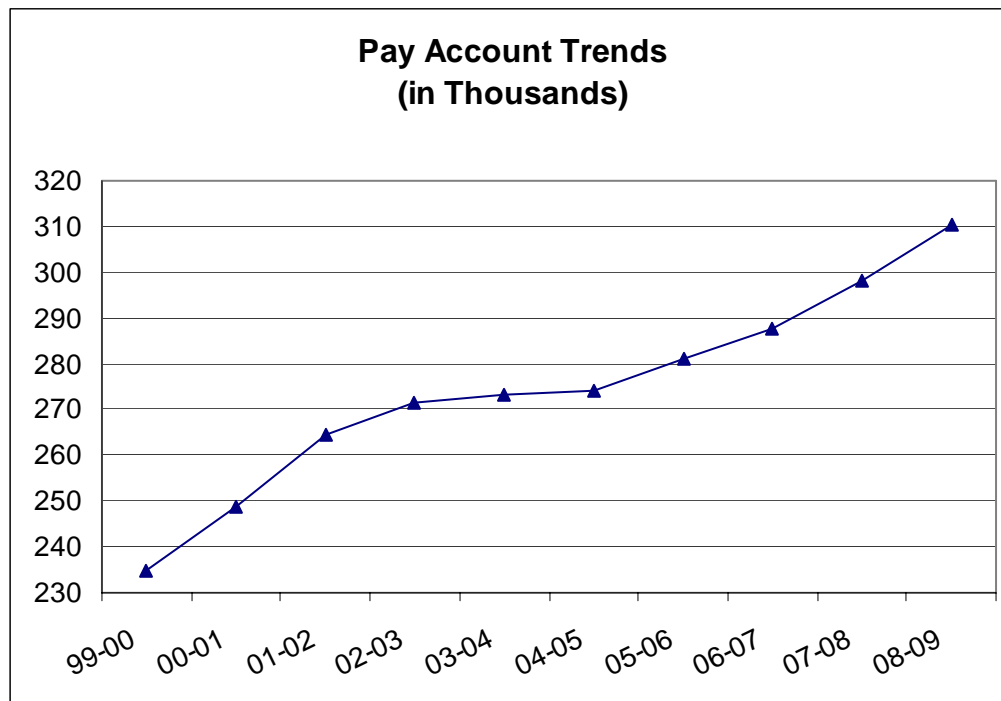
- Phase II of e-SNAP was successfully implemented, introducing workflow, audit and retention capabilities for the management of error analysis reports. For example, error analysis reports on pay and pension interventions will now be automatically prioritized, sorted, and routed to PWGSC pay and pension agents. In addition, this tool now offers statistical reporting capabilities to make it easier to monitor workload and service level performance. These enhancements were necessary to facilitate the tracking, monitoring and archiving of all interventions handled by pay agents and auditors. This strengthens internal controls and provides critical traceability for audit purposes. To ensure that there is a single source for records for all interventions, effective April 1, 2009, print copies of the Error Analysis Reports are no longer available. This has the added benefit of reducing costs associated with the production and print of the paper reports contributing to the greening of government operations.
- In June 2008, the RCMP requested that PWGSC begin paying an allowance for their non-regular pay cadets. A very short turn-around time was required for this work as the RCMP wanted to begin making these payments in July. The first payment was successfully made for over 750 cadets on July 30, 2008 – an excellent example of collaboration between PWGSC and the RCMP.
- Direct deposit was expanded to include the majority of supplementary payments. This initiative has significantly improved services for employees and the compensation community. The direct deposit of supplementary payments is a major improvement as it helps to eliminate lost or stolen cheques, results in a more expedient and efficient process for employees, including those receiving maternity and paternity benefits, and eliminates the need for employees to go to their banks to deposit supplementary cheques. With the new process, employees were also given the option to have their supplementary payments deposited into a different bank account from regular pay.
- Finally, the authority to intercept incorrect direct deposit payments was made available to the regional compensation community. This authority, previously only granted to the PWGSC regional pay offices, is expected to reduce the number of overpayments and cancelled cheques returned to PWGSC.

## *Pay and Insurance Activities*

In 2008-2009, PWGSC Compensation delivered the following key pay activities:

- Payments were issued on behalf of 110 client departments and agencies, separate employers, Crown corporations and the RCMP. The number of payments has decreased by 368,910 or 3.9% from fiscal year 2007-2008.
- Biweekly, monthly or supplementary payments were issued in respect to 470 types of entitlements (signing bonus, isolated post allowance, bilingual bonus, etc.), on which over 354 types of deductions (union, insurance, additional tax, etc.) were made and remitted to 218 organizations (unions, agencies, provincial governments, credit unions, etc.).

The following chart depicts the historical trend of pay accounts administered under the Regional Pay System since 1998-1999 (does not include the RCMP).



- PWGSC Compensation processed 2,388 pay runs to issue these payments triggered by a total of 14.6 million pay transactions.
- There were approximately 47,500 requests for pay and pension-related information and guidance from clients.

The following table indicates the average number of accounts handled by departmental compensation advisors and PWGSC pay and pension agents.

<b>Accounts Per Departmental Compensation Advisor/PWGSC Pay and Pension Agent</b>					
<b>Year</b>	<b>Accounts</b>	<b>Departmental Compensation Advisors</b>	<b>Accounts per Advisor</b>	<b>PWGSC Pay and Pension Agents</b>	<b>Accounts per Pay and Pension Agent</b>
2000	234,811	1,499	157	92	2,552
2001	248,699	1,489	167	92	2,703
2002	264,500	1,689	157	101	2,619
2003	271,431	1,707	159	102	2,661
2004	273,463	1,621	169	101	2,708
2005	274,305	1,736	158	98	2,799
2006	281,214	1,761	160	90	3,125
2007	287,747	1,859	155	87	3,307
2008	297,942	2,000	149	88	3,386
2009	310,261	2,001	155	103	3,017

- In addition, 187 technical system updates, a very high volume for such a large and complex system, were released for production to:
  - meet legislative requirements (new pay allowances, changes to pension plan regulations, etc.);
  - improve regular system maintenance (tax year end, new year updates, etc.); and
  - add system enhancements.
- PWGSC Compensation continued to provide expertise and training in pay, statutory deductions and insurance to ensure the implementation of compensation-related legislation and policies. The Regional Advisory and Training Network, comprised of analysts from the National Capital Area and the regional pay offices, harmonizes the dissemination of compensation policy and procedures throughout the country. Regional communication with clients is accomplished through client inquiries, notifications (directives, bulletins and communiqués), and online broadcast messages.
- A continued emphasis was placed on communicating with compensation clients and providing them with the necessary tools for accuracy and consistency in the application of compensation policies and procedures. Most publications issued are available at the following Compensation Sector Website address:  
<http://www.tpsgc-pwgsc.gc.ca/remuneration-compensation/txt/index-eng.html>.

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## *Pay and Insurance: Looking Ahead to 2009-2010*

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The upcoming fiscal year will bring new challenges and allow for the completion of many important initiatives. Below are some of the key activities:

- The Transformation of Pay Administration will continue to strive towards implementing a system allowing greater flexibility and functionality, and improved efficiency and effectiveness in service delivery. The key deliverables for the next phase are to:
  - pursue procurement activities for a Solution Integrator and a commercial off-the-shelf solution;
  - develop a future service delivery model;
  - conduct a fit/gap analysis and develop substantive costs for the implementation phase which consists of: design, development/configuration, testing, training, piloting and implementation.
- The Transformation of PWGSC Insurance Administration Initiative, in collaboration with the Treasury Board Secretariat, will continue to focus on completing its work on the new Public Service Health Care Plan (PSHCP) Web service tools, integrated data files and insurance data exchanges between the legacy contributor system and the new pension solution. Other key activities in 2009-2010 include:
  - completing an analysis of PWGSC insurance roles and responsibilities;
  - completing the design and development of service delivery maps and models; and
  - defining Phase II requirements related to the automated tracking of PSHCP contributions for employees on leave without pay.
- The Compensation Web Applications will continue to be deployed to departments and agencies across the government. Compensation will work closely with departments and agencies to ensure the deployment process is understood, to address their business, technical and/or security issues, and to assist them with their communications to increase the take-up rate.
- The Regional Pay System will be modified to report the non-taxable earnings on T4 statements for employees who are Status Indians, working and living on a reserve outside the province of Québec. This is already in effect for employees who are Status Indians in Québec, and this change will ensure consistency on how these earnings are reported across Canada.
- PWGSC Compensation continues to improve the way in which information is received: in 2009-2010, the Pensionable and Insurable Earnings Review (PIER) report, issued by the Canada Revenue Agency for verification purposes, will be sent electronically to PWGSC regional pay offices, which will significantly reduce the amount of paper produced and improve on quality and timeliness.

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- In conjunction with the Canada Revenue Agency, modifications will be made to the calculation of income tax deducted at source for those employees who work in Québec and reside in Ontario, Nova Scotia or New Brunswick. Effective July 1, 2009, multiple tax rates and brackets will be applied for each province whereas, in the past, only one tax rate was used regardless of income range. This change will ensure that the amount of tax deducted at source corresponds to the employee's current earnings.
  - PWGSC Compensation will explore the possibility of putting more than one tax slip in a single envelope for employees in receipt of more than one tax slip.
  - Development work will be completed to ensure that when there is insufficient pay to cover all authorized deductions, the pay system processes deductions from employees' cheques in the order stipulated in the revised Treasury Board Secretariat policy.
  - Once the Treasury Board policy is finalized, conversion to a single personal record identifier (PRI) will be made. Currently employees who have worked with various government employers (e.g. a department within the core public administration and a separate agency) are issued a different PRI when they move to the new employer. Next year, a system change will be made to issue one PRI only, and employees who previously had two PRIs will use the last one issued.
  - PWGSC Compensation will develop an integrated document that clearly articulates roles and responsibilities for the administration of PWGSC pay system access and security management. This document will help departments understand the scope of their roles and responsibilities, and will reinforce the responsibilities of departmental Security Access Control Officers in managing and maintaining pay system user lists.