

Backgrounder

Long-term disability pension implication

April 2009

Past program (Effective April 1, 2005)

MLAs elected between 2001 and 2009, were eligible for a group RRSP which the government funded by contributing 9% of the MLAs base salary into a fund. RRSP contributions are based on earned income and long-term disability benefits are not considered 'income,' so MLAs on long-term disability did not receive government payments into their RRSP.

2007 Commission recommendation

In 2007, the *Independent Commission to Review MLA Compensation* recommended government pay both the MLA's and the government's contribution to the pension plan from the date of disability, to the end of the next parliament. For example, if a one-term MLA starts receiving the long-term disability benefit in his first term, he is paid to the end of his second term, giving him the six years he'd need to collect the pension benefit. (MLA's need six years of service to qualify for a pension.)

Current situation

In the very last line of the *Members' Remuneration and Pensions Act*, the Commission's recommendation morphed to: "The government must pay the MLA's and the government's contributions to the pension plan for any period that disability benefits are payable to the plan participant by the government."

This clause removed the two-term time limit to taxpayer-funded pension contributions for MLAs and created the potential for a full pension for someone who only served one term.

Private sector comparison

For people in the private sector, the story is much different. To receive pension contributions from the employer while on long-term disability, a person would first have to have an employer that offered a long-term disability plan and second, have a defined-benefit pension plan.

In 2007, the BC (employed) labour force was 2,266,300 people. Of those, only 674,545 had any type of pension plan at all. 527,994 of those have the type of pension plan that could create this type of perk. This means 77% of BC employees do not benefit from this type of program.