



President
of the Treasury Board

Présidente
du Conseil du Trésor

**Report on the
Administration of the
*Members of Parliament
Retiring Allowances Act*
for the Fiscal Year
Ended March 31, 1999**

Canada



**Report on the
Administration of the
*Members of Parliament
Retiring Allowances Act*
for the Fiscal Year
Ended March 31, 1999**



Also available in alternative formats

Published by the
Treasury Board of Canada Secretariat

©Minister of Public Works and Government Services 1999

Catalogue No BT 1-11/1999
ISBN 0-662-64569-3

This document is also available in Acrobat
on the Internet at the following address:
<http://www.tbs-sct.gc.ca/>





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, 1999*.

Respectfully submitted,

Lucienne Robillard
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 1998–99, 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.

Under Bill C-47, which received Royal Assent on June 18, 1998, a member of the House of Commons in the 35th Parliament who elected not to contribute under the MPRAA, was entitled to make an election to have the MPRAA resume to apply to that Member. This election is irrevocable.

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 1998 and 1999 were as follows:

MULTIPLE OF MEMBERS' CONTRIBUTIONS		
	1998	1999
House of Commons		
RA Account	2.33	3.06
RCA Account	5.65	6.81
Senate		
RA Account	1.51	1.90
RCA Account	2.73	2.99

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, 1999, 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 the age of 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

During their tenure as prime minister, incumbents 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 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.

CONTRIBUTORS

At March 31, 1999, there were 362 members contributing under the plan, and there was one vacant seat 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 1998-99	Fiscal Year 1997-98	From Inception to March 31, 1999
Receipts			
Members' contributions, current	971,713	848,013	34,749,122
Government contributions, current	2,261,588	1,707,658	42,336,791
Members' contributions, arrears on principal, interest and mortality insurance	110,231	93,047	5,234,589
Government contributions on amounts payable (re elections)	—	—	3,226,108
Interest	27,620,578	26,262,499	200,461,743
Transfer from the Supplementary Retirement Benefits Account	—	—	9,941,788
Actuarial liability adjustment	—	—	158,000,000
Total Receipts	30,964,110	28,911,217	453,950,141
Disbursements			
Annual allowances	15,211,454	15,251,902	158,610,058
Withdrawal allowances including interest	17,013	434,395	7,323,008
Pension division payments	656,901	406,128	1,719,499
Transfers to Public Service Superannuation Account	—	—	294,211
Total Disbursements	15,885,368	16,092,426	167,946,781
Excess of Receipts over Disbursements	15,078,742	12,818,791	286,003,360

**TABLE 2****Retirement Compensation Arrangements Account (in dollars)**

	Fiscal Year 1998-99	Fiscal Year 1997-98	From Inception to March 31, 1999
Receipts			
Members' contributions, current	1,267,421	1,147,880	9,845,483
Government contributions, current	6,902,331	5,410,244	56,519,612
Interest	3,769,295	3,257,976	16,763,471
Total Receipts	11,939,047	9,816,100	83,128,566
Disbursements			
Annual allowances	976,109	954,739	4,655,884
Withdrawal allowances	76,253	679,330	1,934,328
Pension division payments	37,680	39,055	133,207
Refundable tax ¹	5,101,490	3,982,375	36,738,091
Total Disbursements	6,191,532	5,655,499	43,461,510
Excess of Receipts over Disbursements	5,747,515	4,160,601	39,667,056

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 Custom and Revenue Agency.





TABLE 3

**Members of Parliament Retiring Allowances Account
Comparative Data – November 20, 1952, to March 31, 1999 (in dollars)**

Fiscal Year	Members' Contributions ¹	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Transfers to PSS Account	Total Disbursements	Account Balance
1952-1983	14,050,428	15,038,648	8,526,780	37,615,856	17,933,713	1,368,587	242,260	19,544,560	53,030,580
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 ²	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 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 ⁴	-	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 ⁵	-	15,885,368	286,003,360
Totals	39,983,781	45,562,899	200,461,743	453,950,141	158,610,058	9,042,508	294,216	167,946,782	

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 of \$65,372.⁴ Includes pension division payments of \$406,128.⁵ Includes pension division payments of \$656,901. From inception, pension division payments total \$1,719,499.



TABLE 4

**Retirement Compensation Arrangements Account
Comparative Data – January 1, 1992, to March 31, 1999 (in dollars)**

Period/ Fiscal Year	Members' Contributions	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Refundable Tax	Total Disbursements	Account Balance
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	574,632 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 ²	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 ³	3,982,375	5,655,499	33,919,541
1998-99	1,267,421	6,902,331	3,769,295	11,939,047	976,109	113,933 ⁴	5,101,490	6,191,532	39,667,056
Totals	9,845,483	56,519,612	16,763,471	83,128,566	4,655,884	2,067,535	36,738,091	43,461,510	

¹ Includes pension division payments of \$47,416 in 1995-96.

² Includes pension division payments of \$9,056 in 1996-97.

³ Includes pension division payments of \$39,055 in 1997-98.

⁴ Includes pension division payments of \$37,680 in 1998-99. From inception, pension division payments total \$133,207.





TABLE 5

New and Past Allowances

During the fiscal year 1998–99,

1. the following 17 new allowances became payable
 - 4 to former senators
 - 2 to the surviving spouses of former senators
 - 11 to former members of the House of Commons retired to pension
2. the following 30 allowances ceased to be payable
 - (a) to persons who died
 - 14 former members of the House of Commons
 - 1 senator
 - 1 former senator
 - 5 spouses of former members of the House of Commons
 - 1 spouse of a former senator
 - 1 child's allowance of a former senator terminated due to age
 - (b) to 1 former member of the House of Commons who was appointed to the Senate
 - (c) to 6 former members of the House of Commons whose eligibility was suspended on becoming employed by the federal government
3. withdrawal allowances (i.e. return of members' contributions with interest) were paid in respect of 1 member of the House of Commons who died. Also, 9 members of the House of Commons opted back in the plan.

Since the Act came into force on November 20, 1952, a total of 1,015 annual allowances and 849 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, 1999, was as follows:

Amount of Allowance	Former Members	Surviving Spouses	Dependant Children	Total
Over \$70,000	11	–	–	11
65,000 – 69,999	13	–	–	13
60,000 – 64,999	8	–	–	8
55,000 – 59,999	10	–	–	10
50,000 – 54,999	30	–	–	30
45,000 – 49,999	47	1	–	47
40,000 – 44,999	21	–	–	21
35,000 – 39,999	33	4	–	37
30,000 – 34,999	68	9	–	77
25,000 – 29,999	58	12	–	70
20,000 – 24,999	29	30	–	59
15,000 – 19,999	19	14	–	33
10,000 – 14,999	26	17	–	43
5,000 – 9,999	24	27	–	51
Up to 4,999	–	4	4	8
Totals	397	118	4	519

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 \$35,040 for former members of the House of Commons and \$39,823 for former senators.

