

Interoffice Communication



TO: Lana Payne, Roxanne Dubois
CC: Patrick Rettig
FROM: Graham Cox
DATE: February 11, 2026
RE: Analysis of Bill C-15 ERI

Purpose

- Report on the proposed Early Retirement Incentive (ERI) under Bill C-15 as it relates to Coast Guard Communication members.

Summary

The Early Retirement Incentive (ERI) proposed in Bill C-15 creates a mechanism to waive the standard penalty for early departure from the federal public service

The incentive does not alter the fundamental pension formula.

Employees retiring with 20–25 years of service will realize an income replacement rate of only 40–50% of their Best Five-Year Average Salary.

The accrual rate for the incentive is set at 2% per year of pensionable service.

The goal of ERI is not to support the member, but to reduce the size of the federal public service while reducing the number of employees who go through adjustment or bumping.

Analysis

Post retirement employment

Other early retirement programs show this replacement rate is generally insufficient to support full retirement

Our prediction is that program will primarily attract members intending to secure secondary employment instead of those seeking genuine exit from the labour force.

Due to the income gap identified above, uptake of early retirement options in the public sector is historically correlated with the availability of secondary employment.

Our research indicate RCMP Officers who retire early have a higher rate of post-retirement employment.

Officers frequently retire and join municipal forces or private security. The federal pension effectively acts as a subsidy for a second less stressful career.

"Best Five" and final salary

The calculation of final retirement salary is based on the average of the best five years.

When workers experienced a higher than normal inflation environment and corresponding negotiated wage increases, the best five average can be significantly lower than the employees current paycheck.

Even at 50%, this can be less than 45% of the member's current wage.

While reduction of wage is between 50-60%, this is reduced by lower deductions (no CPP, EI, or Superannuation contributions). However, this is again offset by the loss of the employer-paid portion of health and dental premiums and any overtime payments.

We generally recommend a 70% replacement rate to maintain pre-retirement standard of living.

Coast Guard

- **Implications for Coast Guard/Transport Canada:**
 - **High Uptake Probability:** Highly certified tradespeople (Marine Engineers, Pilots) who can easily transition to the private sector or contract work.
 - **Low Uptake Probability:** Administrative or specialized staff with low transferability to the private sector. These members are statistically less likely to afford the 50-60% income drop.

Conclusion

The ERI acts as a financially viable exit strategy only for those members with a second income stream. For members intending to fully exit the workforce, the 2.0% accrual rate of the ERI is prohibitive without additional benefits.