

President of the Treasury Board

Président du Conseil du Trésor

Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 1997





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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 duty 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, 1997.

Respectfully submitted,

Marul Masse

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 members of Parliament pension plan and then presents information, for the fiscal year 1996-97, 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.

# **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 9 per cent of their sessional indemnities and senators are required to contribute 7 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 make such contributions or to contribute at a lower rate. The prime minister must contribute 7 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 1996 and 1997 were as follows:

MULTIPLE C	MULTIPLE OF MEMBERS' CONTRIBUTIONS					
	1996	1997				
House of Commons						
RA Account	2.09	2.13				
RCA Account	5.27	5.32				
Senate						
RA Account	1.40	1.36				
RCA Account	2.59	2.62				

### 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, 1997, 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 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 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 5 per cent up to and including July 12, 1995, and 4 per cent per year of service for service after that date, up to a maximum of 75 per cent of the average sessional indemnity.

For senators, the accrual rate is 3 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.

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 is also suspended if 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 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 spouses and children of members may receive an allowance.

For spouses, 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 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.





# **C**ONTRIBUTORS

At March 31, 1997, there were 333 members contributing under the plan, and there were four 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 1996-97	Fiscal Year 1995-96	From Inception to March 31, 1997
Receipts			
Members' contributions, current	807,042	883,948	32,929,396
Government contributions, current	1,561,870	1,685,476	38,367,545
Members' contributions, arrears on principal, interest and			
mortality insurance	69,535	106,557	5,031,311
Government contributions on amounts payable (re elections)	_	_	3,226,108
Interest	25,029,451	23,933,398	146,578,666
Transfer from the Supplementary Retirement Benefits Account	_	_	9,941,788
Actuarial liability adjustment	_	_	158,000,000
Total Receipts	27,467,898	26,609,379	394,074,814
Disbursements			
Annual allowances	15,000,643	14,947,496	128,146,702
(Withdrawal allowances including interest)	73,144	345,625	6,871,600
Pension division payments	65,372	591,098	656,470
Transfers to Public Service Superannuation Account	_	_	94,216
Total Disbursements	15,139,159	15,884,219	135,768,988
Excess of Receipts over Disbursements	12,328,739	10,725,160	258,305,826



## **Retirement Compensation Arrangements Account (in dollars)**

	Fiscal Year 1996-97	Fiscal Year 1995-96	From Inception to March 31, 1997
Receipts			
Members' contributions, current	\$ 1,074,385	\$ 1,246,927	\$ 7,430,182
Government contributions, current	4,944,660	5,971,846	44,207,037
Interest	2,853,534	2,563,705	9,736,200
Total Receipts	8,872,579	9,782,478	61,373,419
Disbursements			
Annual allowances	772,012	762,478	2,725,036
Withdrawal allowances	48,111	527,216	1,178,745
Pension division payments	9,056	47,416	56,472
Refundable tax <sup>1</sup>	3,884,619	4,808,645	27,654,226
Total Disbursements	4,713,798	6,145,755	31,614,479
Excess of Receipts over Disbursements	4,158,781	3,636,723	29,758,940

<sup>&</sup>lt;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.





## Members of Parliament Retiring Allowances Account Comparative Data – November 20, 1952 to March 31, 1997 (in dollars)

Fiscal Years	Members' Contributions <sup>1</sup>	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Transfers to PSS Account	Total Disbursements	Account Balance
1952-1982	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	_	15,884,219	245,777,087
1996-97	876,577	1,561,870	25,029,451	27,467,898	15,000,643	138,516 <sup>3</sup>	_	15,139,159	258,305,826
Totals	37,960,777	41,593,653	146,578,666	394,074,814	128,146,702	7,528,070	294,216	135,968,988	

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



<sup>&</sup>lt;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>&</sup>lt;sup>3</sup> Includes pension division payments of \$65,372. From inception, pension division payments total \$656,470.



## **Retirement Compensation Arrangements Account** Comparative Data – January 1, 1992 to March 31, 1997 (in dollars)

Period/ Fiscal Year	Members'	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Refundable Tax	Total Disbursements	Account Balance
JanMar.		- CONTRIBUTION	mitoroot	rtooorpto	71110114111000	711011411000	TUX	Diobarcomonic	Balarioo
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	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 <sup>1</sup>	3,884,619	4,713,798	29,758,940
Totals	7,430,182	44,207,037	9,736,200	61,373,419	2,725,036	1,234,821	27,654,226	31,614,479	

<sup>&</sup>lt;sup>1</sup> Includes pension division payments of \$9,056. From inception, pension division payments total \$56,472.





#### **New and Past Allowances**

During the fiscal year 1996-97:

- 1. The following 14 new allowances became payable:
  - 2 to former senators:
  - 7 to surviving spouses of former members of the House of Commons;
  - 4 to the surviving spouses of former senators;
  - 1 to a dependant child of a former senator who died.
- 2. The following 25 allowances ceased to be payable:
  - (a) to persons who died:
    - 13 former members of the House of Commons:
    - 3 former senators;
    - 4 spouses of a former member of the House of Commons.
  - (b) To 1 former member of the House of Commons who was appointed to the Senate.
  - (c) To 2 former members of the House of Commons whose eligibility was suspended on becoming employed by the federal government.
  - (d) To 2 students who were no longer eligible under the provisions of the MPRAA.
- 3. Withdrawal allowances (return of members' contributions with interest) were paid in respect of four members: two who died; one who opted not to participate under the plan; and one who was not re-elected. Also, one senator received a withdrawal allowance as a result of leaving Parliament before completing six years of service.

Since the Act came into force on November 20, 1952, a total of 948 annual allowances and 831 withdrawal allowances have been authorized.



## **Distribution of Annual Allowances in Pay**

The distribution of annual allowances in pay (including applicable indexation) at March 31, 1997 was as follows:

Amount of	Former	Surviving	Dependant	Total
Allowance	Members	Spouses	Children	Total
Over \$70,000	9	_	_	9
65,000 - 69,999	11	_	_	11
60,000 - 64,999	10	_	_	10
55,000 - 59,999	9	_	_	9
50,000 - 54,999	21	_	_	21
45,000 - 49,999	52	_	_	52
40,000 - 44,999	24	1	_	25
35,000 - 39,999	30	1	_	31
30,000 - 34,999	64	11	_	75
25,000 - 29,999	73	9	_	82
20,000 - 24,999	24	24	_	48
15,000 - 19,999	23	13	_	36
10,000 - 14,999	28	19	_	47
5,000 - 9,999	25	25	1	51
Up to 4,999	2	5	1	8
Totals	405	108	2	515

#### Notes



<sup>1.</sup> In addition to the above allowances, a former member was in receipt of an indexed annual allowance for service as prime minister.

<sup>2.</sup> The average annual allowance, including indexation, was \$33,381 for former members of the House of Commons and \$38,456 for former senators.