

Actuarial Report

on the

PENSION PLAN FOR THE MEMBERS OF PARLIAMENT

as at 31 March 2001



Office of the Superintendent
of Financial Institutions

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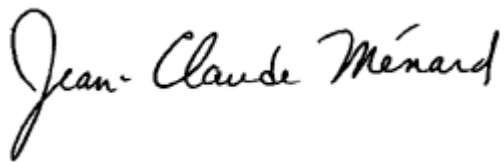
6 September 2002

The Honourable Lucienne Robillard, P.C., M.P.
President of the Treasury Board
Ottawa, Canada
K1A 0R5

Dear Minister:

Pursuant to section 6 of the *Public Pensions Reporting Act*, I am pleased to submit the report on the actuarial review as at 31 March 2001 of the pension plan established under the *Members of Parliament Retiring Allowances Act*.

Yours sincerely,

A handwritten signature in black ink that reads "Jean-Claude Ménard". The signature is written in a cursive, flowing style.

Jean-Claude Ménard, F.S.A., F.C.I.A.
Chief Actuary

TABLE OF CONTENTS

I. Executive Summary	9
A. Purpose of Report	9
B. Elements of Actuarial Valuation.....	9
C. Main Findings	9
II. Financial Position of the Plan	11
A. Balance Sheet as at 31 March 2001	11
B. Cost Certificate	12
C. Sensitivity Tests	14
III. Reconciliation of Results with Previous Report	15
IV. Actuarial Opinion.....	18
Appendix 1 – Recent Plan Amendments	19
Appendix 2 – Summary of Plan Provisions.....	23
Appendix 3 – Plan Assets and Balance Sheets By Account.....	51
Appendix 4 – Cost Certificate and Allocation of Normal Costs of MPRA and MPRCA Accounts	54
Appendix 5 – Reconciliation of MPRA and MPRCA Results with Previous Report.....	56
Appendix 6 – Membership Data.....	58
Appendix 7 – Methodology.....	70
Appendix 8 – Economic Assumptions	72
Appendix 9 – Demographic Assumptions.....	75
Appendix 10 – Acknowledgements.....	83

TABLES

	Page
Table 1 Balance Sheet as at 31 March 2001	11
Table 2 Normal Costs	12
Table 3 Pensionable Payroll for 2002 Plan Year	13
Table 4 Allocation of Normal Cost	13
Table 5 Sensitivity Tests.....	14
Table 6 Reconciliation of Results with Previous Report.....	15
Table 7 Benefits on Termination of Service.....	25
Table 8 Benefits on Death of a Pensioner.....	25
Table 9 Members of the House of Commons' Contributions in Respect of Sessional Indemnity	39
Table 10 Members of the House of Commons' Contributions in Respect of Additional Allowance	40
Table 11 Members of the House of Commons' Contributions in Respect of Prior Service.....	41
Table 12 Senators' Contributions in Respect of Sessional Indemnity.....	42
Table 13 Senators' Contributions in Respect of Additional Allowance.....	43
Table 14 Senators' Contributions in Respect of Prior Service	44
Table 15 Annual Accrual Rate and Type of Allowance in Respect of Sessional Indemnity for Members of the House of Commons	45
Table 16 Annual Accrual Rate and Type of Allowance in Respect of Sessional Indemnity for Senators	47
Table 17 Annual Accrual Rate and Type of Allowance in Respect of Additional Allowances for Members of the House of Commons and Senators	49
Table 18 Balance Sheet by Account as at 31 March 2001	52
Table 19 Reconciliation of Balances in Accounts	53
Table 20 Normal Costs by Account.....	54
Table 21 Allocation of Normal Cost as Percentage of Pensionable Payroll.....	55
Table 22 Reconciliation of Results with Previous Report in MPRA Account.....	56
Table 23 Reconciliation of Results with Previous Report in MPRCA Account	57
Table 24 Participants as at 31 March 2001.....	59
Table 25 Pensioners and Survivors as at 31 March 2001	59

Table 26 Reconciliation of Members of Parliament Contributing to Plan	60
Table 27 Reconciliation of Pensioners	60
Table 28 Reconciliation of Survivors	61
Table 29 Members of House of Commons as at 31 March 2001	61
Table 30 Senators as at 31 March 2001	61
Table 31 Members of Parliament Receiving Additional Allowances as at 31 March 2001	62
Table 32 Annual Allowances in Pay as at 31 March 2001	63
Table 33 Former Members of House of Commons Entitled to Annual Allowances Payable from MPRA Account.....	64
Table 34 Former Members of House of Commons Entitled to Annual Allowances Payable from MPRCA Account.....	65
Table 35 Former Senators Entitled to Annual Allowances Payable from MPRA Account	66
Table 36 Former Senators Entitled to Annual Allowances Payable from MPRCA Account.....	66
Table 37 Annual Allowances from MPRA Account Suspended due to Double-Dipping Provision	67
Table 38 Annual Allowances from MPRCA Account Suspended due to Double-Dipping Provision.....	67
Table 39 Survivors of Former Members of House of Commons Entitled to Immediate Annual Allowances	68
Table 40 Survivors of Former Senators Entitled to Immediate Annual Allowances.....	68
Table 41 Surviving Children Entitled to Immediate Annual Allowances	69
Table 42 Economic Assumptions	74
Table 43 Assumed New Entrants Distribution	75
Table 44 Sample of Assumed Rates of Termination for the House of Commons.....	76
Table 45 Frequency of General Election	77
Table 46 Characteristics of Past Parliaments.....	78
Table 47 Assumed Rates of General Election for House of Commons.....	78
Table 48 Sample Rates of Mortality for Members, Pensioners and Survivors.....	79
Table 49 Proportions of Members and Pensioners Married at Death.....	81

I. Executive Summary

A. Purpose of Report

This actuarial report on the pension plan established under the *Members of Parliament Retiring Allowances Act* (MPRAA) was made as at 31 March 2001 pursuant to the *Public Pensions Reporting Act* (PPRA). The previous review was made as at 31 March 1998. The date of the next periodic review is 31 March 2004.

In accordance with accepted actuarial practice, the main purpose of this actuarial report is to show realistic estimates of:

- the balance sheet of the pension plan as at the valuation date, i.e. its assets, its liabilities, and the surplus or deficit as at that date;
- the annual amount to amortize over a given period of time any surplus or deficit revealed as at the valuation date; and
- the cost of the pension plan in each of the three plan years¹ following the valuation date.

B. Elements of Actuarial Valuation

This valuation report is based on the plan provisions described in Appendix 2, the assets shown in Appendix 3, the data described in Appendix 6, the methodology outlined in Appendix 7, and the actuarial assumptions found in Appendices 8 and 9.

The plan provisions described in Appendix 2 include the amendments arising from Bills C-28, C-37, and C-78, all of which were enacted during the intervaluation period and are fully described in Appendix 1. The amendments arising from Bill C-47 were included in the previous valuation even though the bill was enacted shortly after the 31 March 1998 valuation date.

C. Main Findings

- As at 31 March 2001 the Members of Parliament Retiring Allowances (MPRA) Account had a surplus of \$31.6 million and the Members of Parliament Retirement Compensation Arrangements (MPRCA) Account had a deficit of \$56.0 million resulting in an overall deficit of \$24.4 million. The plan assets were \$428.3 million and the plan liabilities were \$452.7 million.
- If the \$56.0 million deficit in the MPRCA Account were amortized over the longest period allowed by the plan provisions, an additional contribution of \$6.2 million in each of the next 15 plan years would be made. This annual payment corresponds to 12.2% of pensionable payroll² for the 2002 plan year.
- The plan provisions do not address the disposition of a surplus. However, if the \$31.6 million surplus in the MPRA Account were amortized as a deficit would be, then the total contributions to the plan would be reduced by \$3.5 million in each of

¹ Any reference to a given plan year should be taken herein to mean as the 12-month period ending 31 March of the given year.

² As defined in Section II.B.1.

the next 15 plan years. This annual reduction corresponds to 6.9% of pensionable payroll for the 2002 plan year.

- The total normal cost of the plan for the 2002 plan year is 45.5% of pensionable payroll, that is \$23.1 million, and is projected to increase to 46.8% and 48.1% of pensionable payroll, respectively, for the following two plan years. This gradual cost increase reflects a partial transition from current to ultimate economic assumptions as well as the increasing closeness to the next general election. The rate of 45.5% for the 2002 plan year is lower than projected for that year in the previous report due to the Bill C-28 amendments.

II. Financial Position of the Plan

A. Balance Sheet as at 31 March 2001

The consolidated balance sheet for the plan was prepared using the actuarial valuation elements specified in Section I.B.

Table 1 Balance Sheet as at 31 March 2001¹

	\$ Million²
Assets	
Sum of MPRA and MPRCA Account balances	375.1
Actuarial present value of future contributions and government credits in respect of prior service	4.2
Refundable tax in respect of past contributions	<u>49.0</u>
Total assets	428.3
Liabilities	
House of Commons	
For benefits accrued by or in respect of:	
• Current members	181.1
• Pensioners	198.2
• Survivors and children	<u>14.3</u>
Subtotal	393.6
Senate	
For benefits accrued by or in respect of:	
• Senators	29.8
• Pensioners	20.2
• Survivors and children	<u>7.1</u>
Subtotal	57.1
Prime Minister	
For benefits accrued by or in respect of:	
• Prime Minister	0.8
• Pensioners	<u>1.2</u>
Subtotal	2.0
Total liabilities	452.7
Surplus (Deficit)	(24.4)

¹ Detailed account summaries are shown in Appendix 5.

² Some amounts in this and the following tables do not add to the totals due to rounding.

B. Cost Certificate

The normal costs, assets and liabilities were computed using the actuarial valuation elements specified in Section I.B. Emerging experience, differing from the corresponding assumptions, will result in gains or losses to be revealed in subsequent reports.

1. Normal Cost

The following normal costs are expressed as both a percentage of pensionable payroll and a dollar amount. The pensionable payroll corresponds to the aggregate of:

- The sum of the sessional indemnities for those members of the House of Commons and the Senate who had accrued less than 75% of the average sessional indemnity in pension credits as at 31 March 2001; and
- The sum of the additional allowances (including the salary paid to the Prime Minister) in respect of which voluntary contributions are being paid by members of the House of Commons and the Senate.

These costs represent the sum of the normal costs to be paid with respect to the MPRA and MPRCA Accounts for which the separate normal costs are shown in Appendix 4.

Table 2 Normal Costs

Plan Year	% of Pensionable Payroll	\$ Million
2002	45.5	23.1
2003	46.8	24.9
2004	48.1	26.4
2005	48.7	27.6
2006	49.1	28.8
2011	54.5	36.5
2016	56.3	46.4
2021	56.2	56.9
2026	56.1	69.7

The above-average increases in the normal cost as a percentage of pensionable payroll in the early years reflects the partial transition of the economic assumptions from their current to their ultimate values and the increasing closeness of the next general election.

The cost figures in this report pertain to pensions accrued in respect of both sessional indemnities and additional allowances. An estimate of the pensionable payroll for

the 2002 plan year is shown in Table 3 below and includes the Bill C-28 remuneration increases (see Appendix 1). The Prime Minister's remuneration is included in the House of Commons additional allowances.

Table 3 Pensionable Payroll for 2002 Plan Year
(\$ Million)

	Sessional Indemnities	Additional Allowances	Total
House of Commons	37.8	3.4	41.2
Senate	<u>9.2</u>	<u>0.5</u>	<u>9.6</u>
Total	46.9	3.9	50.8

2. Allocation of Normal Costs

The foregoing normal costs are borne jointly by the parliamentarians and the government. Members of Parliament make required contributions in accordance with the applicable required contribution rate (see Tables 10 to 15), with the government covering the balance of the normal cost. The allocation of the normal cost by Account is shown in Appendix 4.

Table 4 Allocation of Normal Cost
(% of pensionable payroll)

Plan Year	Government	Members	Ratio
2002	38.4	7.1	5.42
2003	39.7	7.1	5.60
2004	41.1	7.1	5.79
2005	41.6	7.1	5.88
2006	42.0	7.1	5.95
2011	47.4	7.1	6.71
2016	49.2	7.0	6.99
2021	49.2	7.0	6.99
2026	49.0	7.0	6.98

3. Summary of Balance Sheet

As at 31 March 2001 the assets of the plan were \$428.3 million and the total liabilities are estimated at \$452.7 million, leaving a deficit of \$24.4 million. This deficit is a combination of a surplus of \$31.6 million in the MPRA Account and a deficit of \$56.0 million in the MPRCA Account. If these items were to be amortized

over 15 years, it would involve additional annual payments of approximately \$6.2 million to the MPRCA Account and a reduction of approximately \$3.5 million in the annual payments to the MPRA Account, beginning in 2002.

C. Sensitivity Tests

The table below shows the change in the plan year 2002 normal cost (expressed as a proportion of pensionable payroll) and in the total liabilities as at 31 March 2001 if key economic assumptions are varied by one percentage point per annum, or as indicated otherwise, beginning in plan year 2002.

Table 5 Sensitivity Tests

Assumption Tested	Ultimate Assumptions			Change in PY 2002 Normal Cost	Changed PY 2002 Normal Cost (\$ Million)	Change in Liabilities
	Yield	Inflation	Earnings			
None (i.e. Current Basis)	6.0%	3.0%	4.0%	N/A	45.5%	453
Investment Yield as per regulation	10.4% ¹	√ ²	√	(17.3%)	28.2%	313
Investment Yield	7.0%	√	√	(5.8%)	39.7%	402
	5.0%	√	√	7.1%	52.6%	514
Earnings Increases	√	√	5.0%	2.6%	48.1%	463
	√	√	3.0%	(2.4%)	43.2%	443
Pension Indexing	√	4.0%	√	7.8%	53.3%	516
	√	2.0%	√	(6.2%)	39.3%	401
Investment Yield and Earnings Increases	7.0%	√	5.0%	(3.6%)	41.9%	411
	5.0%	√	3.0%	4.3%	49.8%	502

The table shows that if the currently prescribed interest rate of 10.4% per annum (i.e. 2.5% per quarter in practice) were to remain in effect indefinitely, then the normal cost and actuarial liabilities would decrease noticeably (by 38% and 31%, respectively).

The estimates in the Table indicate the degree to which the valuation results shown in the Cost Certificate depends on some of the key assumptions.

¹ This is the investment yield prescribed in the plan regulations, assumed to apply from plan year 2002 onward.

² The symbol √ indicates that the value remains unchanged at the level of the current basis assumption.

III. Reconciliation of Results with Previous Report

This section describes the various factors reconciling the surplus and normal cost of this valuation with the corresponding items of the previous valuation. The reconciliation of results in respect of MPRA and MPRCA Accounts separately is shown in Appendix 5. Figures in parentheses indicate negative amounts. The main items in the table below are explained on the following pages.

Table 6 Reconciliation of Results with Previous Report

	<u>Surplus</u>	<u>Normal Cost</u>	
	(\$ Million)	(% of 31 March 2001 Liabilities)	(% of pensionable payroll)
As at 31 March 1998	37.4	8.3	49.7%
Interest on surplus	12.9	2.8	-
Expected normal cost change	-	-	2.1%
Bill C-28 amendments	(107.3)	(23.7)	(6.6%)
Bill C-37 amendments	(10.0)	(2.2)	1.4%
Bill C-78 amendment	-	-	-
Experience gains and losses			
Interest earnings	10.9	2.4	-
Pension indexation	(3.6)	(0.8)	-
Mortality	3.5	0.8	-
Double-dipping provision	2.3	0.5	-
Miscellaneous	<u>(0.8)</u>	<u>(0.2)</u>	<u>(1.7%)</u>
Subtotal	12.3	2.7	(1.7%)
Revision of valuation assumptions and methodology			
Pension indexation	15.1	3.3	(1.1%)
Remuneration increases	8.8	1.9	(2.2%)
Termination	2.2	0.5	(0.2%)
General election	5.2	1.1	4.0%
Miscellaneous	<u>(1.7)</u>	<u>(0.4)</u>	<u>0.3%</u>
Subtotal	29.6	6.5	0.8%
Miscellaneous	0.8	0.2	(0.2%)
As at 31 March 2001	(24.4)	(5.4)	45.5%

Explanatory Notes

1. Interest on Surplus

As at 31 March 2001, the interest on the 31 March 1998 surplus of \$37.4 million amounted to \$12.9 million, based on the interest rates credited during the three-year intervaluation period.

2. Bill C-28 Amendments

The Bill C-28 amendments increased the plan liabilities as at 1 April 2001 by \$107 million, which represents an increase of 24%. The main cost factor was the increase in the sessional indemnity from \$69,100 to \$131,400, which raised the liabilities by \$80 million. The increase in the sessional indemnity was partially offset by the elimination of the non-taxable expense allowances, which were non-pensionable. The other Bill C-28 amendments increasing the liabilities were the revised salary indexation formula and the five-year highest average salary (instead of six-year), costing \$8.0 million and \$20.1 million, respectively.

The Bill C-28 amendments increased the pension plan normal cost for the plan year 2002 by \$7.4 million, representing an increase of 48%. Again the main factor was the increase in the sessional indemnity, which raised the normal cost by \$13.2 million. That increase was partially offset by the amendment reducing the aggregate rate of pension accrual from 4% to 3% in respect of the sessional indemnity for members of the House of Commons, which reduced the normal cost by \$8.5 million.

It is interesting to note that the Bill C-28 amendments reduce the normal cost expressed as a percentage of pensionable payroll. In the plan year 2002, the normal cost before Bill C-28 was 52.1% of pensionable payroll, as opposed to 45.5% after the plan amendments.

3. Bill C-37 Amendments

Following the Royal Assent to Bill C-37, 39 Members of Parliament joined the plan. The resulting \$10.0 million surplus decrease was largely attributable to the difference between the liabilities for the prior-service pension accruals bought by the members and the actuarial present value of the member contributions to be paid for these prior service pension accruals.

4. Bill C-78 Amendment

The plan was amended by Bill C-78 to treat same-sex survivors as if they were opposite-sex common-law partners. There was no financial effect on the valuation because it was deemed unnecessary to change any valuation assumptions.

5. Interest Earnings

During the intervaluation period, investment earnings credited to the MPRA and MPRCA Accounts were greater than those assumed in the previous valuation. This accounted for a surplus increase of \$10.9 million.

The yields assumed for the 2002 plan year and thereafter are on average little changed from those assumed in the previous valuation, meaning that the surplus was left essentially unchanged in this regard.

6. Double-dipping Provision

At any time during the intervaluation period, as many as 20 former senators or members of the House of Commons were receiving remuneration of at least \$5,000 in the valuation year as a federal government employee or pursuant to a federal service contract. In accordance with the plan provisions, their retirement or compensation allowances were reduced by one dollar for each dollar of such remuneration received, thereby generating \$2.3 million of surplus.

7. Pension Indexation

The pension indexation increases during the intervaluation period were larger than assumed in the previous valuation, causing a \$3.6 million loss.

The revised pension indexation assumption for the six plan years following the valuation date averages 0.49% per annum lower than was assumed for those years in the previous valuation. As a result the surplus increased by \$15.1 million and the normal cost decreased by 1.1% of pensionable payroll.

8. Remuneration Increases

The remuneration increases since the date of the last valuation were in accordance with expectations, the only exception being those arising from Bill C-28. The costs associated with the latter are included in the figure shown for the Bill C-28 amendments in the reconciliation.

The assumed annual remuneration increases for the plan years 2002 to 2005, inclusive, average 0.70% lower than in the previous valuation. This revision of the salary increase assumption caused the surplus to increase by \$8.8 million and the normal cost to fall by 2.2% of payroll. This item covers the changes in the future increases in the Industrial Average salary between this report and the preceding one.

9. General Election

The probabilities of having a general election for each plan year from 2002 onward were revised, taking into account the general election of 27 November 2000. As a result the surplus decreased by \$5.2 million and the normal cost increased by 4.0% of pensionable payroll due to the greater number of members who will be entitled to retirement allowances at termination.

IV. Actuarial Opinion

In our opinion, considering that this report was prepared pursuant to the *Public Pensions Reporting Act*,

- the valuation input data on which it is based are sufficient and reliable;
- the assumptions that have been used are, in aggregate, appropriate;
- the methodology employed is appropriate; and
- the value of assets exceeds the wind-up liabilities at the valuation date.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice, and particularly with the Canadian Institute of Actuaries' Standard of Practice for the Valuation of Pension Plans.



Michel Rapin
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Office of the Chief Actuary
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Ottawa, Canada
6 September 2002

Appendix 1 - Recent Plan Amendments

A. Bill C-78

Bill C-78, which received Royal Assent on 14 September 1999, amended the plan to permit payment of survivor benefits to a same-sex survivor as if that person were an opposite-sex partner in a common-law relationship.

B. Bill C-37

Bill C-37, which received Royal Assent on 21 September 2000, made plan participation mandatory thenceforth for each individual who had previously elected not to participate. Each such individual was also given the opportunity to elect to buy back the period of service during which he or she was not a plan member. The cost of the buyback was set equal to the contributions the individual would have made during the period, based on the contribution rates in effect for the member when the election was made.

C. Bill C-28

Bill C-28, which received Royal Assent on 14 June 2001, increased parliamentary remuneration and made plan amendments for service from 1 January 2001 onward¹.

1. Remuneration Increases

The Bill C-28 amendments established a tie between parliamentary remuneration and a *remuneration reference amount* equal to the amount of the annual salary of the Chief Justice of the Supreme Court of Canada. Adjustments to the reference amount will be made retroactively to take into account any retroactive changes in the annual salary of Chief Justice.

The annual sessional indemnity paid to members of the House of Commons was set equal to 50% of the remuneration reference amount while that paid to senators was set equal to 50% of the remuneration reference amount minus \$25,000.

The additional allowances payable to certain parliamentarians were set equal to the remuneration reference amount multiplied by a specified percentage ranging from 1.9% for the Vice-Chair of a Standing Committee or Joint Committee to 50% for the Prime Minister.

2. Plan Amendments

(a) Average Annual Sessional Indemnity

The average annual sessional indemnity, from which the retirement allowance is calculated, became the average of the annual sessional indemnities during any five-year period of pensionable service selected by the member; previously, it was a six-year period.

¹ One parliamentarian chose to remain unaffected by Bill C-28, in accordance with the grandfathering provision in the Bill.

(b) Contributions to the Retiring Allowances Account

Bill C-28 amended the plan so that contributions to the Account cease at age 69 rather than age 71 as previously.

(c) Additional contributions

A member who has accrued a retirement allowance equal to 75% of the average annual sessional indemnity contributes to the Retiring Allowances Account 4% of the portion of the salary or allowance, if any, that does not exceed the member's earnings limit for that year, unless the member elects in respect of that salary or allowance not to contribute or to contribute at a lesser rate.

(d) Contributions in respect of previous sessions

Where a member elects to contribute to the Retiring Allowances Account in respect of a previous session, the member contributes 4% of the sessional indemnity paid to the member in respect of that previous session that does not exceed the member's earnings limit plus interest from the day on which the final payment was made to the member in respect of that session to the day on which the election is made.

If the sessional indemnity in respect of that previous session does not exceed the member's earnings limit, the member contributes 4% of the aggregate of the amounts (that does not exceed the member's earnings limit) paid to the member in respect of that previous session by way of sessional indemnity, and by way of salary or annual allowance, if the member so elects to contribute in respect of that salary or annual allowance, plus interest.

(e) Contributions to the Retirement Compensation Arrangements Account

The member who has not reached 69 years of age contributes to the Compensation Arrangements Account 3% of the total sessional indemnity plus 4% of the portion of the sessional indemnity that exceeds the member's earnings limit. The member who has reached 69 years of age contributes 7% of the amount of the member's sessional indemnity.

(f) Additional contribution to the Retirement Compensation Arrangements Account for members under maximum accrual

A member who has not accrued a retirement allowance equal to 75% of the average annual sessional indemnity contributes to the Compensation Arrangements Account an amount equal to 7% of the amount payable to the member by way of that salary or annual allowance unless the member elects not to contribute under this Account.

(g) Additional contribution to the Retirement Compensation Arrangements Account for members who have reached maximum accrual

A member who has accrued a retirement allowance equal to 75% of the average annual sessional indemnity contributes to the Compensation Arrangements

Account an amount equal to 3% of the portion of the amount payable to the member by way of salary or annual allowance that is less than the member's earnings limit for the calendar year, and 7% of the amount that exceeds the member's earnings limit for that year unless the member elects not to contribute under the Account.

- (h) Contributions to the Retirement Compensation Arrangements Account for previous sessions

If a member elects to contribute to the Retirement Compensation Arrangements Account in respect of a previous session, the member shall pay contributions and interest in accordance with the regulations.

- (i) Contribution exception to the Retirement Compensation Arrangements Account if the member has reached 69 years of age

A member who has reached 69 years of age contributes 1% of the amount payable to the member by way of sessional indemnity after the member has accrued a retirement allowance equal to 75% of the average annual sessional indemnity.

- (j) Exception for limits on contribution to the Retirement Compensation Arrangements Account

A member who contributes to the Retiring Allowances Account 1% of the portion of the sessional indemnity that does not exceed the member's earnings limit also contributes to the Compensation Arrangements Account 1% of the portion of the member's sessional indemnity that exceeds the member's earnings limit.

- (k) Compensation Allowance in respect of time spent after 1 January 1992

Where a person ceases to be a member, having contributed or elected to contribute to the Compensation Arrangements Account for at least six years as a member of the House of Commons, there shall be paid to that person at 60 years of age a compensation allowance equal to the average annual sessional indemnity of that person multiplied by the number of years of pensionable service, multiplied by

- i) where the person has not reached 60 years of age, 0.03 for the years or portions of years of pensionable service calculated by reference to those contributions made, or in respect of which an election was made, on or after 1 January 2001.
- ii) where the person has reached 60 years of age, 0.01 for the years or portions of years of pensionable service calculated by reference to those contributions made, or in respect of which an election was made, on or after 1 January 2001.
- iii) if the person has reached 69 years of age and contributed after that, 0.03 for the years of pensionable service after the later of the 69th birthday and 1 January 2001, or in respect of which an election was made on or after that date.

The same multipliers are used for election to contribute in respect of any session or part of a session before 1 January 2001.

- (l) Where a person ceases to be a member, having contributed or elected to contribute to the Compensation Arrangements Account for at least six years as a Senator, there shall be paid to that person at 60 years of age a compensation allowance equal to the average annual sessional indemnity of that person multiplied by the number of years of pensionable service in respect of time spent after 1 January 1992 multiplied by
- i) if the person has reached 69 years of age and contributed after that, 0.03 for the years of pensionable service after the 69th birthday, otherwise than pursuant to an election made before that birthday.

- (m) Additional Compensation Allowance in respect of time spent after 1 January 1992

Where a person ceases to be a member, having contributed or elected to contribute to the Compensation Arrangements Account for at least six years and has contributed in respect of any amount paid by way of salary or annual allowance, there shall be paid to the person at 60 years of age an additional compensation allowance equal to the average annual sessional indemnity of that person multiplied by the number of years of pensionable service, multiplied by

- i) where the person has not reached 60 years of age, 0.03 for the years or portions of years of pensionable service calculated by reference to those contributions made, or in respect of which an election was made, on or after 1 January 2001.
- ii) where the person has reached 60 years of age, 0.01 for the years or portions of years of pensionable service calculated by reference to those contributions made, or in respect of which an election was made, on or after 1 January 2001.
- iii) if the person has reached 69 years of age and contributed after that, 0.03 for the years of pensionable service after the later of the 69th birthday and 1 January 2001, or in respect of which an election was made on or after that date.

The same multipliers are used for election to contribute in respect of any session or part of a session before 1 January 2001.

- (n) Persons in receipt of disability allowance

A person who is entitled to and elects to receive a disability allowance under the *Parliament of Canada Act* is deemed to remain a member until the person's entitlement to that allowance ceases.

- (o) Contributions from persons in receipt of disability allowance

The contributions from the member starts on the day that the allowance becomes payable and are calculated in respect of the salaries and allowances on which the disability allowance is based.

Appendix 2 - Summary of Plan Provisions

The current provisions of the pension plan established under the MPRAA are summarized in this appendix. It takes into account the amendments arising from Bills C-78, C-37 and C-28, which respectively came into force on 14 September 1999, 21 September 2000 and 14 June 2001.

A. Membership

1. Senators

Membership in the plan is compulsory for all senators.

2. Members of the House of Commons

As a result of the Bill C-37 amendments, membership in the plan is again compulsory for all members of the House of Commons.

B. Contributions

1. Members

(a) Sessional Indemnity

Plan members are required to contribute a percentage of their sessional indemnity to the Accounts at the rates shown in Tables 10 and 13 of this Appendix.

(b) Additional Allowance

Members receiving additional allowances may contribute at rates up to those shown in Tables 11 and 14 of this Appendix. In practice, all such members contribute the maximum amounts possible.

(c) Prime Minister

The Prime Minister must also contribute 7% of the additional allowance as Prime Minister, to the MPRCA Account. This contribution is related to the retirement allowance in respect of the Prime Minister's salary and is different from regular contributions made as a member receiving additional allowances.

(d) Prior Service Contributions

A person who ceases to be a member and subsequently becomes a member again may elect to contribute to the MPRA and MPRCA Accounts in respect of any previous session during which that person was a member and received a withdrawal allowance. The rate of contribution required from the member depends on the time the election is made, as shown in Tables 12 and 15 of this Appendix. In addition, the member must pay interest on those contributions, calculated from the final day of the period to the day on which the election is made. The rate is prescribed by the regulations made under the Act and is currently set at 4%.

A member may amortize the debt arising from an election with respect to prior service by making a series of payments determined in accordance with a prescribed interest rate (currently 4% per annum) and mortality table (currently Canadian Life Tables 1941).

2. Government

The government credits the Accounts as follows in respect of its contributions for current and prior pensionable service:

(a) Current Service

The Government determines its normal monthly contribution as that amount, which when combined with the required contributions by members of Parliament in respect of current service, is sufficient to cover the cost of all future benefits that have accrued in respect of pensionable service during that month. This cost is estimated by the President of the Treasury Board and is based on actuarial advice.

(b) Prior Service

The government credits to the Accounts in respect of elected prior service are analogous to those described in respect of current service.

(c) Unfunded Liability

If an unfunded actuarial liability is identified through a statutory triennial actuarial report, the MPRA and MPRCA Accounts are to be credited with such annual amounts that in the opinion of the President of the Treasury Board will fully amortize these deficits over a period to be prescribed by regulation.

C. Summary Description of Benefits

The pension plan established under the MPRAA provides an employment earnings-related lifetime retirement pension to eligible plan members. The plan also provides benefits to the survivor and children in case of death. All pensions and allowances payable under the plan are indexed annually to changes in the Consumer Price Index.

The rates of retirement pension are described in Tables 16, 17 and 18. Those rates are percentages of the average sessional indemnity. Explanatory notes in reference to the following summary description are given in section D.

Table 7 Benefits on Termination of Service

Type of Termination	Pensionable Service	Benefit
Retirement because of age, electoral defeat, resignation or any reason not mentioned below	Less than six years	Return of contributions plus interest
	Six years or more	Immediate, temporary or deferred allowance
Resignation because of disability but deemed to remain a member until the disability allowance ceases ¹	Less than six years when the disability allowance ceases	Return of contributions plus interest
	Six years or more when the disability allowance ceases	Immediate, temporary or deferred allowance
Disqualification as Senator or expulsion from House of Commons	Any length	Return of contributions plus interest
Death leaving no eligible survivor or children under 25	Less than six years	Minimum death benefit
Death leaving eligible survivor and/or children under 25	Less than six years	Minimum death benefit
	Six years or more	Immediate allowance

Table 8 Benefits on Death of a Pensioner

Status at Death	Benefit
Leaving no eligible survivor or children under 25	Minimum death benefit
Leaving eligible survivor and/or children under 25	Immediate allowance

D. Definitions and Explanatory Notes

1. Remuneration Reference Amount

The remuneration reference amount is equal to the amount of the annual salary of the Chief Justice of the Supreme Court of Canada and was \$262,900 as at 1 April 2001.

Adjustment to the remuneration reference amount will be made retroactively to take into account any retroactive changes in the annual salary of the Chief Justice.

¹ In accordance with the *Parliament of Canada Act*, a disability allowance is paid to a Senator until age 75 and to a member of the House of Commons until the next general election. The disability allowance ceases to be paid if the member dies or revokes the election to receive such allowance.

2. Sessional Indemnity

(a) Member of the House of Commons

This is the remuneration of a member provided pursuant to sections 55 to 58, inclusive, of the *Parliament of Canada Act* and is equal to 50% of the remuneration reference amount. The figure as at 31 March 2001 was \$131,400.

(b) Senator

This is the remuneration of a member provided pursuant to sections 55 to 58, inclusive, of the *Parliament of Canada Act* and is equal to 50% of the remuneration reference amount less \$25,000. The figure as at 31 March 2001 was \$106,400.

3. Average Sessional Indemnity

The average annual sessional indemnity for plan purposes is the average of the annual sessional indemnities during any five-year period of pensionable service selected by the member.

4. Additional Allowance

The following two items constitute a participant's additional allowance for the purpose of this report:

(a) Salary

This is the remuneration of a member provided pursuant to section 4 of the *Salaries Act* and sections 60 and 61 of the *Parliament of Canada Act*. It is expressed as a percentage of the remuneration reference amount.

(b) Annual Allowance

This is the remuneration of a member provided pursuant to section 62 of the *Parliament of Canada Act*. It is expressed as a percentage of the remuneration reference amount.

5. Basic Retirement Allowance

(a) For a Pensioner

This is the aggregate of all retirement allowances and additional retirement allowances that the pensioner was receiving from the MPRA Account at the time of death or would have been entitled to receive if the pensioner had reached 60 years of age immediately before death.

(b) For a Member

This is the aggregate of all the retirement allowances and additional retirement allowances that the member would have been entitled to receive from the MPRA Account if the member had ceased to be a member and had reached 60 years of age immediately before death.

6. Retirement Compensation Arrangement

This is a vehicle for providing the portion of the retirement allowances that cannot be provided in accordance with the rules governing registered pension plans. Nonetheless, member contributions to the Members of Parliament Retirement Compensation Arrangements Account are tax deductible. However, the plan sponsor (the government) pays a refundable tax on all credits to the Account. Accordingly, half of all amounts credited to the MPRCA Account each year (contributions and interest) are transferred to the Canada Customs and Revenue Agency (CCRA) as a refundable tax under the *Income Tax Act* (ITA), and half of all benefits paid out of the MPRCA Account to or on behalf of members is refunded to the Account by the CCRA.

7. Compensation Retirement Allowance

(a) For a Pensioner

This is the aggregate of all the compensation allowances and additional compensation allowances that the pensioner was receiving from the MPRCA Account at the time of death, calculated as if the pensioner had reached 60 years of age immediately before death, excluding benefits paid to former Prime Ministers.

(b) For a Member

This is the aggregate of all the compensation allowances and additional compensation allowances that the member would have been entitled to receive from the MPRCA Account if the member had ceased to be a member and had reached 60 years of age immediately before death, excluding benefits paid to former Prime Ministers.

8. Retirement Allowance

The retirement allowance is defined, for the purpose of this report only, as the sum of the basic retirement allowance and the compensation retirement allowance.

9. Earnings Limit

In relation to a member in respect of one or more sessions in any calendar year, this means the maximum pensionable earnings (sessional indemnity and additional allowances) in respect of which benefits may be accrued during that calendar year for the purposes of a registered pension plan within the meaning of the ITA. That amount was \$86,111 in 2001 and will be indexed after 2004 in accordance with the Industrial Composite of average weekly earnings.

10. Pensionable Earnings

Pensionable earnings are equal to the average sessional indemnity, which excludes any additional allowances in respect of which contributions have been made to the plan. Such contributions raise the retirement allowance by increasing the years of pensionable service.

11. Retirement Allowance and Compensation Allowance

(a) Members of Parliament Covered by the Plan

A member is eligible to receive a retirement allowance upon termination of membership after having contributed for at least six years. The portion of the retirement allowance paid from the MPRA Account is called the basic retirement allowance while the portion of the retirement allowance paid from the MPRCA Account is called the compensation retirement allowance. The annual amount of basic retirement allowance and of compensation retirement allowance payable to a member is determined by multiplying the member's average sessional indemnity by the fraction corresponding to the sum of (i) plus (ii), where

- i) is the sum, subject to a maximum of 0.75, of:
 - in respect of contributions made on sessional indemnity as a member of the House of Commons:

the number of years of pensionable service, multiplied by the corresponding annual accrual rates from Table 15, depending on when the pensionable service was accrued or when the election was made.
 - in respect of contributions made on sessional indemnity as a member of Senate:

the number of years of pensionable service, multiplied by the corresponding annual accrual rates from Table 16, depending on when the pensionable service was accrued or when the election was made.
- ii) in respect of contributions made on additional allowances as a member of the Parliament:

the number of calculated years of pensionable service based on contributions made on additional allowances, multiplied by the corresponding annual accrual rates from Table 17, depending on when the pensionable service was accrued or when the election was made.

(b) Prime Minister

Former Prime Ministers are eligible to receive a retirement compensation allowance if they contributed at least four years to the MPRCA an amount of 7% of the salary received as Prime Minister. This contribution is different from regular contributions made as a member receiving additional allowances. The annual amount of retirement compensation allowance, payable from the day on which that person ceases to be a member or reaches 65 years of age, whichever is the later, is equal to two-thirds of the annual salary payable to the Prime Minister on the day on which the retirement compensation allowance is payable.

12. Members Who Did Not Elect to be Covered by the Plan as at 21 September 2000

In accordance with Bill C-37, participation in the plan is compulsory for all members after 21 September 2000. Non-participating members who became contributors to the plan when Bill C-37 came into force could elect, before 20 September 2001, to

contribute to the plan in respect of the period during which the member was not required to make contributions. A member who did not elect to have past service to be covered by the plan is entitled to receive a supplementary severance allowance of one-twelfth of the sessional indemnity for every year of the period where the member was not required to make contributions. Such period started on 25 October 1993 or when the person became a member if the member, had less than six years of membership as at that date, and ended on 21 September 2000. A member who is under 55 years of age with less than six years of service is not entitled to receive the supplementary severance allowance except if the person dies before reaching age 55. Interest accrues from the entitlement date to the payment date. This benefit is a provision of the *Parliament of Canada Act* and has not been actuarially valued in this report, which covers only benefits pursuant to the *Members of Parliament Retiring Allowances Act*.

13. Survivor Benefits

The following survivor allowances are payable on the death of a member or pensioner who has satisfied the eligibility requirements for a retirement or compensation allowance:

(a) Members of Parliament or Pensioners

- i) to the survivor, an allowance equal to three-fifths of the retirement allowance. If there is more than one survivor, the person who was married to the member receives three-fifths of the retirement allowance less the amount payable to the person who was cohabiting with the member in a relationship of a conjugal nature. This amount is equal to three-fifths of the retirement allowance times the following ratio: the number of years that the survivor cohabited with the member or former member while a member divided by the number of years that the member or former member was a member.
- ii) to each child, an allowance equal to one-tenth of the retirement allowance, subject to a maximum of three-tenths. If the member or former member died leaving no survivor, two-tenths of the retirement allowance subject to a maximum of eight-tenths.

(b) Prime Minister

to the survivor, an allowance equal to half of the compensation retirement allowance that the person was receiving as former Prime Minister at the time of death or would have been eligible to receive if, immediately before the time of death, that person had ceased to hold the office of Prime Minister and had reached 65 years of age. If there is more than one survivor, the person who was married to the Prime Minister receives half of the former Prime Minister compensation retirement allowance less the amount payable to the person who was cohabiting with the Prime Minister in a relationship of a conjugal nature. This amount is equal to half of the retirement allowance times the following ratio: the number of years that the survivor cohabited with the member or former member while a member divided by the number of years that the member or former member was a member.

14. Disability Benefit

(a) Where the person has not reached 55 years of age

The deferred temporary retirement compensation allowance becomes an immediate temporary retirement allowance and is payable in the following two cases:

- A Member of Parliament who resigns by reason of disability and who is entitled to receive a disability pension under the Canada Pension Plan or the Québec Pension Plan.
- A former Member of Parliament entitled to receive a disability pension under the Canada Pension Plan or the Québec Pension Plan.

The basic retirement allowance will be paid at the age of 60.

(b) Where a former member has reached 55 years of age or where a member has reached 55 years of age but has not reached 65 years of age

There is no formal disability benefit in this case and the member or former member is entitled to receive the retirement allowance that is immediately payable.

(c) Where the person has reached 65 years of age when that person resigns by reason of disability

A member who has reached 65 years and who resigns by reason of disability can choose between the following two benefits:

- The member can elect to receive a disability allowance equal to 70% of the member's annual salaries and allowances, in accordance with the *Parliament of Canada Act*. It is payable if a severance allowance has not been paid (with the exception of the supplementary severance allowance described in note 12) and until the next general election for members of the House of Commons or until 75 years of age for senators. The disability allowance also ceases if the former member revokes the election or dies. While receiving the disability allowance, the former member still contributes to the MPRA and to the MPRCA Accounts. Those contributions are calculated in respect of the salaries and allowances on which the disability allowance is based.

When the disability allowance ceases to be paid other than because of death, the former member is entitled to receive the retirement allowance payable to that member taking into account the service accrued while receiving the disability allowance. Since this disability allowance benefit is a provision of the *Parliament of Canada Act*, it was not actuarially valued in this report.

- The member who did not elect to receive the disability allowance mentioned above is entitled to receive the retirement allowance that is immediately payable to that member¹.

¹ This option can be more advantageous to the former member who was not receiving any additional allowances when he or she resigned and who had already accrued 75% of the average sessional indemnity as a retirement allowance.

15. Years of Pensionable Service

As described in the pensionable earnings section of explanatory notes, contributing on additional allowances provides the member with additional years of pensionable service instead of increasing the pensionable earnings on which the retirement allowance is calculated. Since a member's total salary can vary from year to year depending on the amount of additional allowances received, such mechanism eliminates the disadvantage of receiving additional allowances long before the retirement date. Each dollar of contribution is converted to a period of pensionable service and ultimately applied to the most recent sessional indemnities¹. The following paragraphs describe the calculation of pensionable service.

(a) Years of Pensionable Service From Contributions on Sessional Indemnity

i) MPRA

On ceasing to be a member, a person is deemed to have one year of pensionable service for each amount, equal to 4% of the sessional indemnity payable when contributions were made, that the person has contributed or elected to contribute to the MPRA Account on the amount received by way of sessional indemnity. This definition of year of pensionable service is applicable in respect of time as a member on or after 1 January 1992 or of any period of pensionable service in respect of which an election has been made after that date.

On 31 March 2001, the sessional indemnity (\$131,400) was higher than the maximum pensionable earnings (\$86,111). Since members cannot contribute to the MPRA Account on the portion of the sessional indemnity that exceeds the earnings limit, the contribution to the MPRA Account is limited to 4% of \$86,111, which gives \$3,444. In accordance with the formula described above, one year of pensionable service is credited for each amount of \$5,256 (4% of \$131,400) that the person has contributed or elected to contribute to the MPRA Account on the sessional indemnity. The portion of years of service credited for one year of contribution to the MPRA Account on the sessional indemnity is then 0.655 ($\$3,444 / \$5,256$) and the benefit accrual is 1.31% (2% of 0.655). This benefit begins to be paid at the age of 60 or at the retirement date, whichever is the later.

ii) MPRCA

The MPRCA provides accrued benefits in two ways:

- It first matches the years of pensionable service credited from contributions to the MPRA Account on sessional indemnity as described in the above section. Accrual percentages of 3% for pensioners aged between 55 and 60 and 1% for pensioners who have reached 60 years of age are applied to those years of service. The benefit accrual from the MPRCA in respect of

¹ Unless the sessional indemnity decreases in the future, the average sessional indemnity will always be based on the most recent years.

contributions made to the MPRA Account on sessional indemnity is 1.97% and 0.66%, respectively, for pensioners aged between 55 and 60 and for pensioners who have reached 60 years of age. The sum of the benefit accruals from the MPRA and the MPRCA (in respect of contributions made to the MPRA Account) is then also 1.97%.

- Secondly, the MPRCA provides¹ one year of service for each amount, determined by the formula shown below, that the person has on or after 1 January 2001 contributed or elected to contribute to the MPRCA Account on the amount received by way of sessional indemnity².

$$\frac{A - B}{1 - C}$$

where

- A is 7% (\$9,198 for members of the House of Commons) of the sessional indemnity payable to the person as a member of the Senate or the House of Commons, as the case may be, during any calendar year.
- B is 4% (\$3,444) of the earnings limit of the member during any calendar year.
- C is the same number of years of pensionable service credited in respect of the MPRA Account (0.655) for one year of contribution on the sessional indemnity.

The result of the formula is \$16,693. The contribution to the MPRCA Account on the sessional indemnity (as described in Tables 9 and 12) is 3% (\$2,583) of the earnings limit plus 7% (\$3,170) of the sessional indemnity over the earnings limit for a total of \$5,754 for members of the House of Commons.

In accordance with the formula described above, one year of pensionable service is credited for each amount of \$16,693 that the person has contributed or elected to contribute to the MPRCA Account on the sessional indemnity. The portion of the year of service credited for one year of contribution to the MPRCA Account on sessional indemnity is 0.345 (\$5,754 / \$16,693) and the benefit accrual is 1.03% (3% of 0.345). Summing the benefit accruals from the MPRA Account (1.31% from the age of 60) and the MPRCA Account (1.97% for ages between 55 to 60, 0.66% from the age of 60 and 1.03% from the age of 55) gives a total benefit accrual of 3.00% per year of contribution, which can be paid from

¹ This second component of years of service from the MPRCA in respect of sessional indemnity is consistent with the administration of the plan and with the intention of the MPRAA. The MPRAA should be clarified in terms of how the MPRCA provides years of service in respect of contributions made by way of sessional indemnity.

² Before 1 January 2001, it was not necessary to use contributions made to the MPRCA Account on the sessional indemnity to calculate years of pensionable service because the sessional indemnity was lower than the maximum pensionable earnings. A full year of service was credited for MPRCA Account purposes for one year of contribution to the MPRA Account on sessional indemnity.

the age of 55 to former members.

(b) Years of Pensionable Service From Contributions on Additional Allowance

i) MPRA

Members of Parliament are allowed to contribute to the MPRA Account on additional allowances if the total accrued benefit from contributions made on the sessional indemnity reaches 75% of the sessional indemnity. The formula to calculate service is the same as the one used for contributions to the MPRA Account on sessional indemnity.

On ceasing to be a member, a person is deemed to have one year of pensionable service for each amount, equal to 4% of the sessional indemnity payable when contributions were made, that the person has contributed or elected to contribute to the MPRA Account on the amount received by way of additional allowances. This definition of year of pensionable service is applicable in respect of time spent as a member on or after 1 January 1992 or of any period of pensionable service in respect of which an election has been made after that date.

To illustrate, consider a member who receives an additional allowance equal to 40% of the remuneration reference amount (\$262,900), which gives \$105,100. Since that member cannot contribute to the MPRA Account on the portion of the additional allowance that exceeds the earnings limit, the contribution to the MPRA Account is limited to 4% of \$86,111, which gives \$3,444. In accordance with the formula described above, one year of pensionable service is credited for each amount of \$5,256 (4% of \$131,400) that the person has contributed or elected to contribute to the MPRA Account on the additional allowance. The portion of year of service credited for one year of contribution to the MPRA Account on additional allowance is then 0.655 (\$3,444 / \$5,256) and the accrued benefit is 1.31% (2% of 0.655). This benefit begins to be paid at the age of 60 or at the retirement date, whichever is the later.

ii) MPRCA

The MPRCA provides accrued benefits in three ways:

- It first matches the years of pensionable service credited from contributions made to the MPRA Account on additional allowance as described above. Accrual percentage of 3% for pensioners aged between 55 and 60 and 1% for pensioners who have reached 60 years of age are applied to those years of service. Continuing with the same example, the benefit accrual from the MPRCA in respect of contribution made to the MPRA Account on additional allowance is 1.97% and 0.66%, respectively, for pensioners aged between 55 and 60 and for pensioners who have reached 60 years of age. The sum of the benefit accruals from the MPRA and the MPRCA (in respect of contributions made to the MPRA Account on additional allowance) is then 1.97%.

- Secondly, the MPRCA provides¹ one year of service for each amount, determined by the formula shown below, that the person has on or after 1 January 2001 contributed or elected to contribute to the MPRCA Account on the amount received by way of additional allowance and when part of the contribution on additional allowance is also made to the MPRA Account.

$$\frac{A \times [(0.07 \times B) - (0.04 \times C)]}{B - C}$$

where

- A is the sessional indemnity (\$131,400 in the 2002 plan year for members of the House of Commons) payable to the person as a member of the Senate or the House of Commons, as the case may be, during any calendar year.
- B is the amount payable (\$105,100 for this example) to the member by way of additional allowance during any calendar year.
- C is the earnings limit (\$86,111 in the 2002 plan year) of the member during any calendar year.

The result of the formula is \$27,074. Contributions to the MPRCA Account on additional allowances (as described in Tables 10 and 13) is 3% (\$2,583) of the earnings limit plus 7% (\$1,329) of additional allowances over the earnings limit for a total of \$3,913 for that member.

In accordance with the formula described above, one year of pensionable service is credited for each amount of \$27,074 that the person has contributed or elected to contribute to the MPRCA Account on additional allowances. The portion of year of service credited for one year of contribution to the MPRCA Account on additional allowances is 0.145 ($\$3,913 / \$27,074$) and the benefit accrual is 0.43% (3% of 0.145). Summing the benefit accrual from the MPRA Account (1.31% from the age of 60) and the MPRCA Account (1.97% for ages between 55 to 60, 0.66% from the age of 60 and 0.43% from the age of 55) gives a total benefit accrual of 2.40% per year of contribution, which can be paid from the age of 55 for former members. This benefit accrual of 2.40% represents 80% of the complete 3.00% benefit accrual for one year of contribution on sessional indemnity and is consistent with the fact that the additional allowance (\$105,100) in this example also represents 80% of the sessional indemnity (\$131,400).

- For members who do not contribute to the MPRA Account on additional allowances, the formula described above is not appropriate. The MPRCA

¹ This second component of years of service for MPRCA purposes for contribution made in respect of additional allowances is consistent with the administration of the plan and with the intention of the MPRAA. The MPRAA should be clarified in terms of how the MPRCA provides years of service in respect of contributions made by way of additional allowances.

Account in that case provides one year of service for each amount, equal to 7% of the sessional indemnity payable when contributions were made, that the person has contributed or elected to contribute to the MPRCA Account on the amount received by way of additional allowances when no contributions are made on such allowances to the MPRA Account¹. This definition of year of pensionable service is applicable in respect of time spent as a member on or after 1 January 2001 or of any period of pensionable service in respect of which an election has been made after that date.

For the example mentioned above, with an additional allowance equal to \$105,100 (40% of the remuneration reference amount), one year of pensionable service is credited for each contribution of \$9,198 (7% of the sessional indemnity of \$131,400 for members of the House of Commons). If that member has not reached an accrued benefit of 75% of the sessional indemnity from contributions made on the sessional indemnity, all contributions on additional allowances are paid to the MPRCA Account as described in Tables 10 and 13. Contributions paid to the MPRCA Account would be \$7,357 (7% of \$105,100) and the portion of the year of pensionable service would be 0.80 with a benefit accrual of 2.40% (3% of 0.80). This result is consistent with the previous one; wherever contributions are paid, an additional allowance of \$105,100 entitles the member with an accrued benefit of 2.40%.

16. Eligible Surviving Spouse

In the case of a member, the eligible surviving spouse is the person who was married to the member immediately before his or her death or was cohabitating in a relationship of a conjugal nature with the member for at least one year immediately before his or her death.

In the case of a former member, the eligible surviving spouse is the person who was married to the former member immediately before his or her death, and before the time when he or she ceased to be a member or was cohabiting in a relationship of a conjugal nature with the former member for at least one year immediately before his or her death, where such cohabitation commenced while the former member was a member.

17. Eligible Surviving Child

An eligible surviving child is a child or stepchild of (or an individual adopted either legally or in fact by) a member or former member who

- is less than 18 years of age, or
- is 18 years of age or older but less than 25 years of age, and is in full-time attendance at a school or university, having been in such attendance substantially

¹ Contributions made to the MPRCA Account on additional allowances when contributions on additional allowances are also made to the MPRA Account should not be considered here. The MPRAA should be clarified in terms of how the MPRCA provides years of service in respect of contributions made by way of additional allowances.

without interruption since the child reached 18 years of age or the member or former member died, whichever occurred later.

18. Return of Contributions

If a member ceases to be a member before satisfying the eligibility requirements for a retirement allowance, or if the member is disqualified from the Senate or is expelled from the House of Commons, the member is entitled to a return of contributions plus interest.

19. Minimum Death Benefit

If a member or pensioner dies leaving no eligible survivor, or if the survivor dies, the amount by which the sum of the member's contributions and interest paid on prior service contributions exceeds any annuity payments made to the member and to his or her survivors is payable to the member's estate.

20. Retirement Allowance Indexation

Benefit adjustments corresponding to increases in the Consumer Price Index (CPI) are provided in respect of the allowances payable from both the MPRA and MPRCA Accounts to pensioners and survivors. The adjusted benefit, with adjustment applicable at the beginning of each calendar year, is calculated by applying to the benefit the ratio of the average of the CPI for the 12-month period ending on September 30 of the preceding year to the average for the corresponding period one-year earlier.

Although survivor benefits and disability pensions are indexed immediately when they commence to be paid, retirement or compensation allowances are not indexed until age 60. However, the increase at that age reflects the cumulative increase since the member ceased to hold parliamentary office. The increase is also cumulative in case of a former Prime Minister's compensation retirement allowance where the allowance is based on the annual salary payable to the Prime Minister on the day on which the retirement compensation allowance is payable.

The benefit adjustment is equal to the initial amount of annual allowance to which the beneficiary is entitled multiplied by the excess, over one, of the ratio of the Benefit Index for the year of payment to the Benefit Index for the deemed date on which the person to whom or in respect of whose service the pension is payable ceased to hold parliamentary office. If the actual date of termination is after 21 June 1982, then the deemed date is the first day of the next calendar month; otherwise, it is the first day of January immediately preceding the actual date of termination.

21. Immediate Annuity

Immediate annuity means a pension that becomes payable immediately upon retirement. The annual amount is equal to the appropriate accrual rate times the average sessional indemnity of the member, multiplied by the number of years of pensionable service when the accrual rates were in force. A member with pensionable service accrued before 13 July 1995 is entitled to an immediate annuity from the MPRCA Account.

22. Deferred Annuity

Deferred annuity means an annuity that normally becomes payable to a pensioner when he or she reaches age 55 if the annuity is payable from the MPRCA Account and when he or she reaches age 60 if the annuity is payable from the MPRA Account for pensionable service accrued after 13 July 1995. The annual payment is determined as if it were an immediate annuity (see note 11 above) but is adjusted to reflect the indexation (see note 20 above) from date of termination to the commencement of annuity payments.

23. Compulsory Retirement Because of Misconduct

In the case of compulsory retirement because of misconduct, the contributor is entitled to a return of contributions¹ plus interest.

24. Election for Joint and Survivor Benefit

A former member who is entitled to a retirement allowance and who has a survivor to whom, in the event of that former member's death, no survivor benefit would be paid may elect, subject to the regulations, to receive, instead of all future retirement allowances, a joint and survivor benefit. The amount of the joint and survivor benefit is determined by adjusting in accordance with the regulations the aggregate of the retirement allowances, but the actuarial present value of the joint and survivor benefit may not be less than the actuarial present value of the original retirement allowance. An election for a joint and survivor benefit is irrevocable except under such circumstances and such terms and conditions as are prescribed. When a former member who made such an election subsequently becomes a member on any day thereafter, the election is deemed to be revoked on that day. If the election is in force, there will be paid on the death of the former member to the person who was the survivor of the former member at the time of the election and the time of the death a joint and survivor benefit in an amount determined in accordance with the regulations.

25. Division of Pension in Case of Spousal Union Breakdown

In accordance with the *Pension Benefits Division Act*, upon the breakdown of a spousal union (including a union of a conjugal nature), a lump sum can be transferred by court order or by mutual consent from the plan assets to the credit of the former spouse of a contributor or pensioner. As at the transfer date, the maximum transferable amount is half the value of the retirement pension accrued by the contributor or pensioner during the period of cohabitation. If the member's benefits are not vested, the maximum transferable amount corresponds to half the member's contributions made during the period subject to division, accumulated with interest at the rate applicable on a refund of contributions. The benefits of the contributor or pensioner are then reduced accordingly.

When an allowance or other benefit that has accrued to a member or former member during any period of pensionable service is divided under the *Pension Benefits Division Act*, the spouse or former spouse in whose favour the division is effected ceases to be entitled to any survivor benefits or joint and survivor benefit in respect of that service.

¹ No contribution is paid by a member during any session in the course of which the member ceases to be a senator by reason of disqualification or was expelled from the House of Commons.

26. Suspension of Allowance

An allowance payable to a pensioner is suspended for the whole month during any part of which such person is a Senator or a member of the House of Commons.

27. Double-Dipping Provision

Where a pensioner in receipt of a pension under this plan also receives remuneration of at least \$5,000 in any one-year period as a federal government employee or pursuant to a federal service contract, the aggregate of all retirement allowances under the MPRAA to that pensioner in that year shall be reduced by one dollar for each dollar of such remuneration received in that year. The effect of the double-dipping provision has been taken into account in the present review.

28. Rate of Interest for Lump Sum Calculations

The rate of interest used in calculating lump sum repayments of prior service contributions is prescribed by regulation (currently 4% per annum).

Table 9 Members of the House of Commons' Contributions in Respect of Sessional Indemnity

When Contribution Made	Up to the Earnings Limit	Over the Earnings Limit
On or after 1 January 2001		
Member is less than 69 years of age		
MPRA Account	4% per year until member accrues 75% benefits; 1% thereafter	0%
MPRCA Account	3% per year until member accrues 75% benefits; 0% thereafter	7% per year until member accrues 75% benefits; 1% thereafter
Member has reached 69 years of age		
MPRA Account	0%	0%
MPRCA Account	7% per year until member accrues 75% benefits; 1% thereafter	7% per year until member accrues 75% benefits; 1% thereafter
On or after 13 July 1995 but before 1 January 2001		
Member is less than 71 years of age		
MPRA Account	4% per year until member accrues 75% benefits; 1% thereafter	0%
MPRCA Account	5% per year until member accrues 75% benefits; 0% thereafter	9% per year until member accrues 75% benefits; 1% thereafter
Member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	9% per year until member accrues 75% benefits; 1% thereafter	9% per year until member accrues 75% benefits; 1% thereafter
Before 13 July 1995		
Member is less than 71 years of age		
MPRA Account	4% per year until member accrues 75% benefits; 1% thereafter	0%
MPRCA Account	7% per year until member accrues 75% benefits; 0% thereafter	11% per year until member accrues 75% benefits; 1% thereafter
Member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	11% per year until member accrues 75% benefits; 1% thereafter	11% per year until member accrues 75% benefits; 1% thereafter

Table 10 Members of the House of Commons' Contributions in Respect of Additional Allowance

When Contribution Made	Up to the Earnings Limit	Over the Earnings Limit
On or after 1 January 2001		
Member is less than 69 years of age		
MPRA Account	0% per year until member accrues 75% benefits; 4% thereafter	0%
MPRCA Account	7% per year until member accrues 75% benefits; 3% thereafter	7% per year
Member has reached 69 years of age		
MPRA Account	0%	0%
MPRCA Account	7% per year	7% per year
On or after 13 July 1995 but before 1 January 2001		
Member is less than 71 years of age		
MPRA Account	4% per year	0%
MPRCA Account	5% per year	9% per year
Member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	9% per year	9% per year
Before 13 July 1995		
Member is less than 71 years of age		
MPRA Account	4% per year	0%
MPRCA Account	7% per year	11% per year
Member has reached 71 years of age		
MPRA Account	0% per year	0%
MPRCA Account	11% per year	11% per year

Table 11 Members of the House of Commons' Contributions in Respect of Prior Service

When Contribution Made	Up to the Earnings Limit	Over the Earnings Limit
On or after 1 January 2001		
MPRA Account	4% per year	0%
MPRCA Account	In accordance with regulations	In accordance with regulations
On or after 13 July 1995 but before 1 January 2001		
Member is less than 71 years of age		
MPRA Account	4% per year	0%
MPRCA Account	5% per year	9% per year
Member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	9% per year	9% per year
On or after 1 January 1992 but before 13 July 1995		
Member is less than 71 years of age		
MPRA Account	4% per year	0%
MPRCA Account	7% per year	11% per year
Member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	11% per year	11% per year
Before 1 January 1992		
MPRA Account	10% per year	10% per year
MPRCA Account	0%	0%

Table 12 Senators' Contributions in Respect of Sessional Indemnity

When Contribution Made	Up to the Earnings Limit	Over the Earnings Limit
On or after 1 January 2001		
Member is less than 69 years of age		
MPRA Account	4% per year until member accrues 75% benefits; 1% thereafter	0%
MPRCA Account	3% per year until member accrues 75% benefits; 0% thereafter	7% per year until member accrues 75% benefits; 1% thereafter
Member has reached 69 years of age		
MPRA Account	0%	0%
MPRCA Account	7% per year until member accrues 75% benefits; 1% thereafter	7% per year until member accrues 75% benefits; 1% thereafter
Before 1 January 2001		
Member is less than 71 years of age		
MPRA Account	4% per year until member accrues 75% benefits; 1% thereafter	0%
MPRCA Account	3% per year until member accrues 75% benefits; 0% thereafter	7% per year until member accrues 75% benefits; 1% thereafter
Member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	7% per year until member accrues 75% benefits; 1% thereafter	7% per year until member accrues 75% benefits; 1% thereafter

Table 13 Senators' Contributions in Respect of Additional Allowance

When Contribution Made	Up to the Earnings Limit	Over the Earnings Limit
On or after 1 January 2001		
Member is less than 69 years of age		
MPRA Account	0% per year until member accrues 75% benefits; 4% thereafter	0%
MPRCA Account	7% per year until member accrues 75% benefits; 3% thereafter	7% per year
Member has reached 69 years of age		
MPRA Account	0%	0%
MPRCA Account	7% per year	7% per year
On or after 13 July 1995 but before 1 January 2001		
Member is less than 71 years of age		
MPRA Account	4% per year	0%
MPRCA Account	5% per year	9% per year
Member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	9% per year	9% per year
Before 13 July 1995		
Member is less than 71 years of age		
MPRA Account	4% per year	0%
MPRCA Account	7% per year	11% per year
Member has reached 71 years of age		
MPRA Account	0% per year	0%
MPRCA Account	11% per year	11% per year

Table 14 Senators' Contributions in Respect of Prior Service

When Contribution Made	Up to the Earnings Limit	Over the Earnings Limit
On or after 1 January 2001		
MPRA Account	4% per year	0%
MPRCA Account	In accordance with regulations	In accordance with regulations
On or after 1 January 1992 but before 1 January 2001		
Member is less than 71 years of age		
MPRA Account	4% per year	0%
MPRCA Account	3% per year	7% per year
Member has reached 71 years of age		
MPRA Account	0% per year	0%
MPRCA Account	7% per year	7% per year
Before 1 January 1992		
MPRA Account	6% per year	6% per year
MPRCA Account	0%	0%

Table 15 Annual Accrual Rate and Type of Allowance in Respect of Sessional Indemnity for Members of the House of Commons

When Contribution or Election Made	Annual Accrual Rate	Type of Allowance
Accruing from 1 January 2001		
Service accrued when member is less than 69 years of age		
In respect of contribution made to the MPRA Account on sessional indemnity up to the earnings limit		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	3%	Temporary allowance from age 55 up to age 60
MPRCA Account	1%	Deferred allowance to age 60
In respect of contribution made to the MPRCA Account on sessional indemnity over the earnings limit		
MPRA Account	0%	None
MPRCA Account	3%	Deferred allowance to age 55
Service accrued when member has reached 69 years of age		
MPRA Account	0%	None
MPRCA Account	3%	Immediate Allowance
Accruing from 13 July 1995 to 1 January 2001		
Service accrued when member is less than 71 years of age		
In respect of contribution made to the MPRA Account on sessional indemnity up to the earnings limit		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	2%	Deferred allowance to age 60
MPRCA Account	4%	Temporary allowance from age 55 up to age 60
In respect of contribution made to the MPRCA Account on sessional indemnity over the earnings limit		
MPRA Account	0%	None
MPRCA Account	4%	Deferred allowance to age 55
Service accrued when member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	4%	Immediate Allowance

When Contribution or Election Made	Annual Accrual Rate	Type of Allowance
Accruing from 1 January 1992 to 13 July 1995		
Service accrued when member is less than 71 years of age		
In respect of contribution made to the MPRA Account on sessional indemnity up to the earnings limit		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	3%	Deferred allowance to age 60
	5%	Temporary allowance up to age 60
In respect of contribution made to the MPRCA Account on sessional indemnity over the earnings limit		
MPRA Account	0%	None
MPRCA Account	5%	Immediate Allowance
Service accrued when member has reached 71 years of age		
MPRA Account	0%	None
MPRCA Account	5%	Immediate Allowance
Accruing before 1 January 1992		
MPRA Account	5%	Immediate Allowance

Table 16 Annual Accrual Rate and Type of Allowance in Respect of Sessional Indemnity for Senators

When Contribution or Election Made	Annual Accrual Rate	Type of Allowance
Accruing from 1 January 2001		
Service accrued when member is less than 69 years of age		
In respect of contribution made to the MPRA Account on sessional indemnity up to the earnings limit		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	3%	Temporary allowance from age 55 up to age 60
	1%	Deferred allowance to age 60
In respect of contribution made to the MPRCA Account on sessional indemnity over the earnings limit		
MPRA Account	0%	None
MPRCA Account	0%	None
Service accrued when member has reached 69 years of age		
MPRA Account	0%	None
MPRCA Account	3%	Immediate Allowance
Accruing from 13 July 1995 to 1 January 2001		
Service accrued when member is less than 71 years of age		
In respect of contribution made to the MPRA Account on sessional indemnity up to the earnings limit		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	1%	Deferred allowance to age 60
	3%	Temporary allowance from age 55 up to age 60
In respect of contribution made to the MPRCA Account on sessional indemnity over the earnings limit		
MPRA Account	0%	None
MPRCA Account	3%	Immediate Allowance
Service accrued when member has reached 71 years of age		
MPRA Account	0%	0%
MPRCA Account	3%	Immediate Allowance

When Contribution or Election Made	Annual Accrual Rate	Type of Allowance
Accruing from 1 January 1992 to 13 July 1995		
Service accrued when member is less than 71 years of age		
In respect of contribution made to the MPRA Account on sessional indemnity up to the earnings limit		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	1%	Deferred allowance to age 60
MPRCA Account	3%	Temporary allowance up to age 60
In respect of contribution made to the MPRCA Account on sessional indemnity over the earnings limit		
MPRA Account	0%	None
MPRCA Account	3%	Immediate Allowance
Service accrued when member has reached 71 years of age		
MPRA Account	0%	None
MPRCA Account	3%	Immediate Allowance
Accruing before 1 January 1992		
MPRA Account	3%	Immediate Allowance

Table 17 Annual Accrual Rate and Type of Allowance in Respect of Additional Allowances for Members of the House of Commons and Senators

When Contribution or Election Made	Annual Accrual Rate	Type of Allowance
Accruing from 1 January 2001		
Service accrued when member is less than 69 years of age		
In respect of contribution made to the MPRA Account on additional allowances up to the earnings limit when member has accrued 75% of the sessional indemnity		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	1%	Deferred allowance to age 60
In respect of contribution made to the MPRCA Account		
MPRA Account	0%	None
MPRCA Account	3%	Deferred allowance to age 55
Service accrued when member has reached 69 years of age		
MPRA Account	0%	None
MPRCA Account	3%	Immediate Allowance
Accruing from 13 July 1995 to 1 January 2001		
Service accrued when member is less than 71 years of age		
Portion of additional allowances greater than: earnings limit minus sessional indemnity		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	2%	Deferred allowance to age 60
	4%	Temporary allowance from age 55 up to age 60
Service accrued when member has reached 71 years of age		
MPRA Account	0%	None
MPRCA Account	4%	Immediate Allowance
Portion of additional allowances greater than: earnings limit minus sessional indemnity		
MPRA Account	0%	0%
MPRCA Account	4%	Deferred allowance to age 55

When Contribution or Election Made	Annual Accrual Rate	Type of Allowance
Accruing from 1 January 1992 to 13 July 1995		
Service accrued when member is less than 71 years of age		
Portion of additional allowances greater than: earnings limit minus sessional indemnity		
MPRA Account	2%	Deferred allowance to age 60
MPRCA Account	3%	Deferred allowance to age 60
	5%	Temporary allowance up to age 60
Portion of additional allowances lower than: earnings limit minus sessional indemnity		
MPRA Account	0%	None
MPRCA Account	5%	Immediate Allowance
Service accrued when member has reached 71 years of age		
MPRA Account	0%	None
MPRCA Account	5%	Immediate Allowance
Accruing before 1 January 1992		
MPRA Account	5%	Immediate Allowance

Appendix 3 - Plan Assets and Balance Sheets By Account

A. Members of Parliament Retiring Allowances Account

1. Contributions

The MPRA Account is credited with current and prior service contributions made by members of Parliament and the government.

2. Investment Earnings

The interest rate applying to net cash flows (contributions minus benefits, as well as income tax payments or refunds) to the MPRA Account is set by regulation and is currently 2.5% per quarter. Interest is credited at the end of the quarter on the balance at the beginning of the quarter.

3. Payment of Benefits

All benefit payments pursuant to the plan are charged to the MPRA Account when they are applicable.

B. Members of Parliament Retiring Compensation Arrangements Account

1. Contributions

The MPRCA Account is credited with current and prior service contributions made by members of Parliament and the government.

2. Income Tax Payments or Refunds

The MPRCA Account is charged or credited in each calendar year with an amount equal to the net amount of tax, if any, determined at the end of the year to be payable under subsection 207.7(1) or refundable under subsection 207.7(2) of the *Income Tax Act*.

3. Investment Earnings

The interest rate applying to net cash flows (contributions minus benefits, as well as income tax payments or refunds) to the MPRCA Account is set by regulation and is currently 2.5% per quarter. Interest is credited at the end of the quarter on the balance at the beginning of the quarter.

4. Payment of Benefits

All benefit payments pursuant to the plan are charged to the MPRCA Account when they are applicable.

C. Balance Sheet by Account

The balance sheet was prepared using the assets from Appendix 3, the data described in Appendix 6, the methodology described in Appendix 7 and the assumptions described in Appendices 8 and 9.

Table 18 Balance Sheet by Account as at 31 March 2001

	MPRA Account (\$ Million)	MPRCA Account (\$ Million)	Combined (\$ Million)
Assets			
Balance in Accounts	322.7	52.4	375.1
Actuarial present value of future contributions and government credits in respect of prior service	0.9	3.3	4.2
Refundable Tax in Account	<u>-</u>	<u>49.0</u>	<u>49.0</u>
Total assets	323.6	104.7	428.3
Liabilities			
House of Commons			
For benefits to and in respect of current members	63.8	117.3	181.1
For benefits to and in respect of former members			
-Pensioners	168.8	29.4	198.2
-Survivors and children	<u>14.2</u>	<u>0.1</u>	<u>14.3</u>
Subtotal	246.8	146.8	393.6
Senate			
For benefits to and in respect of senators	21.0	8.8	29.8
For benefits to and in respect of former senators			
-Pensioners	17.7	2.5	20.2
-Survivors and children	<u>6.5</u>	<u>0.5</u>	<u>7.1</u>
Subtotal	45.2	11.8	57.0
Prime Minister			
For benefits to and in respect of Prime Minister	-	0.8	0.8
For benefits to and in respect of former Prime Ministers			
-Pensioners	-	1.2	1.2
Subtotal	<u>-</u>	<u>2.0</u>	<u>2.0</u>
Total liabilities	292.1	160.6	452.7
Surplus	31.6	(56.0)	(24.4)

D. Reconciliation of Balances in Accounts

The table below shows the reconciliation of assets in the Accounts from the last valuation date to the current valuation date. Some amounts in this table do not add to the totals due to rounding. Since the last valuation, the Accounts balance has grown by \$70.3 million (i.e. a 23.0% increase) to reach \$375.1 million as at 31 March 2001. The net growth in the Accounts balance is to a large extent the result of interest credits made.

**Table 19 Reconciliation of Balances in Accounts
(\$ Million)**

	MPRA				MPRCA			
	1999	2000	2001	1999-2001	1999	2000	2001	1999-2001
Account Opening Balance as at 1 April	270.9	286.0	303.1	270.9	33.9	39.7	45.5	33.9
INCOME								
Member Contributions	1.1	1.1	1.6	3.7	1.4	1.2	1.8	4.4
Government Contributions	2.3	2.7	2.9	7.8	6.8	7.4	7.8	22.0
Tax refund from CCRA	-	-	-	-	-	-	-	-
Interest	<u>27.6</u>	<u>29.4</u>	<u>31.0</u>	<u>88.0</u>	<u>3.8</u>	<u>4.5</u>	<u>5.0</u>	<u>13.3</u>
Subtotal	31.0	33.1	35.5	99.6	11.9	13.1	14.7	39.7
EXPENDITURES								
Annual Allowances	15.2	15.3	15.5	46.0	1.0	1.0	1.1	3.1
Withdrawal Allowances	-	0.1	0.2	0.3	0.1	0.1	0.2	0.4
Refundable Tax Remitted to CCRA	-	-	-	-	5.1	5.8	6.5	17.4
Pension Division Payments	<u>0.7</u>	<u>0.5</u>	<u>0.2</u>	<u>1.4</u>	<u>-</u>	<u>0.4</u>	<u>-</u>	<u>0.4</u>
Subtotal	15.9	16.0	15.9	47.8	6.2	7.3	7.8	21.2
Account Closing Balance as at 31 March	286.0	303.1	322.7	322.7	39.7	45.5	52.4	52.4
Refundable Tax in Account	-	-	-	-	36.7	42.5	49.0	49.0
Total Assets (excluding present value of future contributions)	286.0	303.1	322.7	322.7	76.4	88.0	101.4	101.4

E. Rates of Return

The *Members of Parliament Retiring Allowances Regulations* stipulate that the amount of interest to be credited to the MPRA and the MPRCA Accounts in respect of each quarter of a plan year shall be equal to 2.5% of the balance to the credit of the Accounts on the last day of the preceding quarter. The rate of return is therefore 10.4% per annum.

F. Sources of Asset Data

The Account entries shown in item D above were taken from the Public Accounts of Canada. In accordance with section 8 of the PRA, the Comptrollership Branch of the Secretariat of Treasury Board of Canada provided a certification of the assets of the plan as at 31 March 2001.

Appendix 4 - Cost Certificate and Allocation of Normal Costs of MPRA and MPRCA Accounts

A. Normal Cost

Table 20 Normal Costs by Account

Plan Year	Participants	MPRA Account		MPRCA Account	
		% of Pensionable Payroll	\$ Million	% of Pensionable Payroll	\$ Million
2002	House of Commons	10.7	4.4	38.2	15.7
	Senate	7.5	0.7	22.3	2.1
	Prime Minister	—	—	<u>80.6</u>	<u>0.1</u>
	All	10.1	5.1	35.4	18.0
2003	House of Commons	10.8	4.6	39.6	16.9
	Senate	7.7	0.8	23.3	2.5
	Prime Minister	—	—	<u>82.9</u>	<u>0.1</u>
	All	10.2	5.4	36.6	19.5
2004	House of Commons	11.0	4.8	40.7	17.9
	Senate	7.6	0.8	25.1	2.7
	Prime Minister	—	—	<u>85.9</u>	<u>0.1</u>
	All	10.3	5.7	37.8	20.8
2005	All	10.3	5.8	38.4	21.8
2006	All	10.2	6.0	38.9	22.8
2011	All	11.1	7.4	43.4	29.1
2016	All	11.4	9.4	44.9	37.0
2021	All	11.3	11.5	44.9	45.4
2026	All	11.2	13.9	44.9	55.7

B. Allocation of Normal Costs

The foregoing normal costs are borne jointly by the members of Parliament and the government. Members of Parliament make required contributions in accordance with a contribution rate (see Tables 9 to 14), with the government covering the balance of the normal cost. Table 21 represents the allocation of normal cost to be paid with respect to the MPRA and the MPRCA Accounts.

Table 21 Allocation of Normal Cost as Percentage of Pensionable Payroll

Plan Year	Participants	MPRA Account			MPRCA Account		
		Government (G)	Members (M)	Ratio (G/M)	Government (G)	Members (M)	Ratio (G/M)
2002	House of Commons	8.3	2.4	3.46	33.5	4.6	7.22
	Senate	5.2	2.3	2.28	17.5	4.9	3.59
	Prime Minister	—	—	—	<u>73.6</u>	<u>7.0</u>	<u>10.51</u>
	All	7.7	2.4	3.24	30.7	4.7	6.52
2003	House of Commons	8.5	2.3	3.69	34.8	4.7	7.34
	Senate	5.5	2.3	2.40	18.5	4.9	3.79
	Prime Minister	—	—	—	<u>75.9</u>	<u>7.0</u>	<u>10.84</u>
	All	7.9	2.3	3.44	31.8	4.8	6.64
2004	House of Commons	8.7	2.2	3.90	35.9	4.8	7.47
	Senate	5.5	2.2	2.55	20.1	5.0	4.03
	Prime Minister	—	—	—	<u>78.9</u>	<u>7.0</u>	<u>11.26</u>
	All	8.1	2.2	3.64	33.0	4.9	6.78
2005	All	8.1	2.2	3.67	33.5	4.9	6.87
2006	All	8.0	2.2	3.64	34.0	4.9	7.00
2011	All	8.9	2.2	4.08	38.5	4.9	7.88
2016	All	9.2	2.2	4.27	40.0	4.9	8.19
2021	All	9.2	2.2	4.24	40.0	4.9	8.22
2026	All	9.1	2.2	4.21	40.0	4.9	8.20

Appendix 5 - Reconciliation of MPRA and MPRCA Results with Previous Report

This appendix describes the various factors reconciling the surplus and normal cost of this valuation with the corresponding items of the previous valuation. Tables 23 and 24 reconcile surplus and normal cost of the MPRA Account and the MPRCA Account.

Table 22 Reconciliation of Results with Previous Report in MPRA Account

	Surplus (\$ Million)	Surplus as % of Liabilities as at 31 March 2001	Normal Cost as % of pensionable payroll
As at 31 March 1998	36.6	12.5	13.42
Interest on surplus	12.6	4.3	-
Expected normal cost change	-	-	1.30
Effect of Bill C-28	(41.4)	(14.2)	(4.95)
Effect of Bill C-37	(3.1)	(1.1)	0.51
Experience gains and losses			
Interest earnings	9.1	3.1	-
Pension indexation	(3.2)	(1.1)	
New entrants	-	-	(0.63)
Mortality	2.6	0.9	-
Double-dipping provision	1.8	0.6	-
Miscellaneous	(0.6)	(0.2)	-
Total	9.6	3.3	(0.63)
Revision of valuation assumptions and methodology			
Pension indexation	10.1	3.5	(0.25)
Remuneration increases	3.4	1.1	(0.51)
Termination	0.8	0.3	(0.03)
Probability of general election	2.8	1.0	1.20
Miscellaneous	(0.9)	(0.3)	0.09
Total	16.2	5.5	0.49
Miscellaneous	1.1	0.3	(0.03)
As at 31 March 2001	31.6	10.8	10.11

Table 23 Reconciliation of Results with Previous Report in MPRCA Account

	Surplus (\$ Million)	Surplus as % of Liabilities as at 31 March 2001	Normal Cost as % of pensionable payroll
As at 31 March 1998	0.7	0.5	36.23
Data corrections and refinements	1.6	1.0	(0.15)
Interest on surplus	0.3	0.2	-
Expected normal cost change	-	-	0.87
Cost/contribution differences	(2.0)	(1.2)	-
Effect of Bill C-28	(66.0)	(41.1)	(1.62)
Effect of Bill C-37	(6.9)	(4.3)	0.87
Experience gains and losses			
Interest earnings	1.8	1.1	-
Pension indexation	(0.4)	(0.2)	-
Remuneration increases	0.3	0.2	-
New entrants	(0.4)	(0.2)	(1.07)
Return to Parliament	-	-	-
Termination from parliament	(0.1)	(0.1)	-
Mortality	1.0	0.6	-
Effect of PBDA and OSB	-	-	-
Double-dipping provision	0.5	0.3	-
Miscellaneous	<u>(0.1)</u>	<u>-</u>	<u>-</u>
Total	2.6	1.6	(1.07)
Revision of valuation assumptions and methodology			
Interest rates	(0.8)	(0.5)	0.24
Pension indexation	5.0	3.1	(0.88)
Remuneration increases	5.4	3.4	(1.69)
Termination	1.4	0.9	(0.13)
Probability of general election	2.3	1.5	2.78
Mortality	<u>-</u>	<u>-</u>	<u>(0.04)</u>
Total	13.4	8.3	0.27
As at 31 March 2001	(55.9)	(34.8)	35.40

Appendix 6 - Membership Data

A. Sources of Membership Data

The Accounting Division of the Administration and Personnel Branch of the Senate provided seriatim records comprising valuation data on senators. The House of Commons Division of Public Works and Government Services Canada Department provided similar records for members of the House of Commons and for the Prime Minister. In accordance with section 8 of the PPRA, the Comptroller General of Canada provided a certification of the notional assets of the MPRA and MPRCA Accounts for purposes of this valuation.

B. Validation of Membership Data

The principal tests applied to the basic data can be separated into two categories:

1. Status-Related Tests

The valuation data supplied by the Accounting Division of the Administration and Personnel Branch of the Senate and by the House of Commons Division of the Public Works and Government Services Canada Department contains status information for each member during the period from 31 March 1998 to 31 March 2001. The following status tests were made:

- a reconciliation was made between the status of members and pensioners as at 1 April 1998 per the current valuation data and the status of members as at 31 March 1998 per the previous valuation data;
- a reconciliation was made between the status of members and pensioners as at 31 March 2001 per the current valuation data and the status of members as shown on the Canadian Parliamentary Web Site;
- for active members, a verification that the age and pensionable service of members of Parliament are reasonable in comparison with the information included in the historical actuarial valuation data and on the Canadian Parliamentary Web Site; and
- for all pensioners, a comparison was made of member valuation data as at 31 March 2001 with the membership shown in the historical database maintained by the Chief Actuary for valuation purposes.

2. Benefits-Related Tests

Consistency tests were made as follows to ensure that all proper information required to value the member benefits based on their status as at 31 March 2001 was included:

(a) For Active Members

A verification that the members' additional allowance was reasonable.

(b) For Pensioners and Survivors in Receipt of an Allowance

- For pensioners and survivors emerging between 31 March 1998 and 31 March 2001, a verification that the amount of the retirement allowance, including indexation up to 1 January 1998, is consistent with the expected

retirement allowance estimated using the information included in the historical actuarial valuation data; and

- For pensioners and survivors entitled to a retirement allowance as at 1 April 1998, a verification that the amount of retirement allowance shown in the current valuation data agrees with that shown in the historical actuarial valuation data.

3. Adjustments to Status and Benefit Data

Based on the omissions and discrepancies identified by the tests mentioned above and several additional tests, appropriate adjustments were made to the basic data after consulting with the data providers.

C. Membership

The following tables summarized as at 31 March 2001 the information regarding participants, pensioners and survivors, additional allowances paid to participants, annual allowances paid to pensioners, annual allowances suspended due to double-dipping and survivors entitled to immediate annual allowances.

Table 24 Participants as at 31 March 2001

	Number	Average Age	Average Service
House of Commons			
Males	239	51.23	6.32
Females	62	52.24	5.45
Senate			
Males	61	64.67	13.47
Females	32	64.41	7.78
Vacant seats	13	-	-

Table 25 Pensioners and Survivors as at 31 March 2001

Type of Beneficiary	Number	Average Age	Annual Allowances	
			Total	Average
Pensioners	412	67.9	\$14,815,136	\$35,959
Survivors	35	77.2	\$780,028	\$22,287
Surviving children	5	15.8	\$9,652	\$1,930
Grand Totals	452		\$15,604,816	\$34,524

Table 26 Reconciliation of Members of Parliament Contributing to Plan

	House of Commons			Senate		
	Male	Female	Total	Male	Female	Total
As at 31 March 1998	203	58	261	71	26	97
Data corrections	-	-	-	(1)	2	1
New entrants	49	8	57	15	10	25
Members who resumed coverage per Bill C-37 amendment	36	3	39	-	-	-
Retirement allowances						
Terminations	(31)	(2)	(33)	(14)	(2)	(16)
Deaths	-	(1)	(1)	(4)	-	(4)
Lump sum benefits						
Terminations	(18)	(4)	(22)	(6)	(4)	(10)
Appointment to Senate	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 March 2001	239	62	301	61	32	93

Table 27 Reconciliation of Pensioners

	Former Members of House of Commons			Former Senators		
	Male	Female	Total	Male	Female	Total
As at 31 March 1998	361	26	387	35	5	40
Data corrections	-	-	-	1	-	1
New entitlements	31	2	33	14	2	16
Deaths	(34)	(1)	(35)	(7)	-	(7)
Return to Parliament	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 March 2001	355	27	382	43	7	50
Annual allowances suspended due to double-dipping provision	<u>(17)</u>	<u>(1)</u>	<u>(18)</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>
Pensioners currently receiving annual allowance	338	26	364	41	7	48

Table 28 Reconciliation of Survivors

	Former Members of House of Commons			Former Senators		
	Widow	Widower	Total	Widow	Widower	Total
As at 31 March 1998	84	1	85	30	1	31
Data corrections	(2)	-	(2)	-	-	-
New entitlements	17	-	17	6	-	6
Deaths	<u>(15)</u>	<u>-</u>	<u>(15)</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>
As at 31 March 2001	84	1	85	34	1	35

Table 29 Members of House of Commons as at 31 March 2001

Age Last Birthday	Completed Years of Service								All Durations
	Males				Females				
	0 - 5	6 - 9	10 - 14	15+	0 - 5	6 - 9	10 - 14	15+	
20 - 24	1	-	-	-	-	-	-	-	1
25 - 29	2	1	-	-	-	-	-	-	3
30 - 34	7	2	-	-	1	-	-	-	10
35 - 39	10	6	-	-	-	2	-	-	18
40 - 44	13	7	1	-	2	1	-	-	24
45 - 49	19	12	5	3	8	5	2	1	55
50 - 54	18	29	11	3	7	8	1	-	77
55 - 59	15	25	4	4	8	3	2	-	61
60 - 64	6	10	8	2	2	5	2	-	35
65 - 69	-	5	3	2	1	1	-	-	12
70 - 79	<u>1</u>	<u>3</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
All Ages	92	100	32	15	29	25	7	1	301

Table 30 Senators as at 31 March 2001

Age Last Birthday	Completed Years of Service								All Durations
	Males				Females				
	0 - 5	6 - 9	10 - 14	15+	0 - 5	6 - 9	10 - 14	15+	
50 - 54	1	1	-	-	1	-	1	-	4
55 - 59	2	3	2	3	3	2	1	1	17
60 - 64	4	3	6	5	-	4	1	1	24
65 - 69	2	-	4	9	3	2	2	1	23
70 - 74	<u>4</u>	<u>1</u>	<u>5</u>	<u>6</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>25</u>
All Ages	13	8	17	23	10	10	7	5	93

Table 31 Members of Parliament Receiving Additional Allowances as at 31 March 2001

Age Last Birthday	Completed Years of Service								
	Male				Female				All Durations
	0 - 5	6 - 9	10 - 14	15+	0 - 5	6 - 9	10 - 14	15+	
30 - 34	2 \$7,150	- -	- -	- -	- -	- -	- -	- -	2 \$7,150
35 - 39	3 \$21,874	2 \$36,248	- -	- -	- -	1 \$9,400	- -	- -	6 \$24,586
40 - 44	2 \$38,248	2 \$18,850	1 \$9,400	- -	2 \$7,150	- -	- -	- -	7 \$19,699
45 - 49	6 \$17,516	8 \$28,002	2 \$33,998	2 \$38,248	4 \$9,150	3 \$27,132	- -	1 \$63,096	26 \$25,181
50 - 54	8 \$13,788	16 \$12,294	10 \$33,919	2 \$63,096	2 \$36,248	3 \$43,697	2 \$26,161	- -	43 \$23,914
55 - 59	5 \$14,224	9 \$20,222	3 \$36,432	5 \$26,876	5 \$27,155	5 \$37,608	1 \$5,000	1 \$5,000	34 \$24,430
60 - 64	3 \$9,293	9 \$9,309	8 \$34,046	5 \$28,840	2 \$9,150	4 \$12,415	3 \$11,267	1 \$5,000	35 \$18,143
65 - 69	- -	- -	2 \$30,361	5 \$43,701	3 \$9,293	2 \$7,240	2 \$7,240	- -	14 \$24,005
70 - 79	- -	4 \$8,175	1 \$30,360	1 \$9,400	2 \$7,240	1 \$5,000	- -	1 \$5,000	10 \$9,694
All Ages	29 \$16,235	50 \$16,588	27 \$32,938	20 \$35,459	20 \$15,992	19 \$25,214	8 \$13,200	4 \$19,524	177 \$21,928

Average age last birthday: 55.3

Average service at last anniversary: 8.4 years

Table 32 Annual Allowances in Pay as at 31 March 2001
(Includes former members of House of Commons and former Senators)

Age Last Birthday	Male	Female	Total	Annual Allowances Payable From		
				MPRA Account (\$)	MPRCA Account (\$)	Combined (\$)
40 - 44	4	1	5	122,605	35,421	158,026
45 - 49	17	-	17	270,777	131,605	402,382
50 - 54	22	2	24	618,017	130,723	748,740
55 - 59	40	1	41	943,369	270,457	1,213,826
60 - 64	67	11	78	3,108,897	336,502	3,445,399
65 - 69	51	5	56	2,058,115	153,238	2,211,353
70 - 74	57	5	62	2,282,336	69,625	2,351,961
75 - 79	66	2	68	2,330,079	169,781	2,499,860
80 - 84	31	2	33	962,173	17,113	979,286
85 - 89	17	3	20	592,256	-	592,256
90 - 94	7	-	7	198,433	-	198,433
95 - 99	-	1	1	13,614	-	13,614
Total	379	33	412	13,500,671	1,314,465	14,815,136

**Table 33 Former Members of House of Commons Entitled to Annual Allowances Payable from MPRA Account
(as at 31 March 2001)**

Age Last Birthday	Members			Annual Allowances Payable			
				Before Age 60 (\$)	From Age 60		Total (\$)
	Male	Female	Total		Basic (\$)	Indexing (\$)	
40 - 44	4	1	5	122,605	146,849	13,821	160,670
45 - 49	17	-	17	270,777	415,218	14,945	430,163
50 - 54	22	2	24	618,017	694,754	105,428	800,182
55 - 59	39	-	39	926,437	1,060,235	212,670	1,272,905
60 - 64	65	11	76		2,613,372	463,515	3,076,887
65 - 69	48	5	53		1,532,341	442,372	1,974,713
70 - 74	55	4	59		1,471,106	695,503	2,166,609
75 - 79	44	1	45		766,085	606,851	1,372,936
80 - 84	25	1	26		331,789	346,682	678,471
85 - 89	12	-	12		159,307	141,099	300,406
90 - 94	7	-	7		64,991	133,442	198,433
95 - 99	-	1	1		2,576	11,038	13,614
Total	338	26	364	1,937,836	9,258,623	3,187,366	12,445,989

Table 34 Former Members of House of Commons Entitled to Annual Allowances Payable from MPRCA Account (as at 31 March 2001)

Age Last Birthday	Members			Annual Allowances Payable				
	Male	Female	Total	Before Age 55 (\$)	From Ages 55 to 60 (\$)	From Age 60 ¹		Total (\$)
						Basic (\$)	Indexing (\$)	
40 - 44	4	1	5	35,421	57,730	33,486	1,690	35,176
45 - 49	17	-	17	131,605	197,675	138,035	760	138,795
50 - 54	22	2	24	130,723	167,589	102,491	2,853	105,344
55 - 59	39	-	39		248,985	145,387	3,805	149,192
60 - 64	65	11	76			310,094	15,935	326,029
65 - 69	48	5	53			132,855	11,598	144,453
70 - 74	55	4	59			56,975	3,964	60,939
75 - 79	44	1	45			44,402	2,994	47,396
80 - 84	25	1	26			-	-	-
85 - 89	12	-	12			-	-	-
90 - 94	7	-	7			-	-	-
95 - 99	-	1	1	-	-	-	-	-
Total	338	26	364	297,749	671,979	963,725	43,599	1,007,324

¹ Including former Prime Minister compensation allowance payable from the day on which that person ceases to be a Member or reaches 65 years of age, whichever is the later.

**Table 35 Former Senators Entitled to Annual Allowances Payable from MPRA Account
(as at 31 March 2001)**

Age Last Birthday	Members			Annual Allowances Payable			
				Before Age 60 (\$)	From Age 60		
	Male	Female	Total		Basic (\$)	Indexing (\$)	Total (\$)
55 - 59	1	1	2	16,932	30,809	2,099	32,908
60 - 64	2	-	2		31,772	238	32,010
65 - 69	3	-	3		78,054	5,348	83,402
70 - 74	2	1	3		106,873	8,854	115,727
75 - 79	22	1	23		881,000	76,143	957,143
80 - 84	6	1	7		254,827	28,875	283,702
85 - 89	<u>5</u>	<u>3</u>	<u>8</u>		<u>221,282</u>	<u>70,568</u>	<u>291,850</u>
Total	41	7	48	16,932	1,604,617	192,125	1,796,742

**Table 36 Former Senators Entitled to Annual Allowances Payable from MPRCA Account
(as at 31 March 2001)**

Age Last Birthday	Members			Annual Allowances Payable				
				Before Age 55 (\$)	From Ages 55 to 60 (\$)	From Age 60		
	Male	Female	Total			Basic (\$)	Indexing (\$)	Total (\$)
55 - 59	1	1	2	-	21,472	7,593	58	7,651
60 - 64	2	-	2			10,388	85	10,473
65 - 69	3	-	3			8,469	316	8,785
70 - 74	2	1	3			8,686	-	8,686
75 - 79	22	1	23			118,200	4,185	122,385
80 - 84	6	1	7			15,695	1,418	17,113
85 - 89	<u>5</u>	<u>3</u>	<u>8</u>			<u>-</u>	<u>-</u>	<u>-</u>
Total	41	7	48	-	21,472	169,031	6,062	175,093

**Table 37 Annual Allowances from MPRA Account Suspended due to Double-Dipping Provision¹
(as at 31 March 2001)**

Age Last Birthday	Members			Annual Allowances Payable			
				Before Age 60 (\$)	From Age 60		Total (\$)
	Male	Female	Total		Basic (\$)	Indexing (\$)	
40 - 44	1	-	1	23,753	36,041	1,085	37,126
45 - 49	1	-	1	10,021	17,240	1,029	18,269
50 - 54	1	1	2	44,506	54,956	5,328	60,284
55 - 59	1	-	1	10,021	17,459	1,042	18,501
60 - 64	7	-	7		217,693	41,795	259,488
65 - 69	5	-	5		258,321	28,525	286,846
70 - 74	2	-	2		75,542	7,565	83,107
75 - 79	<u>1</u>	<u>-</u>	<u>1</u>		<u>70,078</u>	<u>5,781</u>	<u>75,859</u>
Total	19	1	20	88,301	747,330	92,150	839,480

**Table 38 Annual Allowances from MPRCA Account Suspended due to Double-Dipping Provision¹
(as at 31 March 2001)**

Age Last Birthday	Members			Annual Allowances Payable				
				Before Age 55 (\$)	From Ages 55 to 60 (\$)	From Age 60		Total (\$)
	Male	Female	Total			Basic (\$)	Indexing (\$)	
40 - 44	1	-	1	15,420	33,577	5,869	177	6,046
45 - 49	1	-	1	11,373	16,718	9,499	567	10,066
50 - 54	1	1	2	21,954	27,068	16,618	1,360	17,978
55 - 59	1	-	1		17,323	9,885	590	10,475
60 - 64	7	-	7			53,236	2,803	56,039
65 - 69	5	-	5			22,511	869	23,380
70 - 74	2	-	2			11,434	717	12,151
75 - 79	<u>1</u>	<u>-</u>	<u>1</u>			<u>-</u>	<u>-</u>	<u>-</u>
Total	19	1	20	48,747	94,686	129,052	7,083	136,135

¹ Includes former members of House of Commons and former Senators.

Table 39 Survivors of Former Members of House of Commons Entitled to Immediate Annual Allowances
(as at 31 March 2001)

Age Last Birthday	Number	From MPRA Account			From MPRCA Account		
		Basic (\$)	Indexing (\$)	Total (\$)	Basic (\$)	Indexing (\$)	Total (\$)
50 - 54	1	8,878	7,561	16,439	-	-	-
55 - 59	4	63,129	22,134	85,263	2,737	332	3,069
60 - 64	5	65,426	33,689	99,115	-	-	-
65 - 69	3	38,879	29,182	68,061	-	-	-
70 - 74	19	258,367	167,760	426,127	2,997	342	3,339
75 - 79	19	203,384	174,363	377,747	-	-	-
80 - 84	15	55,698	154,508	210,206	-	-	-
85 - 89	9	29,978	73,231	103,209	-	-	-
90 - 94	8	43,093	89,320	132,413	-	-	-
95 - 99	<u>2</u>	<u>3,112</u>	<u>12,614</u>	<u>15,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	85	769,944	764,362	1,534,306	5,734	674	6,408

Table 40 Survivors of Former Senators Entitled to Immediate Annual Allowances
(as at 31 March 2001)

Age Last Birthday	Number	From MPRA Account			From MPRCA Account		
		Basic (\$)	Indexing (\$)	Total (\$)	Basic (\$)	Indexing (\$)	Total (\$)
45 - 49	1	5,996	318	6,314	2,263	120	2,383
50 - 54	1	27,365	9,600	36,965	-	-	-
55 - 59	1	22,033	890	22,923	3,176	128	3,304
60 - 64	1	21,737	1,226	22,963	2,160	122	2,282
65 - 69	4	69,969	3,655	73,624	11,690	622	12,312
70 - 74	3	45,178	18,705	63,883	3,395	354	3,749
75 - 79	7	125,677	27,331	153,008	1,711	214	1,925
80 - 84	9	118,384	84,640	203,024	504	72	576
85 - 89	3	39,500	30,557	70,057	-	-	-
90 - 94	<u>5</u>	<u>72,972</u>	<u>27,764</u>	<u>100,736</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	35	548,811	204,686	753,497	24,899	1,632	26,531

**Table 41 Surviving Children Entitled to Immediate Annual Allowances
(as at 31 March 2001)**

Age Last Birthday	Number	From MPRA Account			From MPRCA Account		
		Basic (\$)	Indexing (\$)	Total (\$)	Basic (\$)	Indexing (\$)	Total (\$)
0 - 17	3	2,250	120	2,370	849	45	894
5 - 22	<u>2</u>	<u>5,506</u>	<u>584</u>	<u>6,090</u>	<u>283</u>	<u>15</u>	<u>298</u>
Total	5	7,756	704	8,460	1,132	60	1,192

Appendix 7 - Methodology

A. Assets

The assets of the plan consist essentially of the recorded balance in the MPRA and the MPRCA Accounts and of the Refundable Tax Account held by the Canada Customs and Revenue Agency. The assets in the MPRA and MPRCA Accounts are shown at the book value and are recognized as part of the public debt.

The only other plan asset consists of the value, discounted in accordance with the projected yields on the combined Superannuation Account (see section D below), of all future member contributions and government credits in respect of prior service elections.

B. Normal Costs

The projected accrued benefit actuarial cost method (also known as the projected unit credit method) was used to compute normal costs. Under this method, the normal cost computed in respect of a given year corresponds to the value, discounted in accordance with the projected yields (described in section D below and shown in Appendix 8), of all future benefits considered to accrue in respect of that year's service. Consistent with this cost method, sessional indemnity and additional allowances are projected to retirement in accordance with the assumed annual increases in average remuneration.

C. Liabilities

1. Members of Parliament

Consistent with the projected accrued benefit actuarial cost method employed to estimate normal costs, the plan's liabilities in respect of members of Parliament as at the valuation date correspond to the value, discounted in accordance with the projected yields on the Accounts, of all future benefits having accrued as at that date in respect of all previous years' service.

2. Pensioners and Survivors

Consistent with accepted actuarial practice and standards, the plan's liabilities as at the valuation date in respect of pensioners (including deferred annuitants) and survivors correspond to the value, discounted in accordance with the projected yields on the Accounts, of all outstanding future benefits.

D. Assumed Interest Rates

The current *Members of Parliament Retiring Allowances Regulations* stipulate that the amount of interest to be credited to the MPRA and the MPRCA Accounts in respect of each quarter of a plan year shall be equal to 2.5% of the balance to the credit of the Accounts on the last day of the preceding quarter.

For the purpose of projecting costs and liabilities, it appears more appropriate to assume that should the general level of interest rates change, the Regulations that stipulate the interest to be credited to the Accounts may be amended. Therefore, the projected yields assumed in computing the present value of benefits involved in estimating the normal costs and liabilities mentioned in sections B and C above are the projected annual yields on the combined book value of the Superannuation Accounts of the pension plans established

under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. These three plans were deemed the most appropriate model to estimate the future interest rates. As in the previous valuation, the yields were determined using the open-group approach, meaning that expected future contributions are taken into account in projecting the annual yield on the combined Superannuation Accounts of the three plans.

The open-group approach was retained in accordance with the plan provision, common to the three above-mentioned plans, stipulating that the average yield on the combined Accounts is to be used in allocating aggregate investment earnings to each of the three Accounts.

The projected yields were determined by an iterative process involving the notional assets of the three Accounts as at the valuation date, the assumed future new money interest rates (shown in Appendix 8), and all future contributions as well as all future expected benefits payable in respect of all pension entitlements either accrued before the valuation date or accruing thereafter.

E. Membership Data

For valuation purposes, data for members of the House of Commons and senators were grouped by individual age and by number of years of service.

For members of Parliament who were receiving or are receiving additional allowances, data were grouped accordingly to their total remuneration.

Appendix 8 - Economic Assumptions

A. Key Economic Assumptions

The following basic assumptions in respect of each future year are not used directly in the valuation. However, the valuation is based on the economic assumptions derived therefrom.

1. Interest Rate on New Money

The ultimate real rate of return¹ on the investment of future net cash flows in long-term (at least 20 years to maturity) Government of Canada bonds is projected to be 3.0% per annum. This real rate is unchanged from the previous valuation.

Over the last 60 years, the real-return differential on long Government of Canada bonds has often been less than 3.0% per annum. In fact, negative differentials were not uncommon until the early 1980s. It is only in the last 15 years that high real-return differentials (as much as 8.0% per annum) have prevailed.

2. Level of Inflation

The ultimate level of inflation was assumed at 3% per annum. Given the prospects of stable, moderate inflation for the foreseeable future and the average Canadian experience over the last 75¹ years (3.17 % per annum), this seems appropriate. Current lower levels of inflation were assumed to trend to 3% per annum over a 15-year select period.

3. Average Canadian Wage Increase

The assumed ultimate productivity rate (i.e. real increase in average employment earnings in excess of inflation) was assumed at 1% per annum. This lies between the average Canadian experience of the past 25¹ years (0.10% per annum) and 75¹ years (1.51 % per annum). Low current real increases in average earnings were assumed to rise gradually over a 15-year select period to reach the ultimate level of 1% per annum.

B. Derived Economic Assumptions

1. Valuation Interest Rates

The valuation interest rate for the MPRA is the projected fund yield while that for the MPRCA is half of the projected fund yield because half of each interest credit is remitted to CCRA as a refundable tax. These rates are required for the computation of present values of benefits involved to determine the liabilities and normal costs for the MPRA and MPRCA, respectively. The methodology used to determine the projected fund yields is described in Appendix 7.

2. Pension Indexing Factor

The year's pension indexing factor is involved in the valuation process by virtue of its role in the pension inflation adjustments. It was derived by applying the indexation

¹ Note that all of the real rates of return referred to in this report are actually real-return differentials, i.e. the difference between the effective annual coupon yield on long Government of Canada bonds and the rate of increase in prices. This differs from the technical definition of the real rate of return, which, in the case of the ultimate new money rate assumption, would be 2.91% (derived from 1.06/1.03) rather than 3.0%.

formula described in Appendix 2, which relates to the assumed CPI increases over successive 12-month periods ending on 30 September.

3. Members of Parliament Remuneration Increase

The *Parliament of Canada Act* restricts the annual increases in the remuneration reference amount to changes in the annual salary of the Chief Justice. Judicial salaries follow much the same pattern of increase as the Industrial Aggregate to which they are indexed with a lag of several months. For the 2001 plan year, the pensionable remuneration of members of the House of Commons and senators increased respectively by 90% and 53% as a result of the Bill C-28 amendments. Thereafter, the remuneration of the members of the House of Commons and of the Senate is assumed to increase in line with the provisions of the *Parliament of Canada Act*.

4. Maximum Pensionable Salary (MPS) Increase

The MPS is involved in the valuation process because the benefits accrued in respect of pensionable salary (sessional indemnity and additional allowances) over the MPS must be funded through the Retirement Compensation Arrangements (RCA). The MPS was \$86,111 in 1998 and will be indexed after 2004 in accordance with the increase in the assumed Industrial Aggregate of Average Weekly Earnings over successive 12-month periods ending on 30 June.

C. Margin Against Adverse Fluctuations

Actuarial valuations prepared for private employers' pension plans normally include safety margins. This is done mainly to ensure that on plan wind-up there would be, taking into account possible future fluctuations in economic and demographic factors, sufficient funds for the payment of all future benefits accrued as at the wind-up date. Such rationale does not appear to apply to this plan because it is sponsored by the Government of Canada.

There is an implicit margin in the liabilities to the extent that the assumed ultimate real rate of return (i.e. 3.0% per annum) is considered to be on the low side. If the plan were funded conventionally, this margin would tend to produce surpluses in future valuations.

D. Members Receiving Additional Allowances

Some members, in addition to their sessional indemnity, receive an additional allowance in their capacity as Minister, Speaker, Leader of Opposition, etc. Members may elect not to contribute on those additional allowances to the MPRA and MPRCA Accounts, in which case additional benefits will not be accrued. To determine the normal costs in the future plan years, assumptions regarding who will receive these additional allowances in future are required.

For this review, any member receiving an additional allowance at the valuation date is deemed to continue to receive it as long as he or she remains a member of Parliament. We retained this assumption from the preceding review.

Table 42 Economic Assumptions

(annual rates)

Plan Year	Interest		Inflation		Employment Earnings		
	New Money Rate	Valuation Rate	Price Increase	Pension Indexing	Industrial Aggregate Increase	MPS Increase	Members of Parliament Remuneration Increase
2002	5.0%	8.72%	2.6%	3.0%	2.0%	-	3.3%
2003	5.0%	8.50%	2.0%	2.0%	2.2%	-	3.3%
2004	5.0%	8.24%	2.0%	2.0%	2.3%	-	3.2%
2005	5.0%	7.98%	2.0%	2.0%	2.4%	2.4%	2.3%
2006	5.1%	7.72%	2.0%	2.0%	2.5%	2.5%	2.4%
2007	5.2%	7.50%	2.1%	2.1%	2.7%	2.6%	2.5%
2008	5.3%	7.30%	2.2%	2.2%	2.9%	2.8%	2.6%
2009	5.4%	7.09%	2.3%	2.3%	3.1%	3.0%	2.8%
2010	5.5%	6.90%	2.4%	2.4%	3.3%	3.2%	3.0%
2011	5.6%	6.70%	2.5%	2.5%	3.5%	3.4%	3.2%
2016	6.0%	5.75%	3.0%	3.0%	4.0%	4.0%	3.9%
2021	6.0%	5.60%	3.0%	3.0%	4.0%	4.0%	4.0%
2026	6.0%	5.73%	3.0%	3.0%	4.0%	4.0%	4.0%
2036+	6.0%	6.00%	3.0%	3.0%	4.0%	4.0%	4.0%

Appendix 9 - Demographic Assumptions

Except where otherwise noted, all demographic assumptions were determined from the plan's own experience as was done in the past. Assumptions of the previous valuation were updated to reflect the experience from 31 March 1998 to 31 March 2001. As in the previous valuation, demographic assumptions were grouped on a *last* basis, i.e. age and years of service were rounded to the next lower integer.

A. Members of Parliament

1. New Members

To estimate the normal costs shown in the cost certificate (Appendix 4), assumptions are required regarding the number, age, and sex of future new members. New members include members elected to the House of Commons and members appointed to the Senate. Similar assumptions were made for members who start receiving additional allowances. The number of future entrants was determined so that, along with the assumed future terminations, the number of members in the House of Commons and the Senate would remain constant in the future for both males and females. Furthermore, for the Senate, we assumed that the vacant seats would be filled in the plan year 2002.

The assumed age distribution of the new members of the House of Commons is based on the plan's 1982-2001 experience, whereas the assumed age distributions of new senators and of members starting to receive additional allowances are based on the plan's 1965-2001 experience for these groups, given their smaller size. Moreover, it was assumed that new entrants would start receiving additional allowances only after having completed at least three years in Parliament. Greater credibility was imputed to recent trends by applying, for the new members in the House of Commons, a weight of 75% to the 1998 MPRAA actuarial review assumptions and a weight of 25% to the 1995-2001 experience. For new senators and for members starting to receive additional allowances, a weight of 75% was applied to the 1965-2001 experience data and a weight of 25% was applied to the 1992-2001 experience data. The distributions of these groups by age and by sex are shown in Table 43.

Table 43 Assumed New Entrants Distribution

Age Last Birthday	House of Commons	Senate	Receiving Additional Allowances
20 - 24	0.010	-	-
25 - 29	0.031	-	0.011
30 - 34	0.071	-	0.054
35 - 39	0.131	0.019	0.137
40 - 44	0.199	0.071	0.204
45 - 49	0.230	0.117	0.209
50 - 54	0.181	0.171	0.180
55 - 59	0.104	0.202	0.127
60 - 64	0.037	0.169	0.062
65 - 69	0.005	0.137	0.016
70 - 74	-	0.114	-

2. Rates of Termination

(a) Members of the House of Commons

The probability of ceasing to be a member of the House of Commons was determined for any given year in relationship to the probability of a general election for that year. In this report, one set of termination rates is assumed to apply during a general election year and another set to apply during a non-election year.

- Rates of Termination During an Election Year

The rate of termination during a general election year corresponds to the probability of an election times the probability that the member will terminate during such election year. Termination during an election year is defined as any termination other than death. Except for the general election of 1993, analysis of the 1983-2001 experience as well as the 1963-2001 experience reveals a decreasing trend over the years in terminations other than deaths. It was decided to not use the experience from before 1983 and give equal weight to experience from all subsequent elections. The resulting probabilities are shown in Table 44.

- Rates of Termination During a Non-Election Year

The rate of termination during a non-election year corresponds to the probability of not having a general election during a given year times the probability that the member will terminate during a non-election year. Termination during a non-election year is defined as any termination other than death. The observed results are volatile throughout the years. The reasons for termination are not always identified in the data. It was decided to keep the same rates as in the 1998 actuarial report because there was no significant new experience during the last intervaluation period. The assumed probabilities are shown in Table 44.

Table 44 Sample of Assumed Rates of Termination for the House of Commons

Completed Years of Service	During a Non-Election Year	Age Last Birthday	During an Election Year
-	0.0007	25	0.140
1	0.0020	30	0.146
2	0.0033	35	0.329
3	0.0040	40	0.395
4	0.0046	45	0.376
5	0.0046	50	0.354
6	0.0046	55	0.389
7	0.0059	60	0.465
8	0.0073	65	0.540
9	0.0086	70	0.588
10	0.0099	74	0.590
11	0.0119		
12	0.0132		
13	0.0152		
14 +	0.0158		

Disability rates of termination and disability incidence were not taken into account in this valuation. Costs related to that benefit would be from the following two sources: retirement compensation allowance paid earlier (even if the former member is younger than 55 years of age) and higher retirement allowance to the former member who received the disability allowance as described in the *Parliament of Canada Act*¹. The effect of the omission of disability incidence on valuation results was considered negligible for the following reasons: the probability of disability is very small, absolute costs of disability benefit are very small for such a small group and the disability allowance is a provision of the *Parliament of Canada Act*. Therefore, the expected extra mortality of disabled pensioners as well as their benefits was not taken into account. Even though the effect of this omission was considered negligible, it will continue to be examined in the next actuarial valuations through the analysis of gains and losses.

(b) Senators

The probability of termination is still assumed equal to zero for service less than six years. For longer service, it was decided from experience to change the probability of termination for senators. For service greater than 15 years, the rates have been increased to 1.5% per annum while for service between six and 15 years the rates increase smoothly. These termination rates are deemed to cover all types of terminations, i.e. voluntary terminations and disabilities. As senators must leave the Senate by age 75, the termination rate for this age was set at unity.

2. Probability of General Election

Experience data since Confederation reveal the following:

Table 45 Frequency of General Election

Duration of Parliament since last general election (to rounded nearest year)	Number of general elections in a given year since last general election, depending on status of dissolved Parliament	
	Majority	Minority
1	1	4
2	-	1
3	2	2
4	15	1
5	<u>10</u>	-
Total	28	8

¹ Receiving a disability allowance as described in the *Parliament of Canada Act* allows a former Member to receive a higher retirement allowance or entitles a former Member to receive a retirement allowance if the service accrued while receiving disability allowance was necessary to complete the requirement for six years of participation.

The most recent general election covered in Table 45 took place on 27 November 2000. Prior to 1917, all general elections gave rise to majority governments. The characteristics of the 1917 and subsequent Parliaments are as follows:

Table 46 Characteristics of Past Parliaments

Status preceding general election	Probability of given status following general election	
	Majority	Minority
Majority	11/16	5/16
Minority	5/9	4/9

Based on this data, probabilities of a general election were developed for each plan year in the future. In developing those probabilities, account was taken of the majority government elected at the last election (27 November 2000) and that no general election occurred between 27 November 2000 and 31 March 2001. The probabilities shown in Table 47 tend toward a value of 0.296 in the long term, implying that general elections are called every 3.4 years on average.

Table 47 Assumed Rates of General Election for House of Commons

Plan Year	Rate
2002	0.000
2003	0.000
2004	0.074
2005	0.569
2006	0.477
2007	0.124
2008	0.152
2009	0.352
2010	0.424
2011	0.277

3. Mortality Rates and Longevity Improvement Factors

Mortality rates for the plan year 2002 were developed based on the rates assumed in the previous MPRAA actuarial report for the plan year 1999. Those rates were projected to the plan year 2002 using the mortality improvement factors assumed in the same report and then adjusted by a constant factor that differed for males and females.

Mortality rates after the 2002 plan year were adjusted by annual percentage decreases varying by age and decreasing in future years. These longevity improvement factors were developed in 2001.

Sample mortality rates for the 2002 plan year and sample longevity improvement factors are shown in Table 48.

Table 48 Sample Rates of Mortality for Members, Pensioners and Survivors

Age Last Birthday	Assumed Mortality Rates for the 2002 Plan Year (per 1,000 people)		Annual Reduction in Assumed Mortality Rates in 2002 Plan Year		Annual Reduction in Assumed Mortality Rates after the 2025 Plan Year
	Males	Females	Males	Females	Males & Females
25	0.6	0.3	2.3%	1.7%	0.5%
30	0.8	0.3	1.4%	1.2%	0.5%
35	0.8	0.4	0.7%	1.2%	0.5%
40	1.0	0.6	1.0%	1.2%	0.5%
45	1.5	0.9	1.7%	1.7%	0.5%
50	2.3	1.3	2.3%	1.9%	0.5%
55	3.9	2.2	2.6%	1.7%	0.5%
60	7.2	4.3	2.6%	1.4%	0.5%
65	13.3	8.5	2.3%	1.4%	0.5%
70	21.6	13.4	1.9%	1.4%	0.5%
75	34.1	21.7	1.4%	1.2%	0.5%
80	58.6	38.0	1.2%	1.0%	0.5%
85	93.8	65.8	0.7%	0.7%	0.5%
90	150.9	115.5	0.5%	0.5%	0.5%
95	234.8	187.2	0.3%	0.3%	0.5%
100	321.2	279.9	0.3%	0.3%	0.5%
105	416.7	392.5	-	-	-
110	498.0	493.5	-	-	-
115	511.6	511.6	-	-	-

4. Assumptions in Respect of Married Members of Parliament

(a) Proportions Married at Death

Separate rates were assumed for males and females and were determined for the previous report by developing a survival model from the 1980-1998 experience. It was decided that there was insufficient additional experience to justify revision of those rates.

(b) Number and Average Age of Children at Death of Member

It was assumed that each married member has, at time of death, three children being 28, 30 and 32 years younger than the member, respectively.

(c) Average Age of Survivor at Death of Member

This average age is assumed to vary by sex in accordance with the plan's experience.

(d) Spousal Union Breakdown

Assumptions on spousal union breakdown would be required for the valuation of the *Pension Benefits Division Act* provisions, but this was not taken into account in this report. It would have a negligible effect on the plan's financial results.

B. Assumptions in Respect of Pensioners

1. Mortality Rates

The mortality basis deemed to apply to members of Parliament is also assumed to apply to pensioners.

2. Other Assumptions

In respect of pensioners, the following assumptions used for members of Parliament also apply:

- longevity improvement factors;
- proportions married at death;
- average age of survivor at death of member; and
- number and average age of children at death of member.

3. Assumptions for Survivors

(a) Mortality Rates

The mortality basis deemed to apply to members of Parliament is also assumed to apply to survivors.

Mortality rates after plan year 2001 were adjusted using the longevity improvement factors used for members of Parliament.

(b) Proportions of Students Still Eligible for Allowances

The payment of an allowance to a child between ages 18 and 25 is conditional on the child attending school full-time. It was assumed that all children beneficiaries would remain eligible for benefits until age 23 irrespective of school attendance status. The effect of mortality was not taken into account in determining the value of pensions payable to eligible children given that it would be negligible.

Table 49 Proportions of Members and Pensioners Married at Death

Age Last Birthday	Proportion Married at Death		Average Age of Survivor	
	Males	Females	Males	Females
25	0.90	0.60	22	26
30	0.90	0.60	27	32
35	0.90	0.60	32	37
40	0.90	0.60	37	42
45	0.90	0.60	42	47
50	0.90	0.60	47	53
55	0.89	0.68	52	58
60	0.87	0.67	57	62
65	0.85	0.61	62	67
70	0.81	0.51	67	71
75	0.74	0.42	71	75
80	0.65	0.31	75	79
85	0.54	0.21	79	82
90	0.41	0.12	82	85
95	0.28	0.06	86	88
100	0.17	0.03	88	90
105	0.09	0.01	91	93
110	0.04	-	93	95
115	0.02	-	95	97

C. Other Assumptions

1. Pension Benefits Division / Optional Survivor Benefit

Pension benefits divisions have almost no effect on the valuation results because the corresponding liability is reduced, on average, by roughly the amount paid to the credit of the former survivor. Consequently, no future pension benefits divisions were assumed in estimating normal costs and liabilities. However, past pension benefits divisions were fully reflected in liabilities.

The optional survivor benefit gives a member who has married after retirement the right to make an election, within the prescribed period of time, for a survivor benefit. However, the member must accept an actuarially determined reduction in pension for as long as both the survivor and the marriage survive. The optional survivor benefit was treated in the same manner as pension benefits division for the same reason.

2. Double-Dipping Provision

A pensioner receiving remuneration of at least \$5,000 in the valuation year as a federal government employee or pursuant to a federal service contract is assumed to continue receiving this remuneration up to age 62. Annual allowances of those aged 62 or over at the valuation date are assumed to resume immediately. In accordance with this assumption, no annual allowance will be paid from the MPRAA up to that age. Following attainment of age 62, the annual allowance will resume.

No future double-dipping was assumed in estimating normal costs and liabilities.

3. Administrative Expenses

To compute the liabilities and normal costs, no provision was made regarding the expenses incurred for the administration of the plan. These expenses, which are not charged to the MPRA or MPRCA Accounts, are borne entirely by the government and are commingled with other government expenses.

Appendix 10 - Acknowledgements

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