

# PENSION PLANS FOR CANADIAN LEGISLATORS: A COMPARISON

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**The decision to enter public life involves a number of political, personal and financial considerations. Few parliamentarians remain in office for twenty-five or even fifteen years and the farmer, businessman or professional who gives up his livelihood to sit in the legislature may find that his tenure is much shorter. For this reason most legislatures have adopted pension plans which reflect the unique nature of the parliamentary profession. This article compares certain aspects of the existing plans, although such comparisons are difficult due to the diverse nature of service in the various assemblies. The article also provides dollar figures of pension benefits in certain hypothetical cases. The figures are based on certain assumptions about rates of inflation and they are not intended to indicate actual payouts but merely to provide a basis for comparing the plans. Calculations are based on remuneration received in 1980.**

Pension plans in Canadian legislatures can be divided into two categories: defined benefit plans and money purchase plans. A defined benefit plan, which is used in Parliament and all legislatures except Saskatchewan requires that the amount of the retirement allowance be calculated according to a formula based on either pre-retirement earnings or the amount of pension contributions, years of service, a benefit rate, and in some cases an allowance for inflation. One of the main advantages of a defined benefit plan is that it allows the recipient to determine the amount of pension benefits before retirement. One argument against such plans is that contributions from members plus invested income may be insufficient to meet all obligations. This could lead to an unfunded liability which has to be financed by increasing the contribution rate, increasing the number of contributors or reducing benefits.

Under a money purchase plan, the employee's contributions and the employer's matching share are held in a trust account under the name of the individual member. Funds accumulate as yearly contributions are made. At retirement the entire sum is used to purchase a life annuity. The monthly or annual retirement income cannot be predetermined since they depend on the amount in the fund and the prevailing rates on life annuities at the time of retirement. In 1979 Saskatchewan changed from a defined benefit plan to a money

purchase plan. The former plan remains in effect for members elected prior to 1979 and only these figures are shown in the accompanying tables.

Table 1 provides a comparative summary of the existing plans except for the Northwest Territories which is in the midst of revising its plan (Yukon does not have a pension plan for the moment although one is under study). The table compares the membership, contribution rate, eligibility requirement, benefit rate, indexing coverage and provisions for survivors' benefits for parliament and for provincial legislatures. The adjustment factor used in calculating the dollar benefits on the subsequent tables is assumed to be ten per cent. In terms of benefit, indexation is the most notable feature for distinguishing one plan from another. It is significant both to the employer because of cost implications and to the employee because of the income protection afforded by indexation. In this regard Saskatchewan may have circumvented or at least minimized any potential unfunded liability by adopting a money purchase plan. Newfoundland, New Brunswick, Ontario, Saskatchewan and Alberta have no indexing provision. The Nova Scotia Plan is capped at six per cent and the Prince Edward Island plan at eight per cent. The indexing procedure for the House of Commons and Senate is unique. Members contribute one per cent of their indemnity

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# TABLE I

## SUMMARY OF MAJOR PROVISIONS OF

HOUSE OF COMMONS <sup>1</sup>	MEMBERSHIP	CONTRIBUTION	ELIGIBILITY
	compulsory	7.5% of annual indemnity and salary (optional) plus 1% for the Supplementary Retirement Benefit Account	6 years of pensionable service
SENATE	compulsory	6% of annual indemnity and salary (optional) plus 1% for the Supplementary Retirement Benefit Account	75 years of age
NEWFOUNDLAND AND LABRADOR	compulsory for: 1. MLA's elected to a second term 2. MLA's in their first term and have not contributed to a former plan or RRSP	7% annual indemnity and salary	1. elected twice 2. minimum 5 years of service 3. age 60 or age plus years of service equal to 60 or greater
PRINCE EDWARD ISLAND	compulsory	6.5% of annual indemnity and salary	age 55 or eight years of service or served 2 terms
NOVA SCOTIA	compulsory	8% of annual indemnity and 4% of salary	age 55 or 10 years of service or served more than 2 terms
NEW BRUNSWICK	compulsory	9% of annual indemnity and 6% of salary	10 years of service

<sup>1</sup>The changes incorporated in Bill C-83 passed on July 9, 1981, are not shown in this table. Essentially, the contribution rate has been increased from 7.5% to 10% of annual indemnity and salary, and the new benefit rate is 5% × years of service × the average six highest years of pay so that the pensioner may receive 75% of the average of the last six years salary after 15 years of service rather than 25 years under the old plan. Members of Parliament have until July 31, 1982, to opt into the new plan. For this reason the hypothetical benefits shown in the following tables have been calculated in accordance with the old plan.

# PENSION PLANS BY LEGISLATURE

BENEFIT	INDEXATION	SURVIVOR'S BENEFITS
average highest 6 consecutive years of indemnity multiplied by the sum of: 3.5% × years of service (first 10 years of service) 3.0% × years of service (next 10 years of service) 2.0% × years of service (next 5 years of service) and 2.0% × each year of service for which contributions on the salary were made	based on the all items Consumer Price Index to take effect at age 60.	automatic
average 6 highest years of indemnity × 3.0% × years of service and × 2.0% × years of voluntary contributions on salary	based on the all items Consumer Price Index for Canada to take effect upon retirement	automatic
highest average 3 years indemnity and salary multiplied by the sum of: 5.0% × years of service (for first 10 years) 4.0% × years of service (for next 5 years) 2.5% × years of service (for next 2 years)	none	automatic
75% of total contributions of MLA subject to a maximum of the average last 5 years indemnity plus 75% of total contributions of a minister subject to a maximum of 50% of highest annual salary.	based on the all items Consumer Price Index to a maximum of 8% per year.	automatic
average annual indemnity of last 3 years × 5% × years of service (max. 15) and average annual salary of last 3 years × 2.5% × years of service (max. 15)	based on the all items Consumer Price Index for Canada to a maximum of 6% per year	automatic
average annual indemnity of 3 highest consecutive years × 4.5% × number of sessions and average annual salary of 3 highest consecutive years × 3.0% × years of service as minister	none	automatic

	MEMBERSHIP	CONTRIBUTION	ELIGIBILITY
QUEBEC	optional	8% of annual indemnity and of all or part of salary and 2% for survivors' benefits	1. 5 years of service 2. served 2 terms
ONTARIO	compulsory	8.5% of annual indemnity and salary	5 years of service and age service combination of 55
MANITOBA	optional	7 % of annual indemnity expense allowance and salary	8 years of service or served 3 terms Age-service combination must be 55 or more for those elected after June 1979
SASKATCHEWAN	compulsory	9% of annual indemnity, salary and expense allowance is matched additional contribution is unmatched.	1. 1 year of service 2. 55 years of age
ALBERTA	optional	7.5% of annual indemnity and salary	1. 5 years of service for MLAs 2. 1 year of service for members of the Executive Council, Leader of the Opposition, the Speaker and the Deputy Speaker
BRITISH COLUMBIA	optional	9.0% of annual indemnity, salary and expense allowance	age 55 or age service combination totals 60 and served more than 2 terms

(and salary in the case of Ministers, party leaders and others holding remunerative positions) to a Supplementary Retirement Benefit Account (SRBA). The pension entitlement remains fixed prior to age sixty. However, at age sixty the supplementary benefit takes effect. For example if a Member of Parliament began collecting a retirement allowance of \$5,000 per year at age forty-five, assuming an annual inflation rate of ten per cent a year for fifteen years, the total income he or she would receive at age sixty would be \$12,500 (\$5,000 annual retirement

allowance plus \$7,500 supplementary retirement benefits). The indexing is retroactive to the age of retirement but only becomes fully effective at age sixty. But from age sixty onward, indexation is applied yearly.

Insofar as eligibility requirements are concerned the common criteria are age, years of service, the number of terms in office or some age-service combination. Most legislatures have eligibility requirements that involve two of these criteria. Alberta is the only province

BENEFIT	INDEXATION	SURVIVOR'S BENEFITS
benefits are calculated on a graduated percentage of total contributions based on the number of months of service varying from 60 months at 46.875% to 96 months at 75%	adjusted in the same manner as the Quebec Pension Plan	optional
annual average of indemnity and salary for 3 highest years $\times$ 4% $\times$ years of service (first 10 years) and annual average of indemnity and salary for 3 highest years $\times$ 3.5% $\times$ years of service (11-20 years)	ad hoc adjustments made periodically	automatic
average last 5 years pensionable earnings $\times$ 3% $\times$ years of service. Maximum pension is 70% of average last 5 years pensionable earnings	based on the all items Consumer Price Index for Canada	automatic
total equity in the money purchase plan is used to purchase a guaranteed life annuity at retirement and benefits will be determined by the prevailing annuity rates	N.A.	as prescribed by will and the terms of the annuity contract
average of 3 consecutive years of highest indemnity and salary $\times$ 4% $\times$ years of service (max. 20)	none, but ad hoc adjustments may be made periodically	automatic
average highest 4 years of indemnity and salary $\times$ 4.0% $\times$ years of service (max. 18)	based on the all items Consumer Price Index for Canada	automatic for death prior to retirement if eligibility requirement is met. Optional for death after retirement depending on plan chosen at retirement

to make a distinction between a Member of the Legislature and a Member of the Executive Council. The eligibility for MLA's is five years while for others it is one year.

The highest benefit rate is found in Quebec where members can receive 75% of total contributions after eight years of service. The combination of high pay, generous benefits and indexation provide the highest stream of pension income among the plans.

Tables 2 to 6 compare the actual dollar payments over a ten year period for three hypothetical members and three ministers having different combinations of age and service. Except for the case in Table II, members of the Quebec National Assembly consistently have the highest pension benefits in all instances. In contrast, members of the Newfoundland House of Assembly have the lowest benefits. Due to a lack of indexing provision, the pension benefits for Ontario legislators are surprisingly low in comparison with the other provinces.

TABLE 2

## PENSION BENEFITS FOR MEMBERS WITH MINIMUM ELIGIBILITY BY LEGISLATURE

(in current dollars, indexation applied where appropriate with an adjustment factor of 10% per annum)

	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK <sup>1</sup>	ALTA	BC <sup>2</sup>	HOUSE OF COMMONS <sup>3</sup>	SENATE <sup>3</sup>
1981	3,237.00	3,022.50	6,100.00	5,637.90	5,282.03	4,124.20	2,973.07	319.82	3,335.20	3,263.75	5,591.25	4,804.50
1982	3,237.00	3,264.30	6,466.00	5,637.90	5,810.23	4,124.20	3,270.38	319.82	3,335.20	3,590.13	6,150.38	5,284.95
1983	3,237.00	3,525.44	6,853.96	5,637.90	6,391.26	4,124.20	3,597.41	319.82	3,335.20	3,949.14	6,765.41	5,813.45
1984	3,237.00	3,807.48	7,265.20	5,637.90	7,030.38	4,124.20	3,957.16	319.82	3,335.20	4,344.05	7,441.95	6,394.79
1985	3,237.00	4,112.08	7,701.11	5,637.90	7,733.42	4,124.20	4,352.87	319.82	3,335.20	4,778.46	8,186.15	7,034.27
1986	3,237.00	4,441.04	8,163.18	5,637.90	8,506.76	4,124.20	4,788.16	319.82	3,335.20	5,256.30	9,004.76	7,737.70
1987	3,237.00	4,796.33	8,652.97	5,637.90	9,357.44	4,124.20	5,266.97	319.82	3,335.20	5,781.93	9,905.24	8,511.46
1988	3,237.00	5,180.03	9,172.14	5,637.90	10,293.18	4,124.20	5,793.67	319.82	3,335.20	6,360.13	10,895.76	9,362.61
1989	3,237.00	5,594.44	9,722.47	5,637.90	11,322.50	4,124.20	6,373.04	319.82	3,335.20	6,996.14	11,985.34	10,298.87
1990	3,237.00	6,041.99	10,305.82	5,637.90	12,454.75	4,124.20	7,010.34	319.82	3,335.20	7,695.75	13,183.88	11,328.76

TABLE 3

## PENSION BENEFITS FOR MINISTERS WITH MINIMUM ELIGIBILITY BY LEGISLATURE

(in current dollars, indexation applied where appropriate with an adjustment factor of 10% per annum)

	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK	ALTA	BC <sup>2</sup>	HOUSE OF COMMONS <sup>3</sup>
1981	7,253.25	8,921.25	11,850.00	10,437.90	10,879.65	7,889.80	6,717.07	821.52	1,911.00	7,463.75	8,786.25
1982	7,253.25	9,634.95	12,561.00	10,437.90	11,967.62	7,889.80	7,388.78	821.52	1,911.00	8,210.13	9,664.88
1983	7,253.25	10,405.75	13,314.66	10,437.90	13,164.38	7,889.80	8,127.65	821.52	1,911.00	9,031.14	10,631.36
1984	7,253.25	11,238.21	14,113.54	10,437.90	14,480.81	7,889.90	8,940.42	821.52	1,911.00	9,934.25	11,694.50
1985	7,253.25	12,137.26	14,960.35	10,437.90	15,928.90	7,889.80	9,834.46	821.52	1,911.00	10,927.68	12,863.95
1986	7,253.25	13,108.24	15,857.97	10,437.90	17,521.79	7,889.80	10,817.91	821.52	1,911.00	12,020.44	14,150.34
1987	7,253.25	14,156.90	16,809.45	10,437.90	19,273.96	7,889.80	11,899.70	821.52	1,911.00	13,222.49	15,565.38
1988	7,253.25	15,289.45	17,818.02	10,437.90	21,201.36	7,889.80	13,089.67	821.52	1,911.00	14,544.74	17,121.92
1989	7,253.35	16,512.61	18,887.10	10,437.90	23,321.50	7,889.80	14,398.64	821.52	1,911.00	15,999.21	18,834.11
1990	7,253.25	17,833.62	20,020.33	10,437.90	25,653.65	7,889.80	15,838.50	821.52	1,911.00	17,599.13	20,717.52

<sup>1</sup>Benefits calculated on the basis of the defined benefit plan in existence prior to April 1, 1979.<sup>2</sup>It is assumed that the years of service is 5 and that the age-service combination equalling 60 is satisfied.<sup>3</sup>The assumed age of the MP or senator on pension is 60 and 75 respectively.

**TABLE 4**

**PENSION BENEFITS FOR A MEMBER, 45 YEARS OF AGE AND WITH 6 YEARS OF SERVICE**

(in current dollars, indexation applied where appropriate with adjustment factor of 10% per annum)

	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK	ALTA	BC	HOUSE OF COMMONS
1981	NIL	NIL	NIL	NIL	6,338.43	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1982	NIL	NIL	NIL	NIL	6,972.27	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1983	NIL	NIL	NIL	NIL	7,669.50	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1984	NIL	NIL	NIL	NIL	8,436.45	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1985	NIL	NIL	NIL	NIL	9,280.10	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1986	NIL	NIL	NIL	NIL	10,208.10	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1987	NIL	NIL	NIL	NIL	11,228.92	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1988	NIL	NIL	NIL	NIL	12,351.81	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1989	NIL	NIL	NIL	NIL	13,586.99	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25
1990	NIL	NIL	NIL	NIL	14,945.69	4,949.04	NIL	NIL	4,002.24	NIL	5,591.25

**TABLE 5**

**PENSION BENEFITS FOR A MINISTER, 45 YEARS OF AGE AND WITH 6 YEARS OF SERVICE**

(in current dollars, indexation where appropriate with an adjustment factor of 10% per annum)

	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK	ALTA	BC	HOUSE OF COMMONS
1981	NIL	NIL	NIL	NIL	13,055.58	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1982	NIL	NIL	NIL	NIL	14,361.14	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1983	NIL	NIL	NIL	NIL	15,797.25	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1984	NIL	NIL	NIL	NIL	17,376.98	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1985	NIL	NIL	NIL	NIL	19,114.67	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1986	NIL	NIL	NIL	NIL	21,026.14	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1987	NIL	NIL	NIL	NIL	23,128.76	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1988	NIL	NIL	NIL	NIL	25,441.63	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1989	NIL	NIL	NIL	NIL	27,985.80	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25
1990	NIL	NIL	NIL	NIL	30,784.37	9,467.76	NIL	NIL	11,466.00	NIL	8,786.25

TABLE 6

## PENSION BENEFITS FOR A MEMBER, 60 YEARS OF AGE AND WITH 10 YEARS OF SERVICE

(in current dollars, indexation applied where appropriate with an adjustment factor of 10% per annum)

	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK <sup>1</sup>	ALTA	BC <sup>2</sup>	HOUSE OF COMMONS
1981	6,474.00	3,412.50	6,100.00	5,637.90	8,451.24	8,248.40	3,716.34	3,198.22	6,670.40	6,527.50	9,138.75
1982	6,474.00	3,685.50	6,466.00	5,637.90	9,296.36	8,248.40	4,087.97	3,198.22	6,670.40	7,180.25	10,052.63
1983	6,474.00	3,980.34	6,853.96	5,637.90	10,226.00	8,248.40	4,496.77	3,198.22	6,670.40	7,898.28	11,057.89
1984	6,474.00	4,298.77	7,265.20	5,637.90	11,248.60	8,248.40	4,946.45	3,198.22	6,670.40	8,688.10	12,163.68
1985	6,474.00	4,642.67	7,701.11	5,637.90	12,373.46	8,248.40	5,441.05	3,198.22	6,670.40	9,556.91	13,380.04
1986	6,474.00	5,014.08	8,163.18	5,637.90	13,610.81	8,248.40	5,985.20	3,198.22	6,670.40	10,512.60	14,718.05
1987	6,474.00	5,415.21	8,652.97	5,637.90	14,971.89	8,248.40	6,583.72	3,198.22	6,670.40	11,563.86	16,189.85
1988	6,474.00	5,848.43	9,172.14	5,637.90	16,469.08	8,248.40	7,242.10	3,198.22	6,670.40	12,720.25	17,808.84
1989	6,474.00	6,316.30	9,722.47	5,637.90	18,115.98	8,248.40	7,966.30	3,198.22	6,670.40	13,992.28	19,589.72
1990	6,474.00	6,821.60	10,305.82	5,637.90	19,927.58	8,248.40	8,762.94	3,198.22	6,670.40	15,391.50	21,548.69

TABLE 7

## PENSION BENEFITS FOR A MINISTER, 60 YEARS OF AGE AND WITH 10 YEARS OF SERVICE

(in current dollars, indexation applied where appropriate with an adjustment factor of 10% per annum)

	NFLD	PEI	NS	NB	QUE	ONT	MAN	SASK <sup>1</sup>	ALTA	BC <sup>2</sup>	HOUSE OF COMMONS
1981	14,506.50	9,896.25	11,850.00	10,437.90	17,407.44	15,779.60	8,396.34	8,215.22	19,110.00	14,927.50	14,643.75
1982	14,506.50	10,687.95	12,561.00	10,437.90	19,148.18	15,779.60	9,235.97	8,215.22	19,110.00	16,420.25	16,108.13
1983	14,506.50	11,542.99	13,314.66	10,437.90	21,063.00	15,779.60	10,159.57	8,215.22	19,110.00	18,062.28	17,718.94
1984	14,506.50	12,466.42	14,113.54	10,437.90	23,169.30	15,779.60	11,175.53	8,215.22	19,110.00	19,868.50	19,490.83
1985	14,506.50	13,463.74	14,960.35	10,437.90	25,486.23	15,779.60	12,293.08	8,215.22	19,110.00	21,855.35	21,439.91
1986	14,506.50	14,540.84	15,857.97	10,437.90	28,034.86	15,779.60	13,522.39	8,215.22	19,110.00	24,040.89	23,583.91
1987	14,506.50	15,704.11	16,809.45	10,437.90	30,838.34	15,779.60	14,874.63	8,215.22	19,110.00	26,444.98	25,942.30
1988	14,506.50	16,960.43	17,818.02	10,437.90	33,922.18	15,779.60	16,362.09	8,215.22	19,110.00	29,089.47	28,936.53
1989	14,506.50	18,317.27	18,887.10	10,437.90	37,314.39	15,779.60	17,998.30	8,215.22	19,110.00	31,998.42	31,390.18
1990	14,506.50	19,782.65	20,020.33	10,437.90	41,045.83	15,779.60	19,798.13	8,215.22	19,110.00	35,198.26	34,529.20

<sup>1</sup>Benefits calculated on the basis of the defined benefit plan in existence prior to April 1, 1979.<sup>2</sup>It is assumed that the years of service is 5 and that the age-service combination equalling 60 is satisfied.