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ANNUAL REPORT TO PARLIAMENT



Report on the Administration
of the *Members of Parliament
Retiring Allowances Act*

for the Fiscal Year Ended March 31, 2003

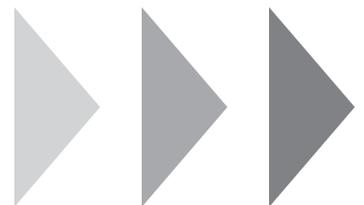
Retiring
allowances



Canada 

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Her Excellency the Right Honourable Adrienne Clarkson, C.C., C.M.M., C.D.
Governor General of Canada

Excellency:

I have the honour to submit to Your Excellency the *Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 2003*.

Respectfully submitted,

The paper version was signed by Reg Alcock
President of the Treasury Board

Introduction

The *Members of Parliament Retiring Allowances Act* (the Act or MPRAA) governs pension arrangements for members of Parliament—members of the House of Commons and senators. Under the Act, the pension plan also provides a survivor allowance for eligible spouses and children. This report begins with a summary of the plan’s main provisions and then presents information, for the fiscal year 2002–03, on the transactions recorded in the pension plan accounts, on membership, and benefits paid. Historical data are also included.

In this report, “members” refers to active and retired participants in the plan. Where necessary, members of the House of Commons and senators are referred to separately.

Funding

Accounts

Two accounts are operated under the plan: the Retiring Allowances (RA) Account and the Retirement Compensation Arrangements (RCA) Account.

The RA Account records the transactions related to the benefits payable under the plan when these benefits accord with income tax rules for registered pension plans. The RCA Account records the transactions related to the benefits payable under the plan when the benefits exceed the limits imposed by those tax rules.

Members’ contributions

Effective January 1, 2001, the contribution rate for members of the House of Commons was reduced from 9 per cent to 7 per cent of their sessional indemnities, while the contribution rate for senators remains unchanged at 7 per cent.

Some members receive additional allowances and salaries as speakers, ministers, leaders of the opposition, parliamentary secretaries, and so forth. These members must contribute to the plan, based on these additional allowances and salaries, unless they elect not to make such contributions or to contribute at a lower rate.

The prime minister must contribute 7 per cent of the salary paid to him or her as prime minister in addition to the contributions required from that individual for his or her role as a member of the House of Commons. Any member can decide to contribute for prior service in Parliament, in which case the member must pay interest on past service contributions.

Government contributions

On a monthly basis, the government is required to contribute an amount to each account that, after taking into account members' contributions, will fund the costs of all future benefits that members have earned during that month. The government contribution rate for each account varies from year to year and can be expressed as a multiple of members' contributions. The ratios of government contributions to members' contributions for the calendar years 2002 and 2003 are as follows:

Multiple of Members' Contributions

	2002	2003
House of Commons		
RA Account	3.74	3.88
RCA Account	6.95	6.99
Senate		
RA Account	2.44	2.63
RCA Account	3.59	3.87

Interest

Every quarter, the government credits interest on the balance of each account at a rate set by regulations. For the fiscal year ended March 31, 2003, the interest rate was 2.5 per cent per quarter.

Future unfunded liabilities

When the government identifies an unfunded liability after it tables a valuation report in Parliament, the government must cover that liability.

Tables 1 to 4 in this report present current and historical data on the RA and RCA accounts.

Allowances and Other Benefits

Annual allowance

Members

Upon ceasing to be a member of Parliament, members are entitled to an annual allowance after they have contributed to the plan for at least six years. For service up to and including July 12,

1995, former members are entitled to an immediate annual allowance. For service after that date, former members are not entitled to an annual allowance until they are 55.

The benefit accrual rate for members of the House of Commons is 5 per cent per year of service up to and including July 12, 1995; 4 per cent per year of service after that date until December 31, 2000; and 3 per cent per year of service effective January 1, 2001, to a maximum of 75 per cent of the average sessional indemnity. For senators, the accrual rate is 3 per cent per year of service to a maximum of 75 per cent of the average sessional indemnity. Effective January 1, 2001, the annual allowance is based on the member's average pay for the best five years of pay. Prior to that date, the annual allowance was based on the average pay for the best six years of pay.

The annual allowance of a retired member is suspended if that person becomes a member again, either as a member of the House of Commons or as a senator. The annual allowance of a retired member of the House of Commons or a Senator is suspended if that person starts working for the federal government and remuneration exceeds \$5,000.

Prime minister

During an individual's tenure as prime minister, the incumbent must contribute for at least four years if this service is to be eligible for an allowance. The allowance will be paid once the prime minister is no longer a member of Parliament or is 65 years old, whichever comes later. The allowance is equal to two thirds of the annual salary payable to a prime minister at the time the payment of the allowance begins.

Withdrawal allowance

Some members may get a withdrawal allowance. This is a return of a member's contributions along with interest on those contributions at a rate set by regulations. Members get withdrawal allowances if they do not complete six years of contributory service, if they are expelled from the House of Commons, or if they leave the Senate by reason of disqualification.

Survivor allowance

Members

Eligible survivors and children of members may receive an allowance.

For survivors, this allowance is equal to three fifths of the basic annual allowance that the member would have been entitled to receive, or that the retired member was receiving, immediately before his or her death.

If a child is under the age of 18 or is a full-time student between 18 and 25 years of age, that child is entitled to a survivor allowance. This allowance is equal to one tenth of the member's basic annual allowance or two tenths if no survivor allowance is being paid.

Prime minister

An eligible survivor receives an allowance equal to one half of the allowance payable to a former prime minister for service as prime minister.

Indexing

Allowances to retired members and survivors are adjusted at the beginning of each calendar year. This adjustment corresponds to the percentage increase in the average of the Consumer Price Index (CPI) for the 12 months ended on the preceding September 30, over the CPI average for the 12 months ended a year earlier.

Indexing payments do not begin until the former member is 60 years old. But once indexing begins, payments reflect the cumulative increase in the CPI since the member left Parliament.

Survivor allowances are indexed immediately based on the date a member left Parliament.

Minimum benefit

When a member or retired member dies and there are no survivors entitled to an allowance, then the member's estate receives the amount by which the member's contributions exceed any allowances already paid.

Contributors

At March 31, 2003, there were 399 members contributing under the plan, and there were no vacant seats in the House of Commons. Tables 5 and 6 in this report present information on the number and distribution of allowances.

Table 1

Members of Parliament Retiring Allowances Account (in dollars)

	Fiscal Year 2002–03	Fiscal Year 2001–02	From Inception to March 31, 2003
Receipts			
Members' contributions, current	1,307,483	1,297,778	39,319,094
Government contributions, current	4,395,891	3,847,838	56,136,121
Members' contributions, arrears on principal, interest, and mortality insurance	32,627	69,024	6,008,573
Government contributions on amounts payable (re-elections)	–	–	3,226,108
Interest	35,221,387	33,226,180	329,332,789
Transfer from the Supplementary Retirement Benefits Account	–	–	9,941,788
Actuarial liability adjustment	–	–	158,000,000
Total Receipts	40,957,388	38,440,820	601,964,473
Disbursements			
Annual allowances	16,623,728	15,993,470	222,052,799
Withdrawal allowances including interest	70,579	5,519	7,706,911
Pension division payments	775,935	149,795	3,421,938
Transfers to Public Service Superannuation Account	–	–	294,216
Total Disbursements	17,470,242	16,147,784	233,475,864
Excess of Receipts over Disbursements	23,487,146	22,293,036	368,488,609

Table 2

Retirement Compensation Arrangements Account (in dollars)

	Fiscal Year 2002–03	Fiscal Year 2001–02	From Inception to March 31, 2003
Receipts			
Members' contributions, current	2,571,907	2,448,630	18,013,366
Government contributions, current	15,859,000	15,269,084	102,791,024
Interest	7,248,223	6,396,263	39,897,876
Actuarial liability adjustment	9,773,275	–	9,773,275
Total Receipts	35,452,405	24,113,977	170,475,541
Disbursements			
Annual allowances	1,445,396	1,368,096	9,600,189
Withdrawal allowances	36,235	46,142	2,306,130
Pension division payments	376,149	402,487	1,294,241
Refundable tax ¹	10,982,904	10,049,942	70,022,456
Total Disbursements	12,840,684	11,866,667	83,223,016
Excess of Receipts over Disbursements	22,611,721	12,247,310	87,252,525

1. A refundable tax equal to 50 per cent of contributions and interest credited to the RCA Account, less 50 per cent of benefits paid out of the account, must be remitted each year to the Canada Customs and Revenue Agency.

Table 3

**Members of Parliament Retiring Allowances Account
Comparative Data—November 20, 1952, to March 31, 2003 (in dollars)**

Fiscal Year	Members' Contributions ¹	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Transfers to PSS Account	Total Disbursements	Account Balance
1952-1987	22,084,287	22,005,426	17,237,228	61,327,409	31,635,767	2,855,260	269,623	34,760,650	26,566,825
1987-88	2,039,384	1,883,721	2,729,295	6,652,400	4,392,043	47,801	-	4,439,844	28,779,384
1988-89	2,175,303	1,897,766	2,950,677	7,023,746	5,086,914	1,461,995	-	6,548,909	29,254,221
1989-90	2,267,074	2,082,958	2,960,449	7,310,481	6,197,822	124,942	24,593	6,347,357	30,217,345
1990-91	2,305,080	2,175,581	3,059,384	7,540,045	6,368,934	27,364	-	6,396,298	31,361,092
1991-92	2,060,258	2,220,659	3,440,449	175,663,154 ²	7,187,271	7,399	-	7,194,610	199,829,636
1992-93	1,042,520	2,131,335	20,493,768	23,667,623	9,813,446	17,221	-	9,830,667	213,666,592
1993-94	1,048,643	2,064,761	21,882,703	24,996,107	12,084,079	1,852,076	-	13,936,155	224,726,544
1994-95	1,070,539	1,884,100	22,861,864	25,816,503	15,432,287	58,833	-	15,491,120	235,051,927
1995-96	990,575	1,685,476	23,933,398	26,609,379	14,947,496	936,723	-	15,884,219	245,777,087
1996-97	876,577	1,561,870	25,029,451	27,467,898	15,000,643	138,516 ³	-	15,139,159	258,105,826
1997-98	941,060	1,707,658	26,262,499	28,911,217	15,251,902	840,521 ³	-	16,092,426	270,924,617
1998-99	1,081,944	2,261,588	27,620,578	30,964,110	15,211,454	673,914 ³	-	15,885,368	286,003,360
1999-2000	1,054,926	2,673,500	29,409,145	33,137,571	15,311,534	680,015 ³	-	15,991,549	303,149,382
2000-01	1,582,118	2,882,101	31,014,334	35,478,553	15,514,009	405,499 ³	-	15,919,508	322,708,427
2001-02	1,366,802	3,847,838	33,226,180	38,440,820	15,993,470	154,314 ³	-	16,147,784	345,001,463
2002-03	1,340,110	4,395,891	35,221,387	40,957,388	16,623,728	846,514 ³	-	17,470,242	368,488,609
Totals	45,327,667	59,362,229	329,332,789	601,964,473	222,052,799	11,128,849	294,216	233,475,864	

1. Includes contributions for current and prior service and interest paid by members.

2. Includes a transfer of \$9,941,788 from the Supplementary Retirement Benefits Account and an actuarial adjustment credit of \$158,000,000.

3. Includes pension division payments.

Table 4
Retirement Compensation Arrangements Account
Comparative Data—January 1, 1992, to March 31, 2003 (in dollars)

Period/ Fiscal Year	Members' Contributions	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Refundable Tax	Total Disbursements	Account Balance
Jan. 1, 1992– Mar. 31, 1993	1,944,720	13,837,316	806,119	16,588,155	71,198	3,901	6,516,391	6,591,490	9,996,665
1993–94	1,553,821	10,394,866	1,487,793	13,436,480	391,546	571,762	6,637,345	7,600,653	15,832,492
1994–95	1,610,329	9,058,349	2,025,049	12,693,727	727,802	27,755	5,807,226	6,562,783	21,963,436
1995–96	1,246,927	5,971,846	2,563,705	9,782,478	762,478	574,632 ¹	4,808,645	6,145,755	25,600,159
1996–97	1,074,385	4,944,660	2,853,534	8,872,579	772,012	57,167 ¹	3,884,619	4,713,798	29,758,940
1997–98	1,147,880	5,410,244	3,257,976	9,816,100	954,739	718,385 ¹	3,982,375	5,655,499	33,919,541
1998–99	1,353,367	6,816,386	3,769,294	11,939,047	976,109	113,933 ¹	5,101,490	6,191,532	39,667,056
1999–2000	1,248,721	7,397,670	4,458,146	13,104,537	1,017,774	464,361 ¹	5,790,772	7,272,907	45,498,686
2000–01	1,812,679	7,831,603	5,031,774	14,676,056	1,113,039	207,462	6,460,747	7,781,248	52,393,494
2001–02	2,448,630	15,269,084	6,396,263	24,113,977	1,368,096	448,629 ¹	10,049,942	11,866,667	64,640,804
2002–03	2,571,907	15,859,000	7,248,223	35,452,405 ²	1,445,396	412,384 ¹	10,982,904	12,840,684	87,252,525
Totals	18,013,366	102,791,024	39,897,876	170,475,541	9,600,189	3,600,371	70,022,456	83,223,016	

1. Includes pension division payments.

2. Includes actuarial liability adjustment of \$9,773,275.

Table 5New and Past Allowances for the Fiscal Year 2002–03

1. a) The following 13 new allowances became payable:
 - 1 to a former senator
 - 3 to survivors of former senators
 - 2 to former members of the House of Commons
 - 2 to former members of the House of Commons whose allowances were reinstated
 - 5 to survivors of former members of the House of Commons
- b) Withdrawal allowances (i.e., return of members' contributions with interest) were paid in respect of two senators who retired.
2. The following 21 allowances ceased to be payable
 - a) to 19 persons who died:
 - 11 former members of the House of Commons
 - 3 survivors of former members of the House of Commons
 - 1 senator
 - 3 former senators
 - 1 survivor of a former senator
 - b) to 2 former members of the House of Commons whose allowances were suspended

Since the Act came into force on November 20, 1952, a total of 1,113 annual allowances and 835 withdrawal allowances have been authorized.

Table 6

Distribution of Annual Allowances in Pay

The distribution of annual allowances in pay (including applicable indexation) at March 31, 2003, was as follows:

Amount of Allowance	Former Members	Survivors	Dependant Children	Total
Over \$70,000	25	–	–	25
65,000–69,999	9	–	–	9
60,000–64,999	7	–	–	7
55,000–59,999	26	–	–	26
50,000–54,999	49	–	–	49
45,000–49,999	17	2	–	19
40,000–44,999	28	2	–	30
35,000–39,999	43	11	–	54
30,000–34,999	51	18	–	69
25,000–29,999	40	14	–	54
20,000–24,999	35	24	–	59
15,000–19,999	21	20	–	41
10,000–14,999	18	20	–	38
5,000– 9,999	22	28	–	50
Up to 4,999	–	1	3	4
Totals	391	140	3	534

Notes

1. In addition to the above allowances, a former member was in receipt of an indexed annual allowance for service as prime minister.
2. The average annual allowance, including indexation, was \$37,940 for former members of the House of Commons and \$42,953 for former senators.