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ANNUAL REPORT TO PARLIAMENT



Report on the Administration of the *Supplementary Retirement Benefits Act*

for the Fiscal Year Ended March 31, 2008

Canada

Report on the Administration
of the *Supplementary Retirement
Benefits Act*

for the Fiscal Year Ended March 31, 2008



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Her Excellency the Right Honourable Michaëlle Jean, C.C., C.M.M., C.O.M., C.D.
Governor General of Canada

Excellency:

I have the honour to submit to Your Excellency the annual *Report on the Administration of the Supplementary Retirement Benefits Act for the Fiscal Year Ended March 31, 2008*.

Respectfully submitted,

The Honourable Vic Toews, P.C., Q.C., M.P.
President of the Treasury Board

Table of Contents

Supplementary Benefits.....	1
Funding.....	2
Account Transactions and Membership Statistics	2

This is the 38th annual report on the administration of the *Supplementary Retirement Benefits Act* (the Act), which came into force on April 1, 1970.

Supplementary Benefits

The Act makes it possible to provide supplementary benefits for recipients of pensions or allowances payable under the acts or regulations listed in Schedule 1 of the Act, as at March 31, 2008.

The original *Supplementary Retirement Benefits Act* of 1970 provided for increases in pensions of a maximum of 2 per cent per year, based on the year of retirement going back to 1952. The increases were payable at the age of 60, or earlier under specific conditions.

Effective January 1, 1974, the 2 per cent ceiling on increases was removed and an annual increase in pensions reflecting the full increase in the cost of living was permitted. The annual increase in pensions is payable starting in January of each year. This increase is based on 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.

The Act was amended in 1975 to permit interest to be paid on returns of contributions at a rate of 4 per cent compounded annually.

Since 1982, the legislation has required that the increase payable in the first year after a person retires be pro-rated according to the number of complete months of retirement in the previous year.

In 1983 and 1984, the increases were limited to 6.5 and 5.5 per cent respectively, under amendments to the Act passed in 1983.

In 1992, the Act was amended because changes were being made to the statutes governing four federal public sector pension plans: the *Public Service Superannuation Act* (PSSA); the *Canadian Forces Superannuation Act* (CFSA); the *Royal Canadian Mounted Police Superannuation Act* (RCMPSA); and the *Members of Parliament Retiring Allowances Act* (MPRAA). The amendments meant that the Act did not apply to pensions payable under those statutes. Consequently, each of those statutes now permits increases in these pensions, which are determined as if they were under the Act. The amendments to the Act related to benefits payable under the PSSA, the CFSA, and the RCMPSA were made retroactive to April 1, 1991. Those related to the MPRAA became effective on January 1, 1992. For more information on these amendments, see the section titled “Funding.”

The increase in pensions payable in January 2008 was 1.8 per cent (2.3 per cent in January 2007).

Funding

The Act establishes an account known as the Supplementary Retirement Benefits Account (the Account) in the Accounts of Canada. Plan members who have not yet retired, except the Governor General, contribute to this account. The government matches these contributions.

Between April 1, 1970, and December 31, 1976, members contributed 0.5 per cent of their salary. Effective January 1, 1977, this rate was increased to 1 per cent.

Interest on the Account is payable at the end of each quarter. It is calculated monthly on the minimum balance in the Account at an interest rate that represents the yield on outstanding Government of Canada bonds having a term to maturity of five years, less one eighth of 1 per cent.

Before January 1, 1974, all supplementary benefits were charged to the Account. Since that date, however, the benefits paid to a former contributor have been charged to the Account only until they equal the total amount credited to the Account for that person. Supplementary benefits paid in excess of that total have been charged to government expenditures.

Under the 1992 amendments mentioned in the preceding section, the appropriate portions of the Account were transferred to the superannuation accounts established under the PSSA, the CFSA, the RCMP SA, and the MPRAA. These transfers greatly reduced the size of the Account.

Account Transactions and Membership Statistics

During the fiscal year 2007–08, total receipts from contributors and the government, including interest, amounted to \$10.8 million. The total amount paid under the Act was \$41.886 million, of which \$19,101 was charged to the Account; the remaining \$41.867 million was charged to government expenditures, in accordance with subsection 8(2) of the Act. The balance in the Account at the end of the year was \$140.1 million.

Details of the transactions in the Account during the fiscal year appear in tables 1 and 2.

On March 31, 2008, there were 1,088 contributors to the Account and 1,809 beneficiaries.

Table 1

Supplementary Retirement Benefits Account (in thousands of dollars)

	2007–08	2006–07
Opening Balance	129,249	118,693
Receipts		
Contributions		
– Members	2,684	2,853
– Government	2,730	2,853
Interest	<u>5,433</u>	<u>4,959</u>
Total Receipts	10,847	10,665
Payments		
Annuities	41,886	43,541
Less charges to government expenditures in accordance with subsection 8(2) of the Act	<u>41,867</u>	<u>43,432</u>
Net Payments	19	109
Increase	10,828	10,556
Closing Balance	140,077	129,249

Table 2

Supplementary Retirement Benefits Account

Details of Receipts and Payments for 2007–08 (in thousands of dollars)

	Judges	Others	Total
Balance as at March 31, 2007	128,794	455	129,249
Receipts			
Contributions			
– Members	2,688	(4)	2,684
– Government	2,688	42	2,730
Interest	5,414	19	5,433
Total Receipts	10,790	57	10,847
Payments			
Annuities ¹	–	–	–
Return of Contributions	–	19	19
Total Payments	–	19	19
Increase (Decrease)	10,790	38	10,828
Balance as at March 31, 2008	139,584	493	140,077

1. In addition to these charges to the Account, \$41,866,952 was charged to government expenditures under subsection 8(2) of the Act.