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A Modern Annuity for Canada – Concrete Reconciliation

Abstract

Canada's history features many commercial compacts, agreements, and treaties marking the evolution of the relations between Indigenous Peoples and Settlers. The treaties negotiated between 1850 and 1921 comprised three main elements: the allocation of land for the exclusive use of the signatory First Nations; preservation of hunting and fishing rights; and an individual annuity paid to each band member plus a one-time payment made to the band. The individual annuity was minimal, even in the later 19th century, and has remained unchanged since 1878. This paper explores the rationale, design, implementation, and cost of a Modern Annuity as the concrete measure for reconciliation, for acknowledging the value of the land ceded by the Indigenous peoples to Canada.[2]

1. Introduction

The treaties negotiated between 1850 and 1921compriserd three main elements: the allocation of land for the exclusive use of the signatory First Nations; preservation of hunting and fishing rights; and an individual annuity paid to each band member plus a one-time payment made to the band. The individual annuity was minimal, even in the later 19th century, and remains at the same level as a nearly 150 years ago.

Increasing the individual annuity and creating an escalator process acknowledges the large increases in the value of the land ceded by Indigenous peoples of Canada. Concomitantly, it will also offer direct and substantial income support that addresses the economic gaps between First Nations people and Settler populations.

This paper discusses the Modern Annuity the following three sections:

- Clarifying the legal foundations
- Setting the value and design
- Estimating the financial impact on First Nations families and Canada's finances.

2. The legal foundation for the Modern Annuity

Britain and France completed many commercial agreements with individual First Nations (FN) starting as early as 1701(Miller, 2009). The Royal Proclamation of 1763 (Hall et al., 2019) declared all lands in North America as having Aboriginal title and obliged the British Crown to buy First Nations land to acquire title before making it accessible to European settlement. The British Crown continued to make piecemeal agreements until War of 1812 (and the Treaty of Ghent in 1815), when it sought to negotiate transfer the large tracts of land with minimum payments, both up-front and on-going. Annuities to individuals offered an effective method of "amortizing" land acquisition costs into the future (Anderson, 2013).

At the same time the Crown also wished to encourage Indigenous people to cease traditional ways of life and recognized that FN families would need another source of income as settlement displaced their traditional forms of livelihood (Surtees, 1983). In this historical context, annuities served as both a livelihood support and a payment for the land.

The first individual annuities were introduced in Treaty 20 – the Rice Lake Purchase – signed in 1818 between the Crown and the Mississauga bands in south-central Ontario (Surtees, 1986). Only Treaty band members received the annual payment of $10 for every man, woman and child alive at the time of signing, payments ceasing on death.

In 1850, Anishinaabe leaders negotiating the Robinson Huron and Robinson Superior treaties knew the Crown was under pressure to open territory for colonial development, and they recognized the potential natural resource wealth of their lands. They initially proposed individual annuities of $30, $60, or $100—paid in perpetuity (Vidal & Anderson, 1850). Constrained by the need to control costs, the Crown negotiator (William Robinson) offered instead an "escalator clause" (or augmentation clause) whereby the annuity would start off small (about $1.60 to $1.70 per person), but the value would increase over time as the value of the ceded lands increased due to development and settlement. In fact, that escalation never occurred and has been the subject litigation that has found "the Crown has a mandatory and reviewable obligation to increase the Treaties' annuities when the economic circumstances warrant."(Restoule v. Canada (Attorney General), 2018 ONSC

7701, 2018). The idea is that the annuities should reflect the increase in the value of the territories ceded, in much the same way that rent increases to reflect the productivity of the land.

The final Robinson Treaty texts included two key livelihood support provisions:

- the "full and free privilege" to continue to hunt, fish, trap and pursue traditional occupations on ceded lands,
- and an annuity for every man, woman and child, in perpetuity, which "shall at any future period produce an amount which will enable the Government of this Province without incurring loss to increase the annuity…provided that the amount paid to each individual shall not exceed the sum of one pound provincial currency in any one year, or such further sum as Her Majesty may be graciously pleased to order". (Canada, 2013a)

After 1850, the increased populations in the Huron and Superior bands meant division of the lump-sum annuity payment among more people. By 1874, the annuity had shrunk to nearly one-half of the original amount. That year, the band Chiefs triggered the escalator clause, demanding an increase in the individual annuity based on booming mining developments. In 1878, the Parliament of Canada approved an increase from 96 cents to $4.00 per person. It was the last time individual annuities increased.

The Robinson Treaties served as a template for the eleven Numbered Treaties that followed, but they did not contain the "escalator clause" language (Canada, 2013b). The Numbered Treaties, signed between 1871 and 1921, included the livelihood provisions of the Robinson treaties, and an individual annuity payment of $4.00 or $5.00 (depending on the treaty). At the time of the Robinson treaty-writing, the annuity was equivalent to about one-third of the annual wage of an unskilled labourer(Canada, 2016). In 1870, the $20 or $25 in annuities for a family of five was enough for outfitting a hunter for the season. (Ray, 1990)

Canada's federal government adopted a policy of strict monetary nominalism for Treaty annuities, which means $5 is $5 forever, regardless of inflation or erosion of buying power. Over the past 150 years, that policy has transferred the entire cost of inflation and the erosion of buying power of the annuities to Treaty families. But beginning in 2009, some FN bands that signed onto the Numbered

Treaties did claim that their annuities should have increased, leading to a series of unsuccessful attempts to certify class-action lawsuits to claim arrears.[3]

In 2014, the Huron and Superior leaders seeking an increase in annuities filed a statement of claim against Ontario and Canada. The Ontario Superior Court of Justice ruled in December 2018 that "the Crown has a mandatory and reviewable obligation to increase the Treaties' annuities when the economic circumstances warrant". However, the case did not address the mechanics of valuing an increased annuity (*Restoule v. Canada (Attorney General), 2018 ONSC 7701*, 2018).

No mechanism or formula was set out in the Huron and Superior treaties, none was established in 1874 when the escalation clause was triggered, and there is still no mechanism for establishing how to value a Modern Annuity (Jones, 2019). If modernizing the annuities would honour the intent of the Treaties as a means of livelihood support and a means of sharing the prosperity of the land, what approach would work in today's world?

3. Setting the value and design

3.1. Introduction

Having briefly sketched the historical, constitutional, and legal foundation for the Modern Annuity, this section considers its design and implementation by discussing several challenges in turn.

- First, reviewing the annuities specified in various treaties, demonstrates the evolution of the concept, from the earliest treaties that specified annuities and the value, to more agreements that increased the obligations of Canada beyond the basic cash to the transfer to provision of health and other services.

  First Nations persons of Canada live in three locales – historic treaty land, modern treaty land, and unceded territories. The historic treaties, specifically the Numbered Treaties signed between 1871 and 1921 contained explicit annuity amounts of $4 or $5. Modern treaties, signed since 1975, contain no mention of any form of annuity and seek rather to extend the rights of First Nations over land management as the basis for increased Indigenous prosperity

- A second challenge is developing a 21st-century foundation for the compensation of the massive land transfers involved. The history of treaty making between Europeans and First Nations dates from 1701 with the Treaties of Peace and Neutrality negotiated between the First Nations peoples and both France and England. For this paper, the relevant treaties are the eleven Numbered Treaties negotiated between 1871 and 1921. These treaties reflected specific circumstances of time and place. While it may seem logical to simply base the Modern Annuity on payments established in these historical agreements, adjusted for inflation, this section outlines several important impediments to this approach and offers an alternate starting point.

- Third, it is important to specify the parameters for such a regular payment. The current tradition of Treaty Days, where Canada's federal government presents a cash amount to each Registered Treaty Indian can be very symbolic, signifying and solidifying the legal relationship between Canada and a First Nation expressed in the treaties. These are important social events, attracting band members from some distance to re-establish and reaffirm communal bonds. However, the amounts contemplated in this paper are quite large, costing the federal government as much as $9 billion by 2030 – this level of expenditure requires clear guidelines for eligibility, distribution, and accountability.

- Finally, a much more substantial annuity, especially coupled with the Canada Child Benefit, the OAS supplement, and other income conditioned payments, promises to dramatically increase the incomes of First Nations peoples. Section $4 of this paper briefly considers the potential impacts of a Modern Annuity on the families and the federal budget.

3.1. The rationale for the Modern Annuity

The early Numbered Treaties, 1 and 2, offered modest compensation in the form of an annuity of $3 (annually) and created a set aside for reserve land of 160 acres per family of five in exchange for the land. These treaties did not specify hunting or fishing rights. These two treaties may have reflected the expectation that First Nations peoples would continue to live off the land; signatories to the agreements may also not have appreciated the full dimensions of the wealth Canada would eventually produce in the twentieth century and how valuable the ceded land would become.

Treaty 3, covering the land between present day Thunder Bay and eastern Manitoba, reflected the certainty that this area would include the route for the national railway. All parties understood the value of this area which resulted in a higher annuity ($5), a one-time payment of $12, an allocation of $1200 to the band for buying ammunition and twin, and much larger land allotment per family. Other of the numbered treaties varied the individual annuity, one-time payment, compensation to the community for hunting supplies and land allocation per family of five. For example, Treaty 6 added a medicine chest (medical and health supplies), financial assistance during times of famine, and an annual payment of $1000 for three years to treaty signatories (chiefs) to support cultivation.

The evolving language of the numbered treaties leave many questions. Were these treaties intended to serve as enduring contracts between the governments representing Settlers and the First Nations where annual payment was in exchange for land? Or were they an extension of health and social services (Treaty 6) and a form of social safety net specifically for First Nations? And what about modern treaties that assign to First Nations some sovereignty over land and resources, but offer no individual compensation? Can any of these agreements serve as the starting point for a Modern Annuity?

As and aside, the so-called "modern treaties", initiated after the Supreme Court of Canada decision of 1973 (Calder et al. vs Attorney-General of British Columbia), attempt to redefine the relationship between Indigenous communities and provincial/federal governments. These treaties, so far concluded with about 100 Indigenous communities, have transferred large land areas from the Crown to First Nations, provided over $3.4 billion in capital, committed to the preservation of traditional ways of life, created the basis for joint decision-making land and resource management, and increased certainty on land use for 40% of Canada (Canada, 2008). These treaties do not specify payments to individuals analogous to the historic treaties and it is the Numbered Treaties that offer the basis for the Modern Annuity in 2020.

A working assumption of this paper is that the parties entered into these agreements with the understanding that compensation was for land ceded and that the annuity served as perpetual payment for the rights of Settlers to use Indigenous lands. Another conceptual foundation for the Modern Annuity is that both parties to the historic treaties fully understood the value of the lands transferred, but the pace and weight of European settlement tilted the negotiations heavily in favour of the government. Finally, we also believe that the concept of payment for land applies to all First Nations persons, whether covered by an historic treaty, a modern treaty, or no treaty at all, and whether living within a First Nations community or not.

At this stage, we apply the Modern Annuity solely to First Nations. Modern treaties and the agreement creating Nunavut cover the Inuit, and the Métis are negotiating a separate compensation package. Also, it is reasonable to take the view that the Modern Annuity should occur within the framework of comprehensive treaty renewal, but consideration of that critically important idea requires a separate treatment and is beyond the scope of this paper.

3.2. Calculation of the modern annuity

Calculating the Modern Annuity requires two steps. First, one must set the starting amount. Second, the annuity increments require explicit rules. The amounts offered in 1871 are laughably low in 2020, and any annuity offered now may be just as outdated in 2100 without an escalator clause.

Three possible approaches to calculating a starting point for a Modern Annuity include:

1. Adjusting historical amounts for inflation to a current equivalency;
2. Using some share of national wealth on a proportionate per-capita basis;
3. Administrative norm based on a rule subject to policy review.

3.2.1. Adjusting historical amounts for inflation

Adopting this approach requires the assumption that the original annuities in the Numbered Treaties reflected a fair value for the ceded land. No basis exists for making such an assumption, but for the moment assume that the annuity amounts and land allocations were correct, how might inflation adjustment work?

Assume the amount of $5 for the annuity and let's go back 100 years to 1920. Between 1920 and 2020, general prices increased by a factor of 14.2 (Statistics Canada, 2019a), implying that the present day annuity, if adjusted for inflation, should be $71. This is still neither a *quid pro quo* for the land exchange nor an amount that contributes to individual Indigenous prosperity.

Another approach to adjusting historical compensation might be to imagine that the land allocation per family could serve as the base for calculating a Modern Annuity at the individual level. This assumes that individual families received title to the land allocation, when in fact it merely served as way to set the size of reserves.

However, imagine that the annuity for an individual used a prorated share of the land allocation. Using 160 acres, the allocation per family of five in Treaty 1, suggests an individual allotment of 32 acres. Now, the challenge is to set a current value of land in Canada. For the moment, assume that farmland values are an appropriate standard since many reserves were purposely located in rural areas. According to Farm Credit Canada, 2018 farmland values ranged from $1600/acre in many parts of Atlantic Canada to well over $100,000 per acre in the Okanagan wine country (Farm Credit Canada, 2018). The capital value of 32 acres ranges from $51,200 to over $3.2-million. One can generate an annuity amount by applying the interest rate for a secure investment such as 3%, which produces annuities ranging from $1,536 to $96,000. Growing urban populations have enveloped some Indigenous communities (Tsawwassen and Musqueam for example), even if they were never signatories to historic treaties. Including urban land values in the calculation would produce even higher and more disparate annuities given land-values in areas such as Vancouver.

Either using historic annuities and revaluing them to match today's monetary value, or imagining that a land allocation formula originally used to set the size of reserves could be reinvented to serve as a standard upon for an annual payment to the individual, offers no viable foundation for creating a Modern Annuity.

3.2.2. Using some share of national wealth on proportionate per-capita basis

Another possible basis for the starting value of an annuity in 2020 is to find a measure of national wealth, and then calculate a per-capita share. If the annuity remains rooted in the concept of an

annual payment to reflect the value of the land explicit in the treaties and implicit in the unceded territories, one approach might be to use, as the basis for land wealth, the Gross Domestic Product arising from land-based activities, comprising agriculture, forestry, fisheries and hunting plus mining, quarrying and gas extraction – the first two categories in Table 1
(Statistics Canada, 2019b).

Table 1: Gross domestic product (GDP) at basic prices, by industry
(Millions of dollars)

	Dollars	**Percent**
Agriculture, forestry, fishing and hunting	40,091	2.06%
Mining, quarrying, and oil and gas extraction	150,755	7.74%
Utilities	44,060	2.26%
Construction	138,464	7.11%
Manufacturing	201,682	10.36%
Wholesale trade	99,374	5.10%
Retail trade	101,706	5.22%
Transportation and warehousing	88,147	4.53%
Information and cultural industries	62,947	3.23%
Finance and insurance	129,195	6.63%
Real estate and rental and leasing	246,343	12.65%
Professional, scientific and technical services	114,835	5.90%
Administrative and support, waste management and remediation services	52,358	2.69%
Educational services	102,811	5.28%
Health care and social assistance	137,175	7.04%
Arts, entertainment and recreation	15,231	0.78%
Accommodation and food services	44,032	2.26%
Other services (except public administration)	37,634	1.93%
Public administration	131,729	6.76%
All industries	1,947,407	

Source: Statistics Canada, Gross domestic product (GDP) at basic prices, by industry, Table 36-10-0434-02

According to Indigenous Services Canada, in 2019 Canada had 859,000 Registered Indians (Canada, 2009), which formed about 2.3% of the population. The total value of the land-based activities is 9.8% of GDP or $190,846-million. The "share" of each Canadian is simply this sum divided by the population of 37.6 million or $2,238 annually, which represents a sizable increase from the $5 in Treaty 1.

However, what is the rationale for confining the valuation Indigenous lands to the first two categories? The largest industrial category of GDP is "Real estate, rental and leasing", which surely is land-based. In fact, one could argue that almost all elements of GDP have some connection to the land.

But a deeper issue exists. GDP rests on much more than land or natural resources. Capital, especially human capital and knowledge, as well innovation, have played increasingly important roles in the wealth of our nation. Further, since Confederation in 1867, our economy has transitioned from agrarian, to manufacturing, and then to services. So, while land is an important element in Canadas wealth, its role has diminished and intertwines with human capital, innovation, end technology.

3.2.3. Administrative norm based on a rule subject to policy review.

It appears that little prospect exists for identifying a natural basis for a Modern Annuity. One option is to link the payment to a current administrative number, such as some fraction of the current basic federal tax exemption of $12,585. An alternative could be the maximum Tax-Free Savings Account contribution ($6,000) or the maximum benefit under the Canada Child Benefit ($6,400).

Any of these numbers is completely arbitrary; governments set these as a matter of policy rooted in some assessment of what might be politically acceptable, what is affordable, and what might serve as a meaningful measure of support. This is exactly how annuities within the various treaties were determined as the negotiations for Robinson-Superior and Robinson-Huron Treaties (1850) illustrate.

In the 1840's, the Anishinaabe leaders petitioned the Government of Upper Canada to receive compensation for land involuntarily ceded to mining companies(Canada, 2013a). Some First Nations accepted the initial offer of a onetime payment of £4000 and an annual payment of £1000 (paid to the band leadership), with others requesting an individual annuity of £10 and a large reserve tract. The negotiator for Upper Canada refused, since the government had set a budget for the entire set of treaties to stabilize control of the lands north of Lakes Huron and Superior.

The point is that the treaties were subject to negotiation, conditioned by politically-set budget constraints. Little reason exists to think that a Modern Annuity can be otherwise.

Two approaches exist to arriving at a value. One can set an individual per person amount, calculate the total cost and assess whether that number is politically acceptable. An alternative is to determine a total budget and then divide by the number of eligible recipients.

Based on all the estimates just discussed, this paper proceeds with a provisional value of the Modern Annuity at $7,500 per eligible recipient. The next issues requiring resolution are escalation and implementation of the modern annuity.

3.3. Escalation

As discussed in Section 2, the courts have validated escalation of the annuity. One obvious process for adjusting the Modern Annuity is to apply an annual cost-of-living adjustment. But this measures only the cost of consumer goods or the goods in the basket tracked by the survey of consumer finances (Statistics Canada, 2014).

We suggest that GDP implicit price deflator tracks the changing wealth of Canada, and more closely aligns with the concepts underlying the Modern Annuity(Statistics Canada, 2018). This escalation adjustment also has less variability than cost-of-living indexes.

3.4. Setting parameters for annuity delivery

The idea of a Modern Annuity rests on the idea that each Registered Indian in Canada should receive an annual payment in recognition of the land ceded by First Nations peoples regardless of whether the recipient is part of an historic or modern treaty. Payable by the Government of Canada on behalf of the Settler community. The key parameters of the proposed Modern Annuity include:

1. All Registered Indians should receive this payment (payable either in an annual lump sum or monthly) starting at the age of 18 and extending to death.
2. The payment cannot be reassigned or redirected unless legally mandated (such as payment for child support, public trustee appointed by the court, or some other judgment). No one

can receive the payment or a portion of the payment on behalf of any other eligible recipient unless court directed. This ensures proper targeting of recipients unless they are incapacitated or fail to meet certain legal obligations such as non-payment of court order child support.

3. The Modern Annuity is a payment from Canada (Employment and Social Development Canada (ESDC)) directly to the individual First Nations member. This is to insulate it from any other benefits received from other federal departments (Health Canada, Indigenous Services Canada or Crown-Indigenous Relations and Northern Affairs Canada). ESDC also manages the Canada Child Benefit, based on eligibility determined by Canada Revenue Agency (CRA).
4. The payment is non-taxable, but enters the calculation of net family income for other supports such as the CCB and income assistance.
5. The Modern Annuity involves a substantial cash transfer. As with any contract, both parties have rights and obligations to ensure the integrity of the program. Recipients have three obligations:
   a. *File an annual income tax return.* Even though the Modern Annuity is tax-free, it affects the calculation of income-conditioned benefits such as the CCB, income assistance and the Guaranteed Income Supplement. The income tax return forms the basis of calculating net family income for many other programs

      Filing a tax return will also create the information to evaluate the impact of the Modern Annuity on recipient families, immediately and in the longer term. Does it mitigate poverty? Does it support increased training and entrepreneurship? Does it encourage migration to larger centres? What is the coverage; specifically, what percentage of eligible recipients receive the benefit? Answering these questions is part of accountability, improved targeting, and validating the intent of the policy.

   b. *Have a deposit account with a federally or provincially chartered financial institution.* Recipients of most income security programs receive their benefits using direct deposit. Using a properly chartered financial institution ensures the recipient has legal control over the annuity and can access professional advice in the management of their money. The emergence of on-line banking means that residents in remote communities without physical bank/credit union branches will be able to meet this standard.

c. *Ensure their registry is current.* The Modern Annuity must remain focussed on Registered Indians. This ensures only eligible First Nations persons receive the benefit.

4. Financial Impact on Families and the Federal Budget

This section briefly reviews the impact of the Modern Annuity for families in different economic circumstances and the potential cost to Canada.

4.1. Impacts on families

The Modern Annuity promises to increase the incomes of individuals and families substantially. Examples of the impact of the Modern Annuity on specific family types appears in the Appendix, which shows how the Modern Annuity affects the incomes of various family types, much as a federal or provincial budget might illustrate the impact a tax or social safety net program. The scenarios assume the families are situated in Winnipeg, Manitoba, and would be eligible for social assistance under the Employment and Income Assistance program. Since some 40% of Registered Indians reside in urban areas, it is helpful to use an urban location to understand how a Modern Annuity interacts with social assistance, the Canada Child Benefit, and the GST/HST rebate.

To support comparison among family types at different incomes, the scenarios make several assumptions:

- We propose that a Modern Annuity be non-taxable (federally or provincially), but be included with earnings for the purpose of calculating social assistance, Canada Child Benefit (CCB), and GST rebate. Even were the Modern Annuity taxable, including taxation in the analysis would considerably complicate the discussion since the taxation of Indigenous incomes occurs within its own unique framework.
- The calculation of the CCB assumes no adjustments due to the Universal Child Care Benefit or the Registered Disability Savings Plans;
- The scenarios do not include provincial child benefits; and finally,

- The estimates do not reflect the adjustments and in-kind benefits available to those on social assistance such as supplementary health, transit passes, training allowances, child care while taking training, and the housing support programs.

In general, the scenarios show that all families receive a substantial income boost from the Modern Annuity, especially the social assistance programs do not include this as earned income. A key policy decision is whether social assistance programs should include this payment as earnings. Social assistance programs impose an "earnings adjustment" that reduces the payments, reflecting changes introduced two decades ago as a result of welfare reform.

By way of explanation, prior to "Welfare Reform" social assistance programs throughout North America penalized work (Béland & Daigneault, 2015). A dollar earned triggered a dollar reduction in social assistance, effectively creating a 100% tax rate on employment income. Welfare reform resulted in programs reducing the taxation on earnings. In Manitoba, social assistance recipients can keep the first $200 dollars earned each month, with 70% of any amount above applied directly against the social assistance payments for that month. Depending on the household composition, at some, quite modest level of earnings, social assistance payments fall to $0. The result is that the Modern Annuity may have only a modest impact for Registered Indians who are social assistance recipients, but to reiterate – it is a policy decision whether to include it in earnings.

The Modern Annuity also affects the CCB but has much less impact on reducing benefits than social assistance, because payments extend to quite high levels of family income.

In summary, depending on the number and age of children, lower income recipients of the Modern Annuity can expect to receive income increases of over $10,000.

4.2. The cost of the Modern Annuity

The Modern Annuity represents a significant program cost. Based on a current population of Registered Indians, about 560,000 would be eligible, for an annual cost of $4.2 billion at $7,500 per person. Just to set context, this is about the same as the cost of the old age tax credit $4 billion, and the exemption of GST payment on specified food items, and 1/6 the cost of the Canada Child Benefit ($24.7 billion). Projections of the eligible population to 2030 are 1.070 million (Canada, 2009), suggesting an eligible population of 696,000 (Canada, 2009)and a cost for the MA of $5.2 billion (in 2020 dollars).

A collateral benefit for First Nations parents who file tax returns is that they become eligible for the CCB. Current estimates place the number of eligible Indigenous families *not* receiving the CCB at between 30 and 40% or about 236,000 children. If we assume a conservative average CCB payment of $5,000, this means the Indigenous families are not collecting as much $354 million (Prosper Canada & AFOA Canada, 2018). An unintended, but positive consequences increased tax filing is that that the MA will would increase spending on the CCB and as a result raise the projected cost of MA to almost $5 billion. But to reiterate this is a fraction of what Canada is spending on the child benefit.

5. Conclusion

Three points have special relevance for this proposed policy:

1. While the amount of $7,500 used in this paper represents a trade-off between historically rooted values, measures of national wealth, and administratively based parameters, any value selected will emerge from a political calculus. The value must represent a reasonable payment for the ceded lands while being politically and fiscally feasible.
2. The final cost is only approximate. The direct cost of the annuity will be about $4.2-billion. However, once Indigenous persons file income tax returns and start collecting the Canada Child Benefit and Old Age Security, the indirect cost will be higher. But rather than seeing that as a cost, it really is a transfer to Indigenous peoples that will substantially reduce poverty, empower individuals, and represent tangible reconciliation. The fiscal cost will likely result in a substantially higher return in the form of social and economic benefits not just for Indigenous peoples, but all Canadians.
3. Finally, with eligibility open to Registered Indians only, the process of confirming status remains fundamental to the integrity and political viability of the Modern Annuity.

The Modern Annuity offers a concrete policy in support of reconciliation that promises to directly benefit the lives of almost 1-million Canadians. While it certainly combats poverty among First Nations members, more fundamentally the Modern Annuity goes some distance in restoring the balance in sharing the value of the ceded lands of Canada.

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[2] The authors would like to acknowledge the comments of Harvey Stevens and Wayne Simpson. All errors remain ours.

[3] Annuity-based cases include: *Soldier v. Canada* (Attorney General), [2009] 2 CNLR 362 (MCA) Manitoba Court of Appeal; *Horseman v Crown* [2015], Proposed Class Proceeding, Federal Court, Docket T-1784-12; *Beardy's & Okemasis Band #96 and #97 v Crown*, Special Claims Tribunal, File No. SCT-5001-11, May 6, 2015; Horse Lake First Nation annuity claim denied, Special Claims Tribunal, December 7, 2011

Appendix: The impact of the modern annuit on different families

This appendix reviews the potential impact of the Modern Annuity on different families. The scenarios are hypothetical and serve only to illustrate how this may might affect different families.

Scenario 1 – No earnings and no children

Table A1 - Scenario 1 shows a "base" case with no children and no earnings. These examples show two households that have only social assistance and the Modern Annuity as sources of income. The scenario uses two calculations – one where social assistance combines the Modern Annuity with earnings to reduce the social assistance amount and the other without earnings adjustment.

A Modern Annuity of $7,500 translates to $625 each month. Using the Manitoba Income Assistance Regulation (Manitoba, 2020), Table A1 shows the Basic Social Assistance and the Housing Allowance for couples and singles with no children.

Table A1 Scenario 1: Monthly income - no earnings and no children

	1	2	3	4
	Married or Common Law	Married or Common Law	Single individual	Single individual
	MA Included as Earnings	MA Excluded as Earnings	MA Included as Earnings	MA Excluded as Earnings
Earnings	$0	$0	$0	$0
MA	$1,250	$1,250	$625	$625

Soc. Assist Basic*	$344	$344	$455	$455
Soc. Assist - Housing *	$658	$658	$576	$576
Earnings Adjustment	-$735	$0	-$298	$0
Net SA	$267	$1,002	$734	$1,031
CCB	$0	$0	$0	$0
GST/HST Rebate	$193	$193	$97	$97
Total Income (Pre-tax)	$1,710	$2,445	$1,456	$1,753
Total Income = Earnings + MA + Net SA + CCB+GST/HST rebate. * Social Assistance computed from Manitoba Assistance Regulations (Manitoba, 1988) (Accessed March 15, 2020)				

Column 1 of Table A1 shows the effect of including the MA as earnings, while Column 2 excludes the MA from earnings in the social assistance calculation. It shows that monthly income increases by almost $735/month or almost $9,000/year. Columns 3 and 4 show the situation for single individuals. In this scenario, recipients do not qualify for Canada Child Benefit (CCB) , but they do receive the GST/HST rebate[3]. Note that the total income calculations are all pre-tax estimates.

Scenario 2: Earnings from work of $6,000/year with two children under 6

Error! Reference source not found.A2 shows two households with minimal monthly earnings ($500 per adult) and two children under 6. The presence of young children triggers the CCB. As before, Columns 1 and 3 show the effect of including the MA as income, while Columns 2 and 4 shows the MA bypassing the social assistance earnings reduction.

Table A2 Scenario 2: Monthly income -earnings of $500/adult and two children < 6

	Married/Common Law Couple	Married or Common Law	Single individual	Single individual
	MA Included as Earnings	MA Excluded as Earnings	MA Included as Earnings	MA Excluded as Earnings
Earnings	$1,000	$1,000	$500	$500
MA	$1,250	$1,250	$625	$625
Soc. Assist Basic*	$596	$596	$455	$455
Soc. Assist – Housing*	$862	$862	$815	$815
Earnings Adjustment	-$1,435	-$840	-$648	-$490
Net SA	$23	$618	$623	$780
CCB	$564	$564	$564	$564
GST/HST Rebate	$62	$62	$50	$50
Total Income (Pre-tax)	$2,899	$3,494	$2,361	$2,519

Total Income = Earnings + MA + Net SA + CCB+GST/HST rebate. * Social Assistance computed from Manitoba Assistance Regulations (Manitoba, 1988) (Accessed March 15, 2020)

The earnings reduction is substantial and including the MA in earning drops the social assistance to almost 0 ($23/month). Including/excluding the MA from earnings has a lower impact on the single individual because earnings are quite low.

Scenario 3 – Earnings of $2000/month and 1eligible child for the CCB

At some level of earnings, households become ineligible for social assistance, but they remain eligible for the CCB until quite high levels of income. The combined earnings and Modern Annuity will also reduce the GST/HST credit substantially. Table A3 shows how the MA affects higher income households. The social assistance calculations remain, but neither households are eligible.

Table A3 Scenario: Monthly income - earnings of $2000/adult and one child < 6

	Married or Common Law	Married or Common Law	Single individual	Single individual
	MA Included as Earnings	MA Excluded as Earnings	MA Included as Earnings	MA Excluded as Earnings
Earnings	$4,000	$4,000	$2,000	$2,000
MA	$1,250	$1,250	$625	$625
Soc. Assist Basic*	$497	$497	$344	$344
Soc. Assist - Housing *	$815	$815	$815	$815
Earnings Adjustment	-$3,535	-$2,660	-$1,698	-$1,260
Net SA	$0	$0	$0	$0
CCB	$191	$234	$282	$282
GST/HST Rebate	$0	$16	$50	$50
Total Income (Pre-tax)	$5,441	$5,500	$2,957	$2,957

Total Income = Earnings + MA + Net SA + CCB+GST/HST rebate.
* Social Assistance computed from Manitoba Assistance Regulations (Manitoba, 1988) (Accessed March 15, 2020)

For consistency, Table A3 retains the earnings adjustment, which, for both households, eliminates social assistance, regardless of whether the MA is included in earnings or not. The inclusion of the MA in earnings makes little difference for these households. The small difference between columns 1 and 2 in A3 reflects a slight adjustment in the CCB.

The calculation of the CCB for these examples assumes that the Modern Annuity forms part of adjusted family income. Swings of a few thousand dollars will not make a difference for household incomes below $31,000, but they can have a larger impact as incomes exceed $46,000 and higher.

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