



Ottawa, Canada K1A 0K2

APR 01 2009

Mr. Gordon Marsh
Dominion President
The Army, Navy and Air Force
Veterans in Canada
Dominion Headquarters
2 - 6 Beechwood Avenue
Ottawa ON K1L 8B4

Dear Mr. Marsh:

Thank you for your letter of December 5, 2008, concerning the resolutions passed at the 49th Biennial Dominion Convention of the Army, Navy and Air Force Veterans in Canada. I appreciate the opportunity to comment on these issues.

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In your first resolution, you propose that survivor allowances be paid an amount equal to 70 percent of the member's pension. I would like to point out that in many jurisdictions, pension standards legislation provides that the pension at the time of retirement must be taken in the "joint and survivor" form. This means that the contributor's basic pension benefit is reduced to ensure that funds are set aside to cover the cost of a survivor benefit that would be paid should the retiree predecease his or her spouse. With this type of plan, the survivor is entitled to 60 percent of the member's reduced pension benefit. By contrast, the *Canadian Forces Superannuation Act (CFSA)* does not require a member to reduce his or her own pension in order to provide a survivor benefit.

Survivor benefits under the *CFSA* are generally described as being 50-percent benefits; however, this is not an accurate description in all cases. The benefit formula under Part I of the *CFSA*, the Regular Force Plan, actually provides for a surviving spouse's allowance equal to 50 percent of the member's basic or "unreduced" pension. In instances where a member receives a reduced pension, such as when the member has chosen to retire early or Canada Pension Plan benefits have become payable, the calculation of the survivor's allowance does not take the reduction into account and may result in a survivor's benefit that is more than 50 percent

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of the amount that the member was receiving at the time of his or her death. Under the Reserve Force Plan, the survivor's pension is calculated as one percent of the greater of the member's total pensionable earnings and the total updated pensionable earnings and provides a benefit similar to the benefit under Part I of the Plan.

When evaluating the benefits payable under the *CFSA*, one must also consider the total benefits available to survivors. In addition to the basic allowance payable to the survivor, qualifying children are entitled to benefits as prescribed in the Act. Furthermore, the allowances provided under the *CFSA* are adjusted annually to reflect increases in the cost of living.

There is no difference in the formula for calculating survivor benefits under the *Public Service Superannuation Act (PSSA)*, the *Royal Canadian Mounted Police Superannuation Act (RCMPSA)*, and Part I of the *CFSA*. In other words, spouses of military members are in no way disadvantaged compared to those receiving the survivor benefits payable under the terms of the other two major federal public-sector plans.

When considering the level of benefits provided to plan members, it is also important to keep in mind that benefits are directly related to the contribution rate. Therefore, any increase in the level of benefits would require an increase in the contributions by present contributors, the federal government (the employer), or both. As contribution rates are already substantial, it is unlikely that current contributors would support an increase. Furthermore, any increase in the employer's share would have to come from taxpayers, many of whom either do not have a pension plan or participate in a less generous one. Therefore, there are no current plans to enrich existing benefit entitlements.

(SUPPLEMENTARY)

With respect to the Sacrifice Medal, the Department of National Defence does not have the authority to waive or make exceptions to the criteria for national honours. The creation of honours for Canadian citizens, both military and civilian, includes submission through the Government Honours Policy Committee for approval. If the submission is approved, final artwork is prepared, letters patent and regulations are drafted, and the submission is cleared by the Department of Justice. It is then sent to the Privy Council Office for the Prime Minister's approval. The final documents are forwarded through Rideau Hall to Her Majesty the Queen. Her Majesty's signature on the design and the letters patent officially creates the award (for a modification to an existing honour the Governor General will approve the changes on behalf of Her Majesty). The Governor General then announces the new honour, and the Order in Council is published in the *Canada Gazette*.

In 2004, the Government Honours Policy Committee, which includes members from both the Department of National Defence and Veterans Affairs Canada, confirmed adherence to a five-year retroactivity rule, which had generally been followed by all Commonwealth countries since 1950. This rule was first put in place to ensure that history would not be re-interpreted, that proposals would be judged by the standards of the time, and earlier decisions would not be second-guessed. For more information, please contact:


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The Chancellery of Honours
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The creation date of October 7, 2001, was chosen for the Sacrifice Medal because that date signalled the beginning of Canada's contribution to the international campaign against terrorism in South-West Asia and was also within the five-year window from the date that the proposal to create this medal was initially made.

Thank you again for writing. I trust this information is of assistance.

Sincerely,



Peter G. MacKay