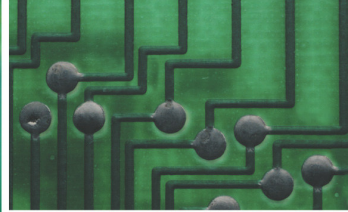


COMPENSATION ANNUAL REPORT 2004-2005



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In 2004-2005, Public Works and Government Services Canada (PWGSC) Compensation continued its effective management of payroll, benefits and pension systems by providing cost effective, accurate and timely services to 104 departments, agencies and organizations representing over 292,000 employees, and 324,000 pensioners. More than 12.6 million payments were made to employees and pensioners. We continue to support client departments and agencies in the achievement of their objectives, as well as strive to remain leaders in the development and distribution of compensation products nationwide. Continued progress was made in the development of Web-based self-service to employees; a phased implementation across the government commenced in May 2005. Efforts to build and maintain a skilled and knowledgeable workforce continued to evolve with the approval of the Compensation Officer Apprenticeship Program.

PWGSC Compensation has also:

- received Preliminary Project Approval from Treasury Board (TB) for the Government of Canada Pension Modernization Project on May 3, 2004, and began the Project Definition Phase, which will take approximately 30 months to complete;
- centralized *Pension Benefits Division Act* (PBDA) services in the Superannuation, Pension Transition and Client Services (Superannuation) Sector and completed reviews to streamline the process. Two more process reviews, services related to pension transfer agreements and pre-retirement seminars, are being carried out in anticipation of centralizing other services;
- conducted four pay studies in the context of the Pay Modernization project to gather additional information required to comply with a request from Treasury Board Secretariat (TBS) to expand the options analysis of the new central pay function solution and to contribute to the analysis and research of the TBS Expenditure Review of the Corporate Administrative Shared Services;
- developed two new pay Web applications. One will allow compensation advisors to access the same self-service screens viewed by the employees they serve. The other application will enable TBS and separate employers to directly change rates of pay in the pay system;
- worked in partnership with the Canada Revenue Agency (CRA) to develop a net payroll solution on their own SAP infrastructure. In March 2005, the CRA Executive Committee reached the decision to discontinue this project. As a result, PWGSC will continue to provide CRA employees with full payroll service in the capacity of payroll service provider for the Government of Canada;
- undertaken a project to improve the pension data accuracy for those accounts which fail a pension data integrity test;

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- initiated a new project to develop a Public Service Pension Plan Web site that will allow active and retired members to access secure and other pension information organized according to life events. This one site will combine information currently located in the Pension Benefits section of the Compensation Sector Web site, the Superannuation Sector Web site and the pension portion of the TBS Web site. It will also provide links to relevant pension information;
 - added employees of PWGSC in the National Capital Area (NCA) to the transit pass program that allows them to purchase a pass at a reduced rate through payroll deductions;
 - instituted an electronic data exchange between the Public Service Pension Plan/Canadian Forces Pension Plan and the Quebec Pension Plan (QPP) systems to identify annuitants receiving QPP disability benefits prior to age 65;
 - completed the reorganization of the Superannuation Sector, which was designed to improve efficiencies and client services;
 - provided 175 pre-retirement seminars in 2004-2005; and
 - maintained the Compensation Officer Apprenticeship Program, a formal recruitment and training program to prepare for impending retirements.

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 payroll, pension and insurance processes, including the development and maintenance of computer systems and a national service office infrastructure. This allows departments to administer pay and benefits in accordance with collective agreements and compensation policies established by TB and certain separate employers, as well as to fulfill the requirements of the *Public Service Superannuation Act* (PSSA).

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

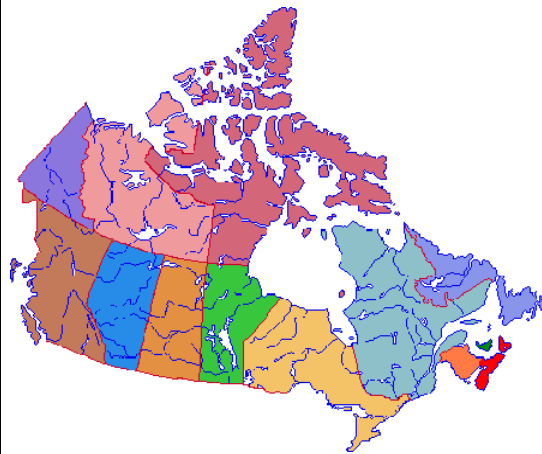
Administration is provided for insurances, including the Public Service Health Care Plan (PSHCP), the Disability Insurance (DI) Plan, the Public Service Management Insurance Plan (PSMIP) - Life Insurance, the PSMIP - Long-term Disability (LTD), the Dental Care Plan (DCP) and the Pensioners' Dental Services Plan (PDSP).

The Compensation Sector, which is a part of the Finance, Accounting, Banking, and Compensation Branch of PWGSC, directs these activities in partnership with PWGSC regional offices, the Superannuation Sector (located in Shediac, New Brunswick), and the Information Technology Services Branch (ITSB).

The informatics aspect of compensation services is managed by ITSB and the Superannuation Sector is responsible for the delivery of benefits provided under the PSSA. 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 Superannuation Sector.

The number of pay accounts paid by means of the Regional Pay System increased by 0.3% in 2004-2005. On March 31, 2005, there were 274,305 pay accounts, an increase of 842 from March 31, 2004.

Accounts by Regional Offices



Location	No. of Accounts
Atlantic – Halifax	27,075
Quebec – Montreal	31,058
NCA – Ottawa	121,340
Ontario – Toronto	37,970
Western – Edmonton	33,882
Pacific – Vancouver	22,980
Total Pay Offices	274,305
Superannuation – Shediac	216,284

Pay Facts			
Payroll Clients		Annual Payments	
PSSRA I.I	69	Public Service	8.2 million
PSSRA I.II	22	RCMP	<u>0.5 million</u>
Others	<u>13</u>	Total	<u>8.7 million</u>
Total	<u>104</u>		
Accounts		Direct Deposit Participation Rates (eligible employees only)	
<u>Regional Pay System</u>			
PSSRA I.I	201,188		
PSSRA I.II	66,954	Public Service Pay	95.8 %
Crown corporations and agencies	<u>6,163</u>	RCMP Pay	95.0 %
Total	<u>274,305</u>		
RCMP - Pay System	<u>18,559</u>		
<ul style="list-style-type: none"> • 4 different pay cycles • 403 types of entitlements • 313 types of deductions 		<ul style="list-style-type: none"> • 25 collective agreements under TB • 120 collective agreements under separate employers • 150 remittance agencies 	
Pension Facts			
PSSA Clients			
Pay and Pension Clients			
Pension-only Clients			
Annuitant Accounts		Benefits Paid	
PSSA - Shediac	216,284	PSSA	\$3.6 billion
CFSA	106,942	CFSA	\$2.5 billion
MPs and Judges	<u>1,189</u>	MPs and Judges	<u>\$0.1 billion</u>
Total	<u>324,415</u>	Total	<u>\$6.2 billion</u>
Annual Payments		Direct Deposit Participation Rates	
PSSA	2.62 million	PSSA	91.2%
CFSA	1.29 million	CFSA	94.0%
MPs and Judges	<u>.01 million</u>	MPRAA	93.0%
Total	<u>3.92 million</u>	Judges	98.3%
Insurance Facts			
Insurance Accounts		Dental Care Plan Inquiries	
PSHCP	400,414	Telephone calls	2,216
DI	206,657	Facsimiles and letters	<u>6,979</u>
PSMIP - Life Insurance	21,987	Total	<u>9,195</u>
PSMIP - LTD	35,039		
DCP & PDSP	<u>380,153</u>		
Total	<u>1,044,250</u>		

PWGSC Compensation Activities

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

Objective

The objective of PWGSC Compensation is to provide payroll, benefits and pension plan administrative services. This includes: for departments and agencies - the administration of payroll, pension and health/disability insurance processes for public service employees and pensioners; for the RCMP - payroll services; for the federal judiciary - pension services; and for current and former Members of Parliament - pay and pension services.

Key commitments are to:

- support the government's commitment to modernize management practices and deliver services smarter, faster and at a reduced cost with improved accountability and increased transparency, demonstrating to Canadians that they are getting good value for their money;
- ensure sound management so that our programs and services are planned, resourced, managed and delivered at a reasonable cost supported by adequate risk management; and
- promote and modernize a work environment through an expert, diverse and motivated workforce which supports, understands and practices the concepts of integrity, values and ethics. This will be achieved by ensuring that all staff is aware of the PWGSC Ten-Point Integrity Plan, the Public Service Values and Ethics Code, and the PWGSC Ethics Directorate's initiatives, including the employment of a Branch Ethics Officer.

Initiatives Common to Pay, Insurance and Pension

Modernization of Pay and Pension Services and Systems

The Compensation Modernization initiative is PWGSC's renewal of its pay and pension systems and business processes to ensure ongoing capability to provide compensation services for federal public servants and pensioners, and to provide greater flexibility and functionality in service delivery. The initiative is divided in two separate projects: the Pay Modernization Project and Pension Modernization Project.

Pay Modernization Project

The ongoing evaluation of potential options for pay modernization in the context of shared services/shared systems continued in 2004-2005 and will be completed in the summer of 2005. Evaluation activities included the following:

- The Common Architecture Life Expectancy Assessment was completed in May 2004. The study examined the sustainability of the current pay system, particularly with regard to the application architecture.
- In the fall of 2004, the project completed four pay studies, which provided the data and analyses needed to expand the pay modernization business case options analysis. They were also needed to support analyses required by the TBS Expenditure Management Review of Corporate Administrative Services.
 - The two Government of Canada Human Resources (HR)/Pay Investment Analysis studies evaluated current government investments in commercially available software used for finance, human resources and pay applications and assessed their impacts on both the pay environment and the potential solutions for pay modernization. The studies concluded that the cost of the pay modernization initiative could be reduced significantly, by leveraging existing Government of Canada investments in commercial software products. Procurement options and shared services/systems recommendations from TBS could impact PWGSC's ability to leverage these investments.
 - The Pay Shared Services Study assessed the feasibility and desirability of consolidating the government pay functions in a shared services delivery model at PWGSC. The study found that such a consolidation could only occur after the implementation of a new pay system, offering modern tools and technology, especially manager and employee self-services.
 - The Pay Commercial Off The Shelf (COTS) Functionality Study identified whether the pay functionality is better suited for integration within an HR COTS product, within a financial COTS product or should be developed as a stand-alone application. The study found that the pay functionality was better suited to integration within an HR COTS product and concluded that the new payroll

system needs to be implemented using the same COTS product as a government wide HR system. The Government of Canada could then use one integrated HR/pay system, hosted centrally, to provide payroll and HR administration for all departments and agencies. This would allow the Government of Canada to adopt a modern service delivery model and harvest the associated savings from common and effective business event processing and self-service functionality.

- The project also collaborated with the Human Resources Council in a study to explore options for a future compensation service delivery model based on a shared services delivery approach. The findings confirmed that a shared services model is viable and will provide maximum benefits, once modernized systems and tools have been implemented.

Following completion of the pay studies in the fall of 2004, the Compensation Sector management requested that further analyses be conducted regarding the Pay Modernization Strategy and the functionality of COTS products. Once these activities are completed, the business case options analysis will be finalized and the revised TB submission for Preliminary Project Approval will be prepared.

In February 2005, the project team also began the definition of business requirements for the new pay system.

Pension Modernization Project

Following Preliminary Project Approval from TB on May 3, 2004, the project proceeded with the Project Definition Phase, which will take approximately 30 months to complete.

The first step in this phase is to choose a firm, or consortium of firms, which will propose a technical solution and associated business transformation plan. A draft Request for Proposal (RFP) was released in May 2004 in order to gather industry feedback on issues and questions regarding the project's requirements. Subsequent vendor consultations provided valuable information for the completion of the final RFP.

The final RFP was released on October 22, 2004, and the bidding period closed on January 31, 2005. The evaluation of the bids began in February 2005 and will continue until May 2005, with a contract being awarded in the fall of 2005.

Following vendor consultations in the summer of 2004, the Pension Modernization Project also began the development of use cases and documentation that will be used in the next step of the phase, the Requirements Mapping and Gap Analysis, planned for fiscal year 2005-2006.

Web Access to Information and Services

PWGSC Compensation continued efforts to bring more services to employees through the Web. Two new Web-based applications were developed in 2004-2005. The first allows compensation advisors to access the same self-service screens viewed by employees, to aid them in providing assistance to their clients. The second application will allow TBS and the separate employers to directly change rates of pay in the pay system, eliminating the transmittal and input of the same information in a number of systems by several individuals. The latter application will make it possible to implement collective agreements faster and at less cost.

At this time, there are two Web sites of interest to PSSA plan members: one is designed with the active contributor in mind, while the other is of interest to pensioners and survivors. This second Web site receives over 100,000 hits monthly. Efforts to enhance this site in 2004-2005 centered on two new applications: a monthly pension payment statement and a self-service capability for annuitants to modify voluntary deductions. Both features are dependent on the availability of security features.

Compensation Web Applications were tested with approximately 700 PWGSC employees in the NCA and the regions. This feature permits employee access to real data in the use of pension benefit and service buy back calculators. Following this pilot, enhancements were made to the applications and they were launched to all PWGSC employees in May 2005. This will be followed by a gradual implementation to other departments and agencies.

Compensation Sector Web Site

The PWGSC Compensation Sector Web site contains information concerning compensation products including publications, directives, bulletins and communiqués. In 2004-2005, approximately 726 pages of information for compensation clients were published. This included 58 new pay rate information bulletins and 25 new compensation directives. Amendments were made to 40 pages of the Insurance Administration Manual, 71 pages of the Personal-Pay Input Manual, 52 pages of the Superannuation Administration Manual, 157 forms, 36 broadcast messages, as well as essential Web publications that supported the sector's efforts relating to the Royal Bank and CS Co-op direct deposit problems and the public service strikes.

Beyond these day-to-day activities, the Compensation Sector continued the planning and implementation of the future of the Compensation Sector Web site. In all activities the sector continues to strive to make the Web site easier to use, search and maintain. Examples in 2004-2005 included:

- publication of the Compensation Client Satisfaction Survey to give clients the opportunity to offer feedback on service;
- release of the Pension Services Delivery Project Web site to provide compensation advisors, employees and annuitants with information regarding services now centralized and those to be centralized at a future date in PWGSC;

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- redesign and publication of the Compensation Focus periodical as a Web document to provide an interactive forum for compensation advisors;
 - upgrade of the site map to be more user-friendly and informative for clients and expansion of the help page to include more useful information;
 - improvement of the Quick Access drop-down menu to include chapter navigation for the four major Compensation Sector manuals; and
 - redesign and reorganization of the training Web pages to showcase training services and provide a better interface for compensation advisors.

The popularity and success of this Web site is demonstrated by the average number of hits, which exceeded 928,569 per month in 2004-2005.

Recruitment and Development Programs

In order to maintain a group of competent experts in PWGSC Compensation, the Compensation Sector has created a formal Compensation Officer Apprenticeship Program. In 2004-2005, eleven participants took part in the program. Of these, there were nine new recruits and two participants who graduated from the program and placed in permanent positions within the Compensation Sector.

Pension Services Delivery

The Pension Services Delivery Project reflects PWGSC's strategy to provide best practice pension administration services to all plan members, pensioners, employers and sponsors. The objective of this project is to find and employ innovative means to improve and deliver these services smarter, faster and at a reduced cost, via a centralized delivery system. Centralizing the pension services which departments currently deliver into one centre of expertise within PWGSC will facilitate the government's capacity to gain economies of scale and to use the optimal pension expertise available in the department to provide these services. Orienting the business focus on the provision of consistently high quality services from pension experts, the maximization of self-service and automation, and the implementation of industry best practices openly and transparently will help preserve the confidence of pension plan members and the Canadian public in the government's ability to provide these services.

As of September 7, 2004, pension benefits division services were centralized in the Superannuation Sector. Process reviews were carried out to streamline this process. Two other process reviews are being carried out in anticipation of the centralization of pension transfer agreement services and pre-retirement seminars in 2005-2006. Work on the development of a business case and a TB submission for the centralization of the remainder of designated superannuation services has begun.

Pension Data Correction

In March 2004, the Pension Data Correction Project funding was approved via a TB submission. The purpose of this project is to improve the data accuracy for individual pension plan member superannuation accounts.

As part of the Pension Reform Project, the integrated Pension Data Repository (iPDR) was developed to ensure the integrity of pension data. Integrity tests within the iPDR calculate the required pension contributions based on a member's salary/service data reported in the Contributor System. This tool is being used to test the accuracy of member accounts.

The Pension Data Correction Project will address accounts with pension data discrepancies in two phases:

- Phase 1, which is now under way and is expected to last three years, addresses accounts with data discrepancies that have occurred since the introduction of the Public Service Pension Fund (Fund 2) on April 1, 2000.
- Phase 2 of the project will address data discrepancies prior to April 1, 2000 (Fund 1) of the Public Service Superannuation Account.

The first group of the pension data correction team was hired in April 2005. Additional groups will be hired at regular intervals to reach a full team of 38 within a one year time frame. Approximately 35,000 accounts require correction in Phase 1 of the project.

The pension data correction team, located in the Superannuation Sector, will proceed with a manual review of the accounts that fail the integrity test and will identify the data error. In situations where the supporting documentation for service and salary is missing from the file, the compensation advisor will be contacted for a confirmation of the analysis results and the supporting documentation.

Crown Process Improvement

The Crown Process Improvement Project sought to improve the pension data capture from Crown corporations via a new process supported by improved electronic interfaces. A second version of the workbook was subsequently completed and related training provided to the Crown corporations. At the end of fiscal year 2003-2004, most Crown corporations had successfully submitted their pension data from January 2000 onward; further client follow-ups were conducted with the 10 outstanding Crown corporations.

Election Payment Discrepancy Review

The Election Payment Tracking Module (EPTM) was developed in 2002 to automate the monitoring and reconciliation of election payments on individual contributor accounts having prior service elections. Prior to this development, the recovery of election payments could only be confirmed through a series of manual business processes.

Following implementation of the EPTM, an analysis was conducted to assess the volume of accounts reported as having election payment defaults. The analysis uncovered not only election payment discrepancies, but also weaknesses in the EPTM itself. As a result of this analysis, an enhanced version of the EPTM was implemented on September 8, 2004.

During the third quarter of the 2004-2005 fiscal year, an election payment data review team was established to ensure the reconciliation of accounts that were identified as having ongoing election payment defaults since May 2003. As part of the review activities, the election payment data review team in the Superannuation Sector began initiating the necessary business processes required to recover deficiencies that are owed to the newly established pension fund. The initial election payment data review activities are expected to be completed by the end of the 2005-2006 fiscal year.

Activity Based Costing Management

The Activity Based Costing Management (ABCM) Project was undertaken in fiscal year 2003-2004 to implement an integrated ABCM approach in order to plan the PSSA's resource requirements, establish budgets, monitor the actual use of resources, and align workload requirements with available resources. In 2004-2005, an Activity Based Costing Planning and Budgeting System was fully developed in both the Superannuation and Compensation Sectors and an Activity Based Costing System to capture actual costs was implemented.

Automated Data Compare between the Public Service Pension Plan/Canadian Forces Pension Plan and the Quebec Pension Plan

A new automated link was created between the Public Service Pension Plan/Canadian Forces Pension Plan annuitant systems and the QPP to identify potential pension overpayments due to eligibility of QPP disability benefits. The purpose of this linkage is to identify Public Service Pension Plan and Canadian Forces Pension Plan annuitants who are receiving disability benefits under the QPP at the same time.

Pension Calculation for Correctional Service Canada

Designated employees of Correctional Service Canada may accumulate pensionable service while employed under a unique category entitled "operational services" and pay higher contributory rates than normal and receive a separate pension benefit for this period. To integrate the benefit calculations for these individuals, various pension systems have been enhanced to accommodate the Public Service Pension Plan and "operational service" situations.

Systems Enhancements

During 2004-2005, highlights of systems enhancements included:

- changes to the magnetic media filing programs by the CRA to introduce required changes for the production of 2004 statements of remuneration;
- modification to the Estimate and Election System (ESTEL) to perform a new calculation for Transfer Value payments and elective service adjustments;
- changes to the ESTEL to include new past service pension adjustment calculation; and
- a database expansion and conversion that were introduced to modify the Public Service Pension Plan annuitant system in order to comply with the *Income Tax Act* concerning the administration of retirement compensation arrangements for survivors.

Pension Activities

In 2004-2005, PWGSC Compensation successfully performed the following key pension and insurance activities:

- Pension payment services were provided to 216,284 retired members under the Public Service Pension Plan; 106,942 retired members of the Canadian Armed Forces; 487 retired Members of Parliament; and 702 retired judges or their respective survivors.
- As a result of the June 2004 general election, the Compensation Sector successfully addressed a pronounced increase in activities associated with Members of Parliament. Throughout this period, major increases in business volumes for pension estimates, returns of contributions, new contributors and annuitants were processed within established service levels.
- Over 1,000 participants attended 160 pension training courses across the country. In addition, a total of 100 trainees also took advantage of self-taught courses.
- Expert advice was provided to compensation advisors in all matters affecting Public Service Pension Plan payments. The NCA Pension Applications and Program Support unit answered over 6,000 pension related inquiries from compensation advisors across the NCA.
- The premium rate changes of the insurance plans were processed and all pension accounts were modified electronically for members of each plan.
- Discussions have been initiated with TBS on the changes required to the PDSP process.

Activities specific to the Superannuation Sector in 2004-2005 are as follows:

- The redesign of the organizational structure was completed.
- A new Quality Advancement Section to provide management with objective assessments of, and information about, the design, operation and management of sector practices, procedures and control systems was implemented. In particular, post-payment audits on payment processes have been implemented.
- The incoming workload of elections for past service continued at a high rate. Approximately 8,264 elections were completed, in spite of heavy incoming workloads. Dedicated efforts targeted at reducing the backlog have resulted in an inventory of 2,300 at the end of 2004-2005 as compared to a backlog of 2,425 at the end of 2003-2004.
- The provision of toll-free client access to recipients of a Pension and Benefits Statement continues to be utilized by contributors and resulted in approximately 21,767 telephone calls and voice-mail messages.

-
- The use of a toll-free line for executive-level members has proven very successful with the provision of advice or clarification on statements for over 850 cases.
 - The provision of professional advice on the administration of the Public Service Pension Plan and participation in pre-retirement seminars for public servants resulted in 175 sessions being delivered nationally.

Pension: Looking Ahead to 2005-2006

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

- continue the modernization of pension services and systems by proceeding with the Project Definition Phase. This includes:
 - completing the bid evaluations and awarding the contract to a firm, or a consortium of firms, that will propose a technical solution and associated business transformation plan;
 - conducting a Requirements Mapping and Gap Analysis between the business and technical requirements and the proposed solution by the chosen firm; and
 - initiating the architecture and design of the technical solution and business processes.

Once the design is completed, the project will develop the transition and implementation plans, and prepare the TB submission for Effective Project Approval (expected in late 2006);

- continue with the Pension Services Delivery Project along the two following tracks:
 - work on the centralization and improvement of processes and services related to pension transfer agreements and pre-retirement seminars. The review and implementation of these improved pension services will include validation and testing by compensation experts as well as the development of service standards and client satisfaction mechanisms;
 - continue to work on a Strategic Implementation Plan and a business case that will result in a TB submission to seek the necessary funding to proceed with the centralization of the remaining pension services from the departments to PWGSC over the next four years. Work will also continue in the area of change management and a performance management framework, including a Client Expectation Study;
- conclude the preparatory work and commence the Pension Data Correction Project activities to correct 25,000 (of 35,000) pension accounts with salary, service and/or contribution data anomalies;
- gauge the feasibility of imaging technology in the pension operations in the Superannuation Sector. The actual imaging and subsequent transmission of information would be performed by the Cheque Redemption Control Directorate, in Matane, Quebec. Imaging will:
 - streamline mailroom processes in the Superannuation Sector;
 - alleviate storage capacity issues;
 - provide pension and call centre agents with rapid electronic access to annuitant/survivor data; and
 - reduce the manual data capture, dispatch and distribution of information.

-
- develop pension training material specific to Correctional Service Canada compensation advisors and convert two self-paced training modules to Web-based training;
 - modify the ESTEL to allow compensation advisors to provide a more accurate calculation of the cost of elective service and enhance the ESTEL to provide an automated past service pension adjustment calculation;
 - release the pension secure Web applications to employees in PWGSC, Transport Canada, Statistics Canada, the RCMP, and the Transportation Safety Board. These departments were selected because of the reliability of the information technology security infrastructure and/or the stringent certification of their employees;
 - commence the review of cases identified as receiving disability benefits under the QPP while in receipt of an unreduced PSSA pension entitlement further to the establishment of the QPP/PSSA automated data compare;
 - develop and conduct tests to authenticate the entitlement validity for certain high risk groups of annuitants; and
 - enhance the Canadian Forces Pension Plan annuitant system to accommodate anticipated legislation.

Pay and Insurance Initiatives

Compensation Training Redesign

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

During fiscal year 2004-2005, work commenced on the insurance and pay modules in order to convert them to Web-based courses: the on-line PSMIP module, the death-in-service, seasonal employment, dual remuneration/employment and specified period of employment pay modules.

The following chart summarizes the number of training courses provided across the country.

Pay and Insurance Training Courses Provided to Clients in 2004-2005

Region	Courses	Participants
Atlantic	3	19
Quebec	8	48
NCA	64	301
Ontario	15	42
Western	9	77
Pacific	11	40
Totals	110	527

In addition, a total of 119 trainees took advantage of self-taught pay and insurance courses across the country.

Classification Reform

In response to the government's decision to undertake classification reform in the public service, PWGSC has undertaken automation initiatives to reduce the level of effort and cost associated with conversion to the new classification structure. Phase 1 of Classification Reform, the development of a Web-based database containing rates of pay and classification information (e.g. bargaining unit designator code, geographic location code) was completed. This database will be useful not only for classification reform, but also for collective agreement implementation as it will allow TBS and separate employers to directly enter rates of pay in the pay system, thus eliminating the transmittal and input of the same information in a number of systems by several individuals. Discussion was initiated with TBS on the business requirements for Phase 2, the actual conversion from the current to the new classification structure. Phase 3 of the project was also started in 2004-2005 and consists of automatically redirecting the existing Regional Pay System programs to the new Web-based database during the conversion process.

Transit Pass Program

In 2004-2005 employees of PWGSC in the NCA were added to the transit pass program that already included public servants of Transport Canada, Environment Canada, TBS, and Natural Resources Canada. Under the program, a transit pass is offered to employees at a reduced rate if purchased through payroll deductions. This program was implemented in the NCA only in November 2004 and approximately 3,000 employees took advantage of this new service.

Payroll Simplification

A new project called Payroll Simplification was undertaken in 2004-2005. The project consists of expanding direct deposit to include supplementary payments (overtime pay and retroactive payments) and regular pay for those employees paid in arrears; consolidating the error analysis reports and Web-enable the hard copy payroll registers for on-line verification of payments by departmental compensation advisors.

Partnerships

Partnerships are used to support service delivery by leveraging the capabilities of external stakeholders, partners and other government organizations. The following describes some of the partnerships that evolved in 2004-2005.

Client Interface Project

After a successful pilot of the Government of Canada Human Resource Management System (PeopleSoft) Pay Interface at Industry Canada in 2003, the Compensation Sector has been working closely with the PeopleSoft Cluster Group to ensure a successful working relationship with the Cluster Group and the various departments as they implement the pay interface. Citizenship and Immigration Canada successfully implemented the pay interface in March 2005 for several of its NCA pay lists.

Addresses on T-4s and Relevés

A new feature has been developed in the Regional Pay System to add employees' addresses on the T-4s and Quebec Relevés to facilitate their distribution. This initiative was completed at the request of DND to ease the work of their distribution centres in all the regions. The project was completed in December 2004 and work addresses have been added to the system programs for the issuance of T-4s in February 2005. A few departments are in the process of responding to the *Access to Information Act* and the *Privacy Act* requirements in this regard as they would like to use this feature in 2005-2006.

Union Affiliation

New screens have been designed in the Regional Pay System to ensure that, when a change to an employee's situation has an effect on the union affiliation, the Master Employee Record is changed concurrently. This change allows for a timely adjustment to the union dues deduction and remittance to the appropriate bargaining agent.

Canada Revenue Agency

The CRA is engaged in Compensation Service Delivery Renewal and PWGSC has been an active partner for the past three years. This encompasses the development of a payroll solution within the renewal project. This included:

- defining business processes required to support the development of a SAP Corporate Administrative Services net payroll solution;
- analyzing, reviewing and documenting the results of a thorough fit-gap analysis; and
- defining a new Service Delivery Model to position CRA as the application service provider and PWGSC as the payroll administrator in the delivery of payroll services to CRA employees.

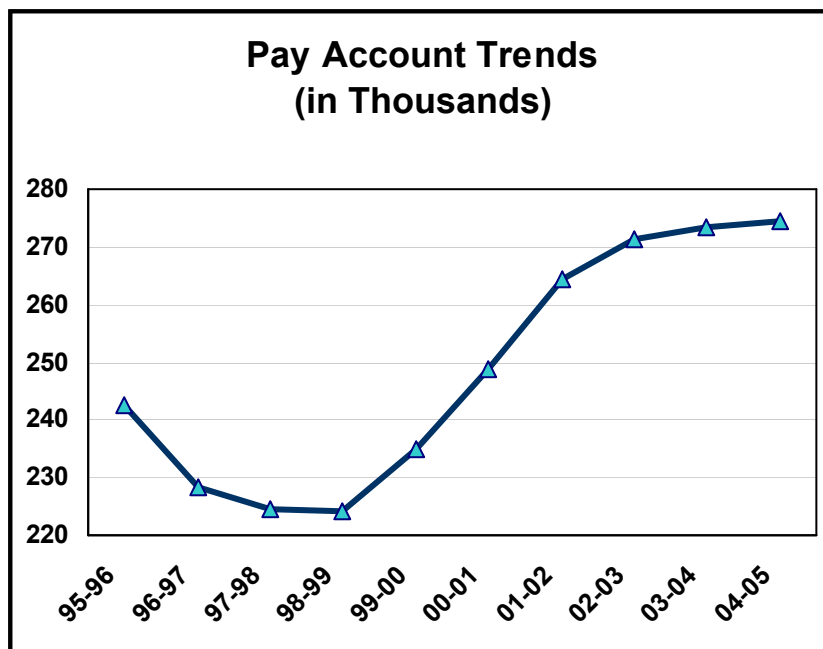
The CRA Executive Committee met in early March 2005 to review the Compensation Service Delivery Renewal Project (CSDRP) submission for ongoing development funding requirements. The CRA Executive Committee confirmed ongoing funding to support the CSDRP project for continued implementation of self-services, business process improvements and the development and implementation of a new tiered service delivery model supported by National Enquiries Centres. However, the payroll initiative within the CSDRP project was closed on March 31, 2005. As a direct result of these events, PWGSC continues to provide CRA employees with payroll services in the capacity of payroll service provider for the Government of Canada.

Pay and Insurance Activities

In 2004-2005, PWGSC Compensation delivered the following key pay activities:

- Payments were issued on behalf of 104 clients (departments whose employer is TB), separate employers (also considered public service), Crown corporations and the RCMP. The number of payments has increased by 134,340 or 1.7% from fiscal year 2003-2004.
- Biweekly, monthly or supplementary payments were issued in respect to 403 types of entitlements (signing bonus, isolated post allowance, bilingual bonus, etc.), on which 313 types of deductions (union, insurance, additional tax, etc.) were made and remitted to 150 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 1994-1995 (does not include the RCMP).



- PWGSC Compensation processed 2,016 pay runs to issue these payments triggered by a total of 10.8 million pay transactions.
- There were approximately 66,000 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.

Account Per Departmental Compensation Advisor/PWGSC Pay and Pension Agent					
Year	Accounts	Compensation Advisors	Accounts per Advisor	PWGSC Pay and Pension Agents	Accounts per Pay and Pension Agent
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

- In addition, 166 technical system updates 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
 - make system enhancements (pension transfer agreement, retirement compensation arrangements).
- PWGSC Compensation continued to provide expertise and training in pay and statutory deductions to ensure the implementation of compensation-related legislation and policies. The Regional Advisory and Training Network, comprised of analysts from headquarters and the regional offices, harmonizes the dissemination of compensation policy, procedures, and ensures uniformity of compensation practices throughout the country. Regional communication with clients is accomplished through client inquiries, notifications (directives, bulletins and communiqués), and on-line broadcast messages.
- The premium rate changes of the insurance plans were processed and all pay accounts were modified electronically for members of each plan.
- Changes to the Public Service Dental Care Plan were approved by TBS and work has been initiated this fiscal year to be completed in 2005-2006.
- A continued emphasis was placed on communicating with compensation clients and providing them with the necessary tools to be accurate and consistent in the application of compensation policies and procedures. Most publications issued are available at the following Compensation Sector Web site address: <http://www.compensation.gc.ca>.

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- The biennial Compensation Client Satisfaction Survey was launched on the Web in January 2005. A total of 517 responses were received, or 27.7% of the compensation community. The response rate was 70% greater than the last survey. Preliminary results have been posted on the Web at <http://www.pwgsc.gc.ca/compensation/service/serv-survey2004-e.html>.
 - PWGSC Compensation participated in a U.S.-based bench marking study of payroll best practices. This exercise examined the payroll-related quantitative and qualitative measures of 58 American corporations (including ours), representing a cross-section of employers' payroll practices. It should be noted that we were the only Canadian participant. We are currently evaluating the final report, issued in March 2005, to ascertain the validity of the comparative results vis-a-vis our own unique requirements to ensure that this particular survey is a valuable and worthwhile exercise to continue.
 - PWGSC implemented a total of 89 collective agreements. Of these, the CRA and Parks Canada agreements required major planning and effort, given the scope of the agreements. The CRA agreement contained 512 rates of pay for 32 different groups and the Parks Canada agreement consisted of 1,328 rates of pay for 83 different groups.
 - A Release Management Process Improvement initiative was launched in late 2004-2005 in order to review the quality of current processes used to implement changes to our pay and pension systems within the production environment. A complete analysis is being undertaken to identify key gaps that need to be addressed. This will contribute to improving the timeliness of system changes and enhancements in addition to the control of our release process.

Pay and Insurance: Looking Ahead to 2005-2006

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

- As part of the modernization of pay services and systems, and in conjunction with the government's Corporate Administration Shared Services initiative, we will:
 - finalize the business case for Pay Modernization and complete the revised TB submission for Preliminary Project Approval; and
 - continue the definition of business requirements and rules.
- PWGSC will release the pay secure Web applications to employees in PWGSC, Transport Canada, Statistics Canada, and potentially other departments.
- We will continue our work to simplify pay processes by expanding the use of direct deposit to include all supplementary payments (for example, overtime, collective agreement retroactive pay) and the regular pay of those employees who are paid in arrears (for example, terms less than six months and casuals). The changes will be implemented in 2005-2006. It is anticipated that the majority of employees that currently have their regular pay on direct deposit will also choose this method for their supplementary payments. This represents 85% of all supplementary payments (about 1,275,000 cheques each year). In addition to financial savings, this initiative will result in environmental savings that will directly support the objectives of the sustainable development initiative.
- We will continue to work with TBS to address Classification Reform. System changes will continue to be made to convert the legacy system program to use the data bases developed as part of the first phase to map the conversion from the old classifications and rates of pay to the new ones. The new data bases combined with legacy conversion programs will enable the automation of conversions and reduce the compensation advisors' workload.
- As a result of the *Public Service Modernization Act*, major changes to the Regional Pay System will be made to address the new dispositions related to the accounting and remittance of union dues for the exclusion cases that are challenged by the unions.
- We will implement the recommendations for system changes now supported by TBS for the administration of the Dental Care Plan.
- The Compensation Sector will continue to participate with TBS in setting the vision and direction for the administration of the Pensioners' Dental Services Plan.
- In the 2005-2006 fiscal year, PWGSC will engage CRA in discussions to review options for Regional Pay System upgrades in order to assist CRA in meeting their evolving payroll needs to support their compensation service renewal goals and objectives.

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- We will continue to pursue opportunities to compare and measure our payroll practices against those of other large institutional payroll systems. We are currently evaluating the validity of results obtained from a 2004-2005 bench marking study in which we participated. This endeavour represents the inception of an essential application, and through exercises similar to this, we will continue to seek a comparative yardstick to measure the sector against other large employers.