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ANNUAL REPORT



Report on the Administration of the *Supplementary Retirement Benefits Act*

for the Fiscal Year Ended March 31, 2014

Canada



**Report on the Administration of
the *Supplementary Retirement
Benefits Act***

for the Fiscal Year Ended March 31, 2014

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His Excellency the Right Honourable David Johnston, 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 *Report on the Administration of the
“Supplementary Retirement Benefits Act” for the Fiscal Year Ended March 31, 2014.*

Respectfully submitted,

Original signed by

The Honourable Tony Clement
President of the Treasury Board

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Introduction

The *Supplementary Retirement Benefits Act* (SRBA, or the Act) applies primarily to pension benefits payable to federal judges under the *Judges Act*, as well as to other statutes listed in Schedule I of the Act, such as the *Diplomatic Service (Special) Superannuation Act*, the *Lieutenant Governors Superannuation Act*, the *Defence Services Pension Continuation Act* of the Canadian Armed Forces and the *Royal Canadian Mounted Police Pension Continuation Act*. The Act does not apply to pension benefits payable under the major federal public sector pension plans governed by 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).

Year at a Glance, 2013–14

- ▶ Active contributors increased by 4.1 per cent to 1,141 members (1,096 members in 2013).
- ▶ Retired members and survivors decreased by 3 per cent to 1,534 members (1,582 members in 2013).
- ▶ The pension benefits were increased (i.e., indexed) by 0.9 per cent in January 2014 (1.9 per cent in January 2013).

Historical Context

The SRBA makes it possible to provide supplementary benefits for recipients of pensions or allowances payable under the acts or regulations listed in Schedule I of the Act, as at March 31, 2014.

The original *Supplementary Retirement Benefits Act* of 1970 provided for increases in pensions of a maximum of 2 per cent per year. The indexing of benefits was extended to employees who retired since 1952. The increases were payable at the age of 60, or earlier under specific conditions. The original Act also applied to pensions payable under the PSSA, the CFSA, the RCMPSA and the MPRAA.

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 at a rate of 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 per cent 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 PSSA, the CFSA, the RCMPSPA and the MPRAA. These statutes were amended to incorporate the authority to provide increases in their respective pensions as if they were determined under the SRBA. Consequently, the Act no longer applies to pension benefits payable under those statutes. Amendments to the Act regarding benefits payable under the PSSA, the CFSA and the RCMPSPA were made retroactive to April 1, 1991. Amendments regarding the MPRAA became effective on January 1, 1992. For more information on these amendments, see the section “Supplementary Retirement Benefits Account.”

Supplementary Retirement Benefits Account

The SRBA establishes an account known as the Supplementary Retirement Benefits Account (the Account) in the Public Accounts of Canada. Plan members who have not yet retired, except the Governor General, contribute to the Account. The government matches these contributions.

Before January 1, 1974, all supplementary benefits were charged to the Account. Since that date, however, the benefits paid to former contributors have been charged to the Account only until they equal the total amount credited to the Account. Supplementary benefits paid in excess of that total are charged to the Consolidated Revenue Fund.

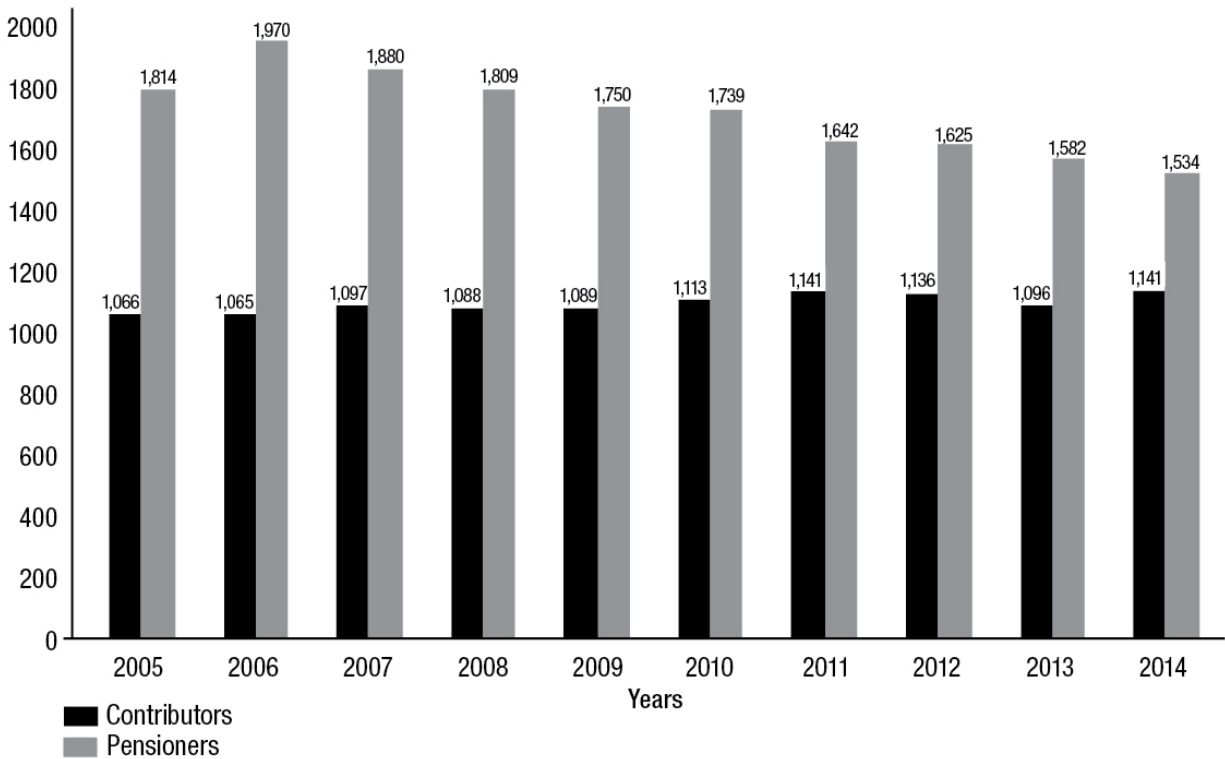
Under the 1992 amendments mentioned in the preceding section, the appropriate portions of the Account were transferred to the superannuation accounts established under the PSSA, the CFSA, the RCMPSPA and the MPRAA. These transfers greatly reduced the size of the Account.

Membership Statistics

At March 31, 2014, there were 1,141 members (1,096 members in 2013) contributing to the Account and 1,534 retired members and survivors (1,582 members in 2013).

Figure 1 demonstrates the number of contributors relative to the number of pensioners from 2005 to 2014.

Figure 1: Number of contributors relative to the number of pensioners from 2005 to 2014



Note: Deceased plan members are excluded from the number of pensioners indicated in Figure 1 for 2014.

Funding

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.

Account Transactions

During fiscal year 2013–14, total receipts from contributors and the government, including interest, amounted to \$9.84 million (\$8.81 million in 2013). The total amount paid under the SRBA was \$32.02 million (\$32.85 million in 2013), of which \$31,275 (\$28,957 in 2013) was charged to the Account; the remaining \$31.99 million (\$32.82 million in 2013) was charged to the Consolidated Revenue Fund in accordance with subsection 8(2) of the Act. The balance in the Account at the end of the year was \$197.29 million (\$187.48 million in 2013).

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

Statistical Tables

Table 1

Supplementary Retirement Benefits Account, Year Ended March 31 (\$ thousands)^a

	2014	2013
Supplementary Retirement Benefits Account, Opening Balance (A)	187,481	178,696
Receipts		
Contributions		
- Members	3,300	3,222
- Government	3,300	3,226
Interest	<u>3,244</u>	<u>2,366</u>
Total Receipts (B)	9,844	8,814
Payments		
Annuities ^b	32,024	32,847
Less Charges to Consolidated Revenue Fund in Accordance with Subsection 8(2) of the Act ^b	<u>31,993</u>	<u>32,818</u>
Net Payments (C)	31	29
Increase (B - C = D)	9,813	8,785
Supplementary Retirement Benefits Account, Closing Balance (A + D)	197,294	187,481

a. Due to rounding, figures differ slightly from the Public Accounts of Canada.

b. This information does not exactly reflect the same information as presented in the Public Accounts of Canada. Annuities and charges to the Consolidated Revenue Fund are supplementary information included to reflect all payments made under the authority of the SRBA. The amounts charged to the Consolidated Revenue Fund are not charged to the Supplementary Retirement Benefits Account due to an exclusion under subsection 8(2) of the Act. The amount of charges to the Consolidated Revenue Fund reported in this table is calculated from financial information provided directly by several organizations responsible for processing SRBA benefit payments such as the Registrar of the Supreme Court of Canada, the Office of the Commissioner for Federal Judicial Affairs Canada, Canadian Heritage, National Defence and the Senate of Canada.

Table 2

Supplementary Retirement Benefits Account: Details of Receipts and Payments for 2013–14, Year Ended March 31 (\$ thousands)^a

	Judges	Others	Total
Supplementary Retirement Benefits Account, Opening Balance (A)	186,875	606	187,481
Receipts			
Contributions			
- Members	3,267	33	3,300
- Government	3,267	33	3,300
Interest	3,233	11	3,244
Total Receipts (B)	9,767	77	9,844
Payments			
Annuities ^b	0	31	31
Return of Contributions	0	0	0
Total Payments (C)	0	31	31
Increase (B - C = D)	9,767	46	9,813
Supplementary Retirement Benefits Account, Closing Balance (A + D)	196,642	652	197,294

a. Due to rounding, figures differ slightly from the Public Accounts of Canada.

b. In addition to these charges to the Account, \$31.99 million was charged to the Consolidated Revenue Fund under subsection 8(2) of the Act as reported in Table 1. The information in this table is similar to that reported in the Public Accounts of Canada.