

**Report on the Administration of
the *Supplementary Retirement Benefits
Act* for the Fiscal Year
Ended March 31, 2006**

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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, 2006*.

Respectfully submitted,

The paper version was signed by
The Honourable Vic Toews, P.C., Q.C., M.P.
President of the Treasury Board

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This is the 36th 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—that is, to index—pensions or allowances payable under the Acts or Regulations listed in the Appendix, as at March 31, 2006.

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. The interest rate is 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 2006 was 2.2 per cent (1.7 per cent in January 2005).

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 2005–06, total receipts from contributors and the government, including interest, amounted to \$8.8 million. The total amount paid under the Act was \$43.606 million, of which \$21,599 was charged to the Account; the remaining \$43.584 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 \$118.7 million.

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

Table 3 is a comparative statement of receipts and payments since the Act came into force.

On March 31, 2006, there were 1,065 contributors to the Account and 1,970 beneficiaries.

Table 1

Supplementary Retirement Benefits Account (in thousands of dollars)

	2005–06	2004–05
Opening Balance	109,902	98,390
Receipts		
Contributions		
– Members	2,388	3,707
– Government	2,388	3,743
Interest	<u>4,036</u>	<u>4,112</u>
Total Receipts	8,812	11,562
Payments		
Annuities	43,606	44,826
Less charges to government expenditures in accordance with subsection 8(2) of the Act	<u>43,584</u>	<u>44,776</u>
Net Payments	22	50
Increase	8,790	11,512
Closing Balance	118,692	109,902

Note

Totals may not add up due to rounding.

Table 2

Supplementary Retirement Benefits Account
Details of Receipts and Payments for 2005–06 (in thousands of dollars)

	Judges	Others	Total
Balance as at March 31, 2005	109,446	456	109,902
Receipts			
Contributions			
– Members	2,358	30	2,388
– Government	2,358	30	2,388
Interest	4,021	15	4,036
Total Receipts	8,737	75	8,812
Payments			
Annuities ¹	–	–	–
Return of Contributions	–	22	22
Total Payments	–	22	22
Increase (Decrease)	8,737	53	8,790
Balance as at March 31, 2006	118,183	509	118,692

1. In addition to these charges to the Account, \$43,584,000 was charged to government expenditures under subsection 8(2) of the Act.

Note:

Totals may not add up due to rounding.

Table 3

**Supplementary Retirement Benefits Account
Comparative Data—April 1, 1970, to March 31, 2006 (in thousands of dollars)**

Period/ Fiscal Year	Members' Contributions	Government Contributions	Other Receipts	Interest	Total Receipts	Annuities	Return of Contributions	Transfers	Charges to the Account	Yearly Net Increase (Decrease)
Apr. 1, 1970– Mar. 31, 1993	1,731,128	1,478,374	256,508	3,379,474	6,845,483	9,583,734	198,253	5,957,754 ¹	873,170	32,599
1993–94	1,393	1,265	–	1,762	4,420	48,580	–	–	66	4,354
1994–95	1,239	1,304	–	3,848	6,391	48,357	–	–	46	6,345
1995–96	1,365	1,364	–	3,487	6,216	44,422	–	–	37	6,179
1996–97	1,408	1,406	–	2,980	5,794	42,997	8	–	1,688	4,107
1997–98	1,451	6,713	–	2,187	10,350	47,050	12	–	66	10,284
1998–99	1,703	1,704	–	3,502	6,909	40,568	–	–	45	6,864
1999–2000	1,727	1,722	–	3,546	6,995	38,712	–	–	39	6,956
2000–01	1,959	1,770	–	4,062	7,791	37,721	4	–	9,229	(1,438)
2001–02	1,313	1,312	–	3,932	6,558	27,230	5	–	35	6,523
2002–03	1,771	1,736	–	3,982	7,489	28,342	–	–	119	7,370
2003–04	2,278	2,278	–	3,745	8,301	46,442	4	–	43	8,257
2004–05	3,707	3,743	–	4,112	11,562	44,826	50	–	50	11,512
2005–06	2,388	2,388	–	4,036	8,812	43,606	22	–	22	8,790
Totals	1,754,830	1,507,079	256,508	3,424,655	6,943,072	10,122,587²	198,358	5,957,754	884,655	

1. Includes aggregate amounts of \$5,939,714 transferred to the superannuation accounts established under the PSSA, the CFSA, the RCMPSA, and the MPRAA, as explained earlier in this report.

2. Includes approximately \$9.4 billion charged to government expenditures from 1973–74 to 2005–06 under subsection 8(2) of the Act.

Note

Totals may not add up due to rounding.

Appendix

The *Supplementary Retirement Benefits Act* applies to pensions or allowances payable under the following Acts or Regulations:

1. *Governor General's Act*
2. Part VI of the *Members of Parliament Retiring Allowances Act*, R.S.C. 1970, c. M-10
3. *Lieutenant Governors Superannuation Act*
4. *Judges Act*
5. *Diplomatic Service (Special) Superannuation Act*
6. *Civil Service Superannuation Act*
7. *Defence Services Pension Continuation Act*, R.S.C. 1970, c. D-3
8. *Royal Canadian Mounted Police Pension Continuation Act*, parts II and III, R.S.C. 1970, c. R-10
9. subsection 15(2) of the *Currency, Mint and Exchange Fund Act*
10. subsection 25(10) of the *War Veterans Allowance Act*
11. *Annuities Agents Pension Regulations*
12. *Canadian Overseas Telecommunications Corporation Pension Regulations*
13. *Sydney Pilots Pension Regulations*
14. *National Harbours Board Pension Regulations*
15. *Atlantic Pilotage Authority Pension Regulations*
16. *Atomic Energy of Canada Ltd. Pension Regulations*