

# REPORT

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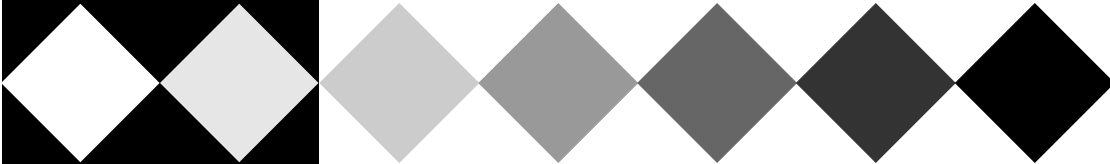
Administration of

the *Members of*

*Parliament Retiring*

*Allowances Act*

for the Fiscal Year  
Ended March 31, 1996



Canada

# REPORT

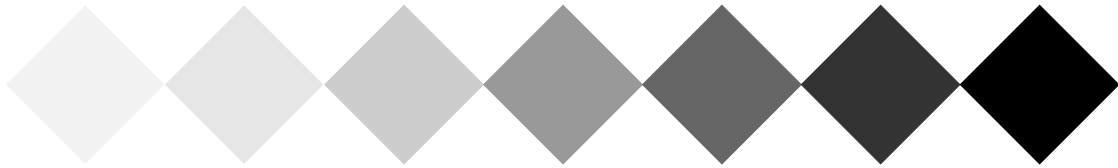
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President  
of the Treasury Board

Président  
du Conseil du Trésor

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To His Excellency  
The Right Honourable Roméo LeBlanc,  
P.C., C.C., C.M.M., C.D.  
Governor General and Commander-in-Chief of Canada

May it please Your 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, 1996.

Respectfully submitted,

Marcel Massé  
President of the Treasury Board



## Introduction

The *Members of Parliament Retiring Allowances Act* (the Act or MPRAA) governs pension arrangements for members of Parliament – that is, members of the House of Commons and senators. The Act also contains provisions for allowances to their survivors. This report begins with a brief summary of the main provisions of the pension plan for members of Parliament and then presents information, for the fiscal year 1995-96, on the transactions recorded in the accounts under the plan, on membership and on 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.

## Amendments to the MPRAA

On July 13, 1995, a number of amendments to the *Members of Parliament Retiring Allowances Act* came into force. The principal changes to the MPRAA were

- an annual accrual rate reduction for members of the House of Commons from 5 per cent to 4 per cent;
- a contribution rate reduction from 11 per cent to 9 per cent of salaries for members of the House of Commons; and
- a requirement that members be at least 55 before they can collect pensions.

All of these changes apply only to benefits earned after July 12, 1995.

In addition, new amendments restricted the receipt of both a parliamentary pension and income from the federal government. Amendments also allowed members of the existing House of Commons to choose whether or not to contribute under the pension plan.

## 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 on 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

Members of the House of Commons are required to contribute nine per cent of their sessional indemnities and senators are required to contribute seven per cent. Some members also receive additional allowances and salaries as speakers, ministers, leaders of the Opposition, parliamentary secretaries and so forth. A member must contribute to the plan, based on these additional allowances and salaries, unless a member elects not to contribute or to contribute at a lower rate. The prime minister must contribute seven per cent on the salary paid to him or her as prime minister, in addition to the contributions required 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

The government is required to contribute monthly, to each account, an amount (net of members' contributions) that 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 1995 and 1996 were as follows.

#### *Multiple of Members' Contributions*

|                         | 1995* | 1996 |
|-------------------------|-------|------|
| <b>House of Commons</b> |       |      |
| RA Account              | 1.87  | 2.09 |
| RCA Account             | 5.02  | 5.27 |
| <b>Senate</b>           |       |      |
| RA Account              | 1.31  | 1.40 |
| RCA Account             | 2.43  | 2.59 |

\* Rates authorized for benefits earned after plan amendments became effective July 13, 1995.

### 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, 1996, 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 by equal annual credits to the accounts over a period not exceeding 15 years.

Tables I to IV 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 under 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 have reached age 55.

The benefit accrual rate for members of the House of Commons is four per cent per year of service for service on or after July 13, 1995, up to a maximum of 15 years.

For senators, the accrual rate is three per cent per year for a maximum of 25 years. The amount of the annual allowance is based on the member's average pay for the best six years and is payable immediately upon retirement, regardless of age.

The annual allowance of a retired member is suspended when 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 is also suspended when that person starts working for the federal government.

#### ***Prime Minister***

Prime ministers must contribute for at least four years, as prime minister, 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 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 spouses and children of members may receive an allowance.

For spouses, this allowance is 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 one tenth of the member's basic annual allowance or two tenths if no spousal allowance is being paid.

### ***Prime Minister***

An eligible surviving spouse 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 to 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 when 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

On March 31, 1996, there were 337 members contributing under the plan.

Tables V and VI in this report present information on the number and distribution of allowances.

**Table I**  
*Retiring Allowances Accounts*

| <b>Receipts</b>  | Fiscal<br>Year<br>1995-96 | Fiscal<br>Year<br>1994-95<br>(dollars) | From<br>Inception to<br>March 31, 1996 |
|--|---------------------------|--|--|
| Members' contributions, current  | 883,948                   | 972,578                                | 32,122,354                             |
| Government contributions, current  | 1,685,476                 | 1,884,100                              | 36,805,675                             |
| Members' contributions, arrears<br>on principal, interest and<br>mortality insurance | 106,557                   | 97,961                                 | 4,961,776                              |
| Government contributions on<br>amounts payable (re.: elections)                      | –                         | –                                      | 3,226,108                              |
| Interest   | 23,933,398                | 22,861,864                             | 121,549,215                            |
| Transfer from the<br>Supplementary Retirement<br>Benefits Account                    | –                         | –                                      | 9,941,788                              |
| Actuarial liability adjustment   | –                         | –                                      | 158,000,000                            |
| Total receipts   | 26,609,379                | 25,816,503                             | 366,606,916                            |
| <b>Disbursements</b>   |                           |  |  |
| Annual allowances  | 14,947,496                | 15,432,287                             | 113,146,059                            |
| Withdrawal allowances<br>(including interest)  | 345,625                   | 58,833                                 | 6,798,456                              |
| Pension division payments  | 591,098                   | –                                      | 591,098                                |
| Transfers to the Public Service<br>Superannuation Account                            | –                         | –                                      | 294,216                                |
| Total disbursements  | 15,884,219                | 15,491,120                             | 120,829,829                            |
| Excess of receipts<br>over disbursements   | 10,725,160                | 10,325,383                             | 245,777,087                            |

**Table II**  
*Retirement Compensation Arrangements Account*

| <b>Receipts</b>                          | Fiscal<br>Year<br>1995-96 | Fiscal<br>Year<br>1994-95<br>(dollars) | From<br>Inception to<br>March 31, 1996 |
|--|---------------------------|--|--|
| Members' contributions, current          | 1,246,927                 | 1,610,329                              | 6,355,797                              |
| Government contributions,<br>current     | 5,971,846                 | 9,058,349                              | 39,262,377                             |
| Interest                                 | 2,563,705                 | 2,025,049                              | 6,882,666                              |
| Total receipts                           | 9,782,478                 | 12,693,727                             | 52,500,840                             |
| <br><b>Disbursements</b>                 |                           |  |  |
| Annual allowances                        | 762,478                   | 727,802                                | 1,953,024                              |
| Withdrawal allowances                    | 527,216                   | 27,755                                 | 1,130,634                              |
| Pension division payments                | 47,416                    | –                                      | 47,416                                 |
| Refundable tax <sup>1</sup>              | 4,808,645                 | 5,807,226                              | 23,769,607                             |
| Total disbursements                      | 6,145,755                 | 6,562,783                              | 26,900,681                             |
| Excess of receipts<br>over disbursements | 3,636,723                 | 6,130,944                              | 25,600,159                             |

<sup>1</sup> 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 Revenue Canada.

**Table III***Retiring Allowances Account Comparative Data – November 20, 1952 to March 31, 1996*

| Fiscal Year | Members' Contributions <sup>1</sup> | Government Contributions | Interest    | Total Receipts           | Annual Allowances | Withdrawal Allowances | Transfers to PSS Account | Total Disbursements | Account Balance |
|-------------|-------------------------------------|--------------------------|-------------|--------------------------|-------------------|-----------------------|--------------------------|---------------------|-----------------|
| (dollars)   |                                     |                          |             |                          |                   |                       |                          |                     |                 |
| 1952-82     | 12,228,627                          | 12,002,674               | 7,294,940   | 31,526,241               | 16,070,616        | 1,351,541             | 242,260                  | 17,664,417          | 35,959,287      |
| 1982-83     | 1,821,801                           | 3,035,974                | 1,231,840   | 6,089,615                | 1,863,097         | 17,046                | –                        | 1,880,143           | 18,071,293      |
| 1983-84     | 1,798,829                           | 1,540,071                | 1,584,628   | 4,923,528                | 2,297,415         | 81,827                | 27,363                   | 2,406,605           | 20,588,216      |
| 1984-85     | 2,025,883                           | 1,650,253                | 2,312,087   | 5,988,223                | 2,917,071         | 1,308,678             | –                        | 4,225,749           | 22,350,690      |
| 1985-86     | 2,105,449                           | 1,870,007                | 2,132,431   | 6,107,887                | 4,183,402         | 96,168                | –                        | 4,279,570           | 24,179,007      |
| 1986-87     | 2,104,235                           | 1,906,447                | 2,681,302   | 6,691,984                | 4,304,166         | –                     | –                        | 4,304,166           | 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 <sup>2</sup> | 7,187,271         | 7,339                 | –                        | 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 <sup>3</sup>  | –                        | 15,884,219          | 245,777,087     |
| Total       | 37,084,200                          | 40,031,783               | 121,549,215 | 366,609,916              | 113,146,059       | 7,735,179             | –                        | 294,216             | 120,829,829     |

<sup>1</sup> Includes contributions for current and prior service and interest paid by members.

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

<sup>3</sup> Includes pension division payments of \$591,098.



**Table IV***Retirement Compensation Arrangements Account Comparative Data – January 1, 1992 to March 31, 1996*

| Period or Fiscal Year | Members' Contributions <sup>1</sup> | Government Contributions | Interest  | Total Receipts | Annual Allowances | Withdrawal Allowances | Refundable Tax | Total Disbursements | Account Balance |
|-----------------------|-------------------------------------|--------------------------|-----------|----------------|-------------------|-----------------------|----------------|---------------------|-----------------|
| (dollars)             |                                     |                          |           |                |                   |                       |                |                     |                 |
| Jan.-Mar. 1992        | 396,201                             | 2,798,902                | –         | 3,195,103      | 10,050            | –                     | –              | 10,050              | 3,185,053       |
| 1992-93               | 1,548,519                           | 11,038,414               | 806,119   | 13,393,052     | 61,148            | 3,901                 | 6,516,391      | 6,581,440           | 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           | 27,775                | 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           | 574,216 <sup>1</sup>  | 4,808,645      | 6,145,755           | 25,600,159      |
| Total                 | 6,355,797                           | 39,262,377               | 6,882,666 | 52,500,840     | 1,953,024         | 1,177,654             | 23,778,607     | 26,900,681          |                 |

<sup>1</sup>Includes pension division payments of \$47,416.

**Table V**  
*New and Past Allowances*

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During the fiscal year 1995-96:

1. The following 19 new allowances became payable:
  - 4 to former members of the House of Commons
  - 3 to former senators
  - 8 to surviving spouses of former members of the House of Commons
  - 3 to the surviving spouse of a former senator
  - 1 to an eligible child of a former member of the House of Commons
2. The following 17 allowances ceased to be payable:
  - (a) to persons who died:
    - 9 former members of the House of Commons
    - 3 former senators
    - 1 spouse of a former member of the House of Commons
  - (b) to 4 former members of the House of Commons whose eligibility was suspended subject to the amendments to the MPRAA, which came into force July 13, 1995.
3. Withdrawal allowances (returns of members' contributions with interest) were paid to 60 members of the House of Commons who chose not to opt into the plan and 2 senators (one of which was paid on account of death) who left Parliament before completing six years of service.

Since the Act came into force on November 20, 1952, a total of 934 annual allowances and 824 withdrawal allowances have been authorized.



**Table VI**  
*Distribution of Annual Allowances in Pay*

The distribution of annual allowances in pay (including applicable indexation) on March 31, 1996 was as follows:

| Amount of Allowance | Former Members | Surviving Spouses | Dependent Children | Total      |
|---------------------|----------------|-------------------|--------------------|------------|
| Over \$70,000       | 8              |                   |                    | 8          |
| 65,000 - 69,999     | 12             |                   |                    | 12         |
| 60,000 - 64,999     | 10             |                   |                    | 10         |
| 55,000 - 59,999     | 9              |                   |                    | 9          |
| 50,000 - 54,999     | 21             |                   |                    | 21         |
| 45,000 - 49,999     | 47             |                   |                    | 47         |
| 40,000 - 44,999     | 30             | 1                 |                    | 31         |
| 35,000 - 39,999     | 33             | 1                 |                    | 34         |
| 30,000 - 34,999     | 60             | 11                |                    | 71         |
| 25,000 - 29,999     | 85             | 8                 |                    | 93         |
| 20,000 - 24,999     | 27             | 22                |                    | 49         |
| 15,000 - 19,999     | 20             | 13                |                    | 33         |
| 10,000 - 14,999     | 30             | 16                |                    | 46         |
| 5,000 - 9,999       | 27             | 19                |                    | 46         |
| Up to 4,999         | 3              | 10                | 3                  | 16         |
| <b>Total</b>        | <b>422</b>     | <b>101</b>        | <b>3</b>           | <b>526</b> |

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 \$32,369 for former members of the House of Commons and \$34,780 for former senators.