canada.com

MP's pension plans are much richer than most people's

BY GREGORY THOMAS, THE DAILY NEWS AUGUST 4, 2012

When Bev Oda's resignation from Parliament and cabinet took effect on July 31, she lost her $233,247 salary, her car and driver, and allowances for travel and housing.

Oda's career went up in smoke. Literally. She famously billed taxpayers for everything from chauffeured limousines, a $16 glass of orange juice and luxurious accommodations at London's Savoy Hotel. However, most of the questionable expenses related to the former international development minister's smoking habit - covering up the aroma, dodging cheaper hotels with nosmoking rules, getting to meetings in no-smoking facilities or purchasing air purifiers. As they used to say in Ottawa, where there's smoke, there's Bev Oda.

But her days of cashing cheques from taxpayers have a long way to go. Oda started collecting her parliamentary pension on August 1st at the handsome rate the Canadian Taxpayers Federation estimates of $52,183 per year. The pension is indexed to inflation, so it will rise every year with the cost of living. It's guaranteed for life. If anything should happen to the retired parliamentarian, a surviving spouse is entitled to 60% of the money for life.

That's pretty rich, considering that she only served eight years as an MP. Consider how hard somebody would need to work to save up a nest egg like that, operating in the real world, rather than Parliament Hill. In order to collect $52,000 annually for life starting at age 67, indexed to inflation, with a further $31,000 annually to your surviving spouse for the rest of their life, you would need to save over $800,000, assuming you could get the kind of returns the Canada Pension Plan has produced: 6.2%.

To save up $800,000 in eight years, again assuming you didn't invest in anything wild and crazy, and you got the same kind of returns the national pension plan generates, you would need to save about $80,000 every year In Bev Oda's case, she chipped in $16,327 of her own money to the MP pension plan last year, or 7% of her salary, bringing her contribution to roughly $120,000 over her eight years in Parliament.

If most Canadians tried to turn $120,000 in pension contributions into an $800,000 nest egg in just eight years, we could do it, providing our investments earned returns in the range of 50% each and every year. Unfortunately, no reputable investment manager offers those kinds of returns and Bernie Madoff isn't scheduled to get out of jail until 2139.

MPs don't rely on the magic of compounding to generate the kinds of returns that will keep Bev Oda living in style for years to come. They rely on the magic of taxation. Last year, Canada's parliamentarians put $4.5 million into their pension plan, while taxpayers "contributed" $110.7 million.

You see, MPs charge taxpayers "interest" at a hefty rate of 10.4% annually - set by the politicians themselves - in addition to "employer pension contributions," bringing the total taxpayer contribution in 2010-11 to $24 for every one dollar paid by MPs into their own pension plan.

The Canadian Taxpayers Federation recently put up billboards in Vancouver, Calgary, Regina, Ottawa, and Halifax. Hundreds of CTF supporters across the country each donated $24 to make the billboards happen, their share of a national campaign to tell Canadians the truth about the MP pension plan.

Tech-savvy texters can text the word "Tax" to 212121 on their mobile device to join the fight against platinum-plated pensions for politicians.

" Gregory Thomas is a regional director with the Canadian Taxpayers Federation.

© Copyright (c) Postmedia News