

May 24, 2000

MP Pensions and Benefits are costing \$21 million per year* and rising ...

Fiscal Year	MPs Retiring Allowances Account	MPs Retirement Compensation Arrangements Account
1990-91	6,396,298	-----
1991-92	7,194,610	10,050
1992-93	9,830,667	6,581,400
1993-94	13,936,155	7,600,653
1994-95	15,491,120	6,562,783
1995-96	15,884,219	6,145,755
1996-97	15,139,159	4,713,198
1997-98	16,092,426	5,655,499
1998-99	15,885,368	6,191,532

* Public Accounts

MP Pension Details

With an accrual rate that is twice the legal limit under the *Income Tax Act*, full inflation protection, and eligibility for 75% maximum benefits after a mere 18 years (compared to 35 for most Canadians), the MP Pension plan is the second most generous in the country (Federal Judges have the best plan).

	MP Pension Plan - 1993	MP Pension Plan-1995	MP Pension Plan-1998	MP Pension Plan 2000 *
Basic Salary	* \$ 64,400	\$ 64,400	\$ 65,688	\$ 68,341
Accrual Rate	5 %	4 %	4 %	4%
Contribution Rate	11 %	9 %	9 %	9%
Vesting After 6 years	After 6 years	After 6 years	After 6 years	After 6 years
Years for 70% salary	14	18	18	18

Eligibility	Upon defeat	55 years of age	55 years of age	55 years of age
Max % of salary	75 %	75 %	75 %	75%
Min % of salary	30 %	24 %	24 %	24 %
Participation	Mandatory	One-time opt out	Mandatory with retroactive opt-in proviso for 1995 opt-outs	Mandatory with proposed opt-in proviso for 1995 opt-outs
Other severance	6 months salary upon defeat	6 months salary for non-pension MPs	6 months salary for non-pension MPs under 55 years plus one month for each year of service to a total max. of 12 months paid at 55	6 months salary for all MPs under 55 years plus and extra severance provisions for non-Pension MPs (see 1998 notes)

* Participation and other severance information based on media reports.

Calculating an MPs Pension ...

To calculate the base MP pension, do the following:

Calculate the average pay for the best six consecutive years of service for the MP. Sessional indemnities for Cabinet Ministers, Party Leaders and other officers of the House (Whip, House Leader) can also be included in this calculation. This figure is called **B6-Salary**.

Multiply **B6-Salary** by the accrual rate applicable (5% and/or 4% depending on the year of election and the time span covered by the best six years. This figure is called **B6*A-Salary**.

Multiply **B6*A-Salary** by numbers of years of service to arrive at the **Base Pension Amount**. This amount is indexed for inflation.

Convoluting Thinking on MP Pensions ...

The pension plan for Members of Parliament has attracted negative public reaction because of its apparent generosity. The fact is, however, that most people who run for federal office have to interrupt a career to do so, with consequences for their career development or seniority in a job and their prospects for future employment and earning capacity after service in the House of Commons. The current plan is also in line with those for legislators in comparable liberal democracies and plans for some provincial legislators, although some provinces have eliminated their defined benefit plans in recent years.

Source: *Supporting Democracy* – The Blais Commission Report on Allowance for Members of Parliament (1998)

The Facts ...

Public service is a privilege. No one forces MPs into office. They interrupt their careers willingly and hopefully with a substantive amount of deliberative forethought.

The MP Pension Plan is the second most generous in the country.

For every dollar an MP contributes to the MP Pension Plan, taxpayers contribute \$3.61. With pension payouts expected to rise over the next few years, the taxpayer component will increase.

The annual cost to taxpayers to fund gold-plated pensions and benefits for MPs is now approaching \$21 million per year.

Public service pension plans are far less generous compared to the MP Pension Plan.

Only 4 out of 10 Canadians in the private sector are covered by employer sponsored pension plans.

Indexation of pension plans in the public sector is commonplace but private sector plans and their ability to index for inflation is usually based upon the performance of the pension fund.

Canada Pension Plan (CPP) premiums will be increasing by 73% from their 1996 levels until 2003. Yet 66% of Canadians still believe that the CPP will not survive to contribute in any form to their retirement income. Canadians born in 1998 will receive a 2% lifetime return on their CPP contributions.

The CTF has consistently advocated for a defined contribution, matching dollar-for-dollar, group RRSP scheme, as an equitable and fair manner in which to provide pension income for MPs.

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