



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, 2002**



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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, 2002*.

Respectfully submitted,

The paper version was signed by 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—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 2001–02, 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.

## RECENT CHANGES

As a result of Bill C-37, effective September 21, 2000, all members of the House of Commons are provided with coverage under the *Members of Parliament Retiring Allowance Act*.

As a result of Bill C-28, the accrual and contribution rates were reduced effective January 1, 2001, for Members of the House of Commons. Also effective January 1, 2001, the average annual sessional indemnity for purposes of benefit calculation is based on the best five consecutive years of highest paid earnings, instead of the best six years. In addition, the Bill established a disability allowance under the *Parliament of Canada Act* for members over 65 years of age.

## 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 their 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 2001 and 2002 are as follows:

MULTIPLE OF MEMBERS' CONTRIBUTIONS		
	2001	2002
<b>House of Commons</b>		
RA Account	3.06	3.74
RCA Account	6.46	6.95
<b>Senate</b>		
RA Account	1.85	2.44
RCA Account	2.78	3.59





## 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, 2002, 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 average pay was based on 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 is also suspended if that person starts working for the federal government.







### ***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.

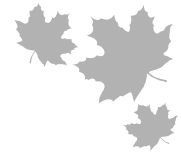
## **Indexing**

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, 2002, there were 394 members contributing under the plan, and there were five 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 2001-02	Fiscal Year 2000-01	From Inception to March 31, 2002
<b>Receipts</b>			
Members' contributions, current	1,297,778	986,482	38,011,611
Government contributions, current	3,847,838	2,882,101	51,740,230
Members' contributions, arrears on principal, interest and mortality insurance	69,024	595,636	5,975,946
Government contributions on amounts payable (re-elections)	–	–	3,226,108
Interest	33,226,180	31,014,334	294,111,402
Transfer from the Supplementary Retirement Benefits Account	–	–	9,941,788
Actuarial liability adjustment	–	–	158,000,000
<b>Total Receipts</b>	<b>38,440,820</b>	<b>35,478,553</b>	<b>561,007,085</b>
<b>Disbursements</b>			
Annual allowances	15,993,470	15,514,009	205,429,071
Withdrawal allowances including interest	5,519	159,129	7,637,332
Pension division payments	149,795	246,370	2,646,003
Transfers to Public Service Superannuation Account	–	–	294,216
<b>Total Disbursements</b>	<b>16,147,784</b>	<b>15,919,508</b>	<b>216,005,622</b>
<b>Excess of Receipts over Disbursements</b>	<b>22,293,036</b>	<b>19,559,043</b>	<b>345,001,463</b>



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

	<b>Fiscal Year 2001-02</b>	<b>Fiscal Year 2000-01</b>	<b>From Inception to March 31, 2002</b>
<b>Receipts</b>			
Members' contributions, current	2,448,630	1,812,679	15,441,459
Government contributions, current	15,269,084	7,831,603	86,932,024
Interest	6,396,263	5,031,774	32,649,653
<b>Total Receipts</b>	<b>24,113,977</b>	<b>14,676,056</b>	<b>135,023,136</b>
<b>Disbursements</b>			
Annual allowances	1,368,096	1,113,039	8,154,793
Withdrawal allowances	46,142	207,462	2,269,895
Pension division payments	402,487	–	918,092
Refundable tax <sup>1</sup>	10,049,942	6,460,747	59,039,552
<b>Total Disbursements</b>	<b>11,866,667</b>	<b>7,781,248</b>	<b>70,382,332</b>
<b>Excess of Receipts over Disbursements</b>	<b>12,247,310</b>	<b>6,894,808</b>	<b>64,640,804</b>

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, 2002 (in dollars)**

Fiscal Year	Members' Contributions <sup>1</sup>	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Transfers to PSS Account	Total Disbursements	Account Balance
1952–1986	19,980,052	20,098,979	14,555,926	54,635,425	27,331,601	2,855,260	269,623	30,456,484	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	1,863,721	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	258,105,826
1997–98	941,060	1,707,658	26,262,499	28,911,217	15,251,902	840,521 <sup>3</sup>	–	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 <sup>3</sup>	–	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 <sup>3</sup>	–	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 <sup>3</sup>	–	15,919,508	322,708,427
2001–02	1,366,802	3,847,838	33,226,180	38,440,820	15,993,470	155,314 <sup>3</sup>	–	16,147,784	345,001,463
<b>Totals</b>	<b>43,987,558</b>	<b>54,966,338</b>	<b>294,111,402</b>	<b>561,007,086</b>	<b>205,429,071</b>	<b>10,283,336</b>	<b>294,216</b>	<b>216,005,623</b>	

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, 2002 (in dollars)

Period/ Fiscal Year	Members' Contributions	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Refundable Tax	Total Disbursements	Account Balance
Jan. to 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 <sup>1</sup>	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
1997–98	1,147,880	5,410,244	3,257,976	9,816,100	954,739	718,385 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	10,049,942	11,866,667	64,640,804
<b>Totals</b>	<b>15,441,459</b>	<b>86,932,024</b>	<b>32,649,653</b>	<b>135,023,136</b>	<b>8,154,793</b>	<b>3,188,007</b>	<b>59,039,552</b>	<b>70,382,332</b>	

1. Includes pension division payments.





## TABLE 5

### **New and Past Allowances for the Fiscal Year 2001-02**

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1. a) the following 19 new allowances became payable:
  - 3 to former senators
  - 6 to the survivors of former senators
  - 3 to former members of the House of Commons who were reinstated
  - 7 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 one senator and one member of the House of Commons who retired.
2. The following 19 allowances ceased to be payable to persons who died:
  - 9 former members of the House of Commons
  - 3 survivors of former members of the House of Commons
  - 1 senator
  - 5 former senators
  - 1 survivor of a former senator

Since the Act came into force on November 20, 1952, a total of 1,100 annual allowances and 833 withdrawal allowances have been authorized.

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**TABLE 6****Distribution of Annual Allowances in Pay**

The distribution of annual allowances in pay (including applicable indexation) at March 31, 2002, was as follows:

<b>Amount of Allowance</b>	<b>Former Members</b>	<b>Survivors</b>	<b>Dependant Children</b>	<b>Total</b>
Over \$70,000	5	–	–	5
65,000 – 69,999	10	–	–	10
60,000 – 64,999	5	–	–	5
55,000 – 59,999	8	–	–	8
50,000 – 54,999	18	–	–	18
45,000 – 49,999	43	–	–	43
40,000 – 44,999	28	1	–	29
35,000 – 39,999	23	5	–	28
30,000 – 34,999	38	10	–	48
25,000 – 29,999	64	16	–	80
20,000 – 24,999	30	6	–	36
15,000 – 19,999	30	16	–	46
10,000 – 14,999	30	13	–	43
5,000 – 9,999	34	22	–	56
Up to 4,999	36	44	3	83
<b>Totals</b>	<b>402</b>	<b>133</b>	<b>3</b>	<b>538</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 \$36,637 for former members of the House of Commons and \$42,693 for former senators.*