Assurances

Notes pour servir à l’histoire des rentes viagères au Canada

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Découvrir la revue

Résumé de l'article

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"The Government Annuity Act, providing for the sale of Government annuities, became law in 1908. By this measure, annuities were to be made available to any person domiciled in Canada. Provision was also made for the purchase of annuities by societies or corporations on behalf of their members or employees.

"Annuities were not to exceed $600 per year and were to become payable at the minimum age of 55. They were not to be assignable nor attachable and amounts paid in on deferred annuities were not recoverable except in the case of death when repayment would be made with interest on a 3% basis.

"The amount of interest allowable on the fund was to be fixed by Order in Council. This was subsequently set at 4%. In 1913, the maximum amount of $600 a year for an annuity was increased to $1,000.

[1] Extraits de *Current Topics*, no 20. 7 mai 1948.

"The object of this legislation was stated to be the promotion of habits of thrift and to afford an opportunity for people to provide for their old age at the lowest possible cost and with the greatest possible security. The measure was not designed to furnish annuities for wealthy people but was intented only as an incentive to the person of small means.

"While no direct contribution was proposed from the Federal Treasury, it was intimated that some advantage might be allowed on the rate of interest and that the costs of administration might be carried on by Government. The measure met with practically no objection in going through Parliament and it was said at the time that the insurance companies were not interested in this class of business.

"In 1920 a new principle was introduced into the Annuities Act when the maximum annuity purchasable was increased from $1,000 to $5,000 per year. The right to purchase an annuity was also made available to people "resident" in Canada. The limitation that annuities should not be paid until the age of 55 was eliminated and the rate of interest on sums repayable on account of death before the annuity became due was increased to 4%.

"In explanation of these changes, the then Minister of Finance stated that there was a demand for larger annuities, that the sale of annuities was one method by which the Government could raise money (in 1920 the Dominion Government was borrowing money at slightly over 6%, whereas the rate on annuities was 4%) and that the wider appeal that annuities would make would popularize their sale.

"In 1930, however, the Government reverted to the original idea of annuities being provided as the means to enable people in moderate circumstances to make provision for a relatively small income in their old age. An amendment to the Act reduced the maximum annuity available to $1,200 per year.

"The reasons given for this change were the fact that annuities were exempt under the Income Tax Act, that better health conditions had lengthened the age of annuitants, and that a decline had occurred in the earning power of money.

"It was stated that the Government had considered lowering the rate of interest on annuities from 4% but as an alternative had decided upon these other changes instead. In 1937, after an actuarial report the rates were revised upwards about 15%.

"In 1940, Government annuities were made fully taxable as income under the Income Tax Act with an exemption for annuity contracts issued prior to June 25th, 1940.

"The sale of annuities began at the inception of the Annuities Branch on September Ist, 1908, but for a lengthy period the number of individual certificates and contracts issued was small. From March 31st, 1909, to March 31st, 1927, the average number issued per year was under 500. The average for the next eight years was 2,000 per year but the number issued had increased by 1935 to 3,930.

"Since 1935, the increase in number issued has been rapid, the average per year between 1935 and 1944 being approximately 8,500. For the fiscal year ending March 31st, 1944, individual contracts and certificates issued totalled 19,354. It should be understood that these figures cover both annuities issued resulting from individual purchases and those arising from the purchase of annuities by societies or corporations for their members or employees.

"On March 31st, 1944, the balance at the credit of the Government Annuities Fund amounted to $213,561,537. The receipts for the fiscal year ending on that date amounted to $34,511,546. This includes an item for interest on the Fund at 4% amounting to $7,802,408 or leaving $26,709,137 receipts for the sale of annuities. The amount paid out for the fiscal year 1943-44 on vested annuities was $10,812,-872.

"The receipts of the Fund for the year 1944 include the sum of $32,180 transferred to it by the Dominion Government presumably to maintain it in an actuarially sound condition.

"Transfers of this nature vary from year to year but in the aggregate amount to approximately $10,000,000. The cost of the administration of the Fund, which is borne by the Government, is approximately $275,000 annually.

"The analysis of 24,662 vested contracts, that is where the annuitant is receiving payments under the contract, reveals that 75.1% were for amounts of less than $600 per year and that 86.8% were under $900 per year. The number of vested contracts with annuities of over $1,200 per year (issued prior to August, 1931) were 131 or only 0.5% of the total. About 85% of the annuitants were between the ages of 50 and 79 years inclusive, the largest single group being the 60-69 age group which contained 38.5%. The proportion of male annuitants to female annuitants was approximately 1 to 2.

"The Bill passed in 1908, brought within its scope the sale of annuities as mentioned above to societies, associations and corporations who might wish to purchase them on behalf of their members or employees. That is, Dominion annuities were made available to employers who were setting up pension plans for their employees.

"This provision of the Act was not taken advantage of until 1938 but since that date, the Government Annuities Branch has developed business of this nature. For the year 1943-44, of the 19,354 contracts and certificates issued in that year, 13,568 related to annuities under a pension plan and the remainder to individual contracts.

"Of the total number of plans and certificates issued since the inception of the Annuities Branch, in round numbers 35,000 relate to those issued under pension plans and 70,000 to individual contracts. This would indicate that a good bit of the growth made in recent years in the sale of annuities was due to employers using the Annuities Branch in connection with their retirement plans.

"While the number of individual contracts issued has not been as large as might reasonably have been expected, it is apparent that the sale of Government annuities has met the needs of a substantial number of people who have desired protection of this nature for their old age.

"The Dominion Government, in carrying the expenses of the Annuities Branch as a charge on National Revenue and in allowing a 4% rate of interest on the Annuity Fund, is contributing a subsidy to the holders of Government annuities that is not available to other annuitants.

"With respect to individual contracts, the person who acquires a Government annuity is usually not in a position to take advantage of a pension scheme and therefore, in laying aside savings to purchase an annuity, does not enjoy a deduction from his income under the Income Tax War Act that a contributor under an approved pension plan receives.

"Moreover, from the outset of this legislation, with a view to encouraging this form of thrift, the Government indicated that a measure of support would be given by the Dominion Treasury.

"In 1908, when the Annuities Branch was instituted, the current rate of interest on Dominion Government Bonds was approximately 3¾%. In 1920, the rate dose on the average to slightly over 6%. In 1931, the rate was approximately 4.6% and at the present time the rate is around 3%. Throughout this period, the 4% rate on Government Annuities has stood without change.

"Maintaining an interest rate of 4% with respect to annuities arising out of pension plans arranged with the Annuities Branch by employers on behalf of their employees raises the question of the propriety of the Annuities Branch entering into competition for this business with private concerns which offer similar facilities. The Annuities Branch in making arrangements with employers for handling retirement funds has the advantage of being able to offer a higher rate of interest on the funds to be accumulated than the basis upon which the insurance companies must work.

"It was stated in evidence that the rates effective with the insurance companies for pension funds are about 35 or 40% higher than the Government annuity rates.

"Despite this difference under certain circumstances employers go to the insurance companies in setting up pension plans. One advantage in having an annuity with an insurance company is that if an employee withdraws from service he can get his money back. This is not possible under pension plans arranged with the Government Annuities Branch. This is the main difference.

"One employer writes 'The first large group of employees which was not satisfied with the Government Annuity plan was the female group, who contemplating or hoping some day to be married, did not wish to enter a plan upon which they could not draw at least the contributions they themselves had made into it should they not stay until normal retirement date.'

"A second reason for going to an insurance company for a pension plan based on annuities is that with employees in the higher income bracket the annuities desired may be larger than $1,200 per year, the amount of annuity to which the Annuities Branch is limited.

"While due recognition should be given to the difference in terms which exists between annuities issued by the Annuities Branch and those issued by an insurance company, there does not appear to be any good reason why employers who are able to take advantage of the pension plans available with the Annuities Branch should receive Government assistance in having the funds contributed by them accumulated at a higher rate of interest than that currently available to other employers.

"In any event, the fact that the interest rate on contracted annuities issued by the Goverment Annuities Branch is higher than the current earning power of money does not disturb the conclusion that these annuities should be taxable under the Income War Tax Act only on the interest element in the payments received by the annuitant."