

Actuarial Report

Updating the Actuarial Report on the
Pension Plan for the

Members of
Parliament

As at 31 March 2010



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

Office of the Chief Actuary

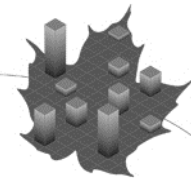
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12 April 2013

The Honourable Tony Clement, P.C., M.P.
President of the Treasury Board
Ottawa, Ontario
K1A 0R5

Dear President:

Following the Royal Assent on 1 November 2012 of the *Pension Reform Act* that amends the *Members of Parliament Retiring Allowances Act* (MPRAA), I am pleased to submit this actuarial report updating the most recent statutory actuarial report, which was prepared as at 31 March 2010, to reflect the plan amendments brought forward by the *Pension Reform Act*. This actuarial review is in respect of pension benefits and contributions which are defined by Parts I, II and III of the *Members of Parliament Retiring Allowances Act* and the *Pension Benefits Division Act*.

Yours sincerely,

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

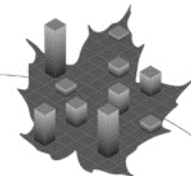
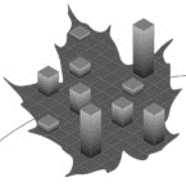


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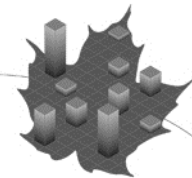


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I. Executive Summary

Following the Royal Assent on 1 November 2012 of the *Pension Reform Act* that amends the *Members of Parliament Retiring Allowances Act* (MPRAA), this actuarial report updates the most recent statutory actuarial report, which was prepared as at 31 March 2010 and tabled before the Parliament on 27 September 2011 (the “Statutory Report”), to reflect the plan amendments brought forward by the *Pension Reform Act*. The reports are in respect of pension benefits and contributions defined by the MPRAA and *Pension Benefits Division Act*.

The date of the next periodic review is scheduled for 31 March 2013.

A. Purpose of the Report

The purpose of this supplement is to:

- show the effect of the *Pension Reform Act* on the cost of the Plan; and
- assist the President of the Treasury Board in determining the amount that can be debited from the Members of Parliament Retiring Allowances (MPRA) Account and the Members of Parliament Retirement Compensation Arrangements (MPRCA) Account, if any.

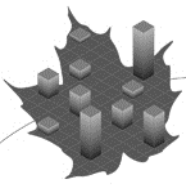
B. Provisions of the *Pension Reform Act*

The *Pension Reform Act* was tabled before Parliament on 19 October 2012 and received Royal Assent on 1 November 2012. It amends the MPRAA to gradually increase, commencing 1 January 2013, the member’s contributions with the objective that, by no later than 1 January 2017, the total amount of contributions to be paid by Members will represent 50% of the current service cost of the Plan. In addition, for service after 1 January 2016, the age at which a pension may be paid without a reduction is raised from age 55 to age 65 and pensions are modified to take into account the pension benefits payable under the Canada Pension Plan or under a similar provincial pension plan. The *Pension Reform Act* also modifies the rate of interest to be credited to the MPRA and MPRCA Accounts and changes the allowance to former Prime Ministers who cease to hold the office of Prime Minister after 31 December 2012. Lastly, it authorizes the President of the Treasury Board, on the basis of actuarial advice, to debit amounts from the MPRA and MPRCA Accounts if the amounts to the credit of the Accounts exceed the costs of all benefits payable from the Accounts. The changes to the plan provisions are described in Appendix 1.

C. Valuation Basis

Financial data, membership data and methods are the same as those used in the Statutory Report. Details concerning the data and methodology may be found in Appendices 2, 3 and 4 of the Statutory Report.

Except for the future increase in parliamentarians’ remuneration, the economic assumptions are the economic assumptions used in the most recent actuarial report on the Pension Plan for the Public Service of Canada, which was prepared as at 31 March 2011 and tabled before the Parliament on 12 June 2012. The assumption for the probability of general election was also changed to take into account the most recent general election which occurred on 2 May 2011. All other assumptions used in this report are the same as those used in the Statutory Report. A summary of the revised assumptions may be found in Appendix 2 of



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this report. A summary of the other actuarial assumptions may be found in the Statutory Report.

All actuarial assumptions used in this report are best-estimate assumptions. They are individually reasonable for the purpose of the valuation at the date of this report.

D. Main Findings

The *Pension Reform Act* does not change the accrued benefits earned prior to 1 January 2016. However, the changes in actuarial assumptions described in Appendix 2 have an impact on the actuarial liabilities and current service costs of the Plan beginning 1 January 2013.

1. Actuarial Excesses and Amounts that may be Debited

As at 31 March 2013, the MPRA Account actuarial excess is estimated to be \$301 million and the MPRCA Account actuarial excess is estimated to be \$50 million. To recognize that the membership could change significantly because of a general election, it is recommended to maintain a conservatism margin. Therefore, it is recommended that amounts not exceeding \$280 million for the MPRA Account and \$30 million for the MPRCA Account may be debited from the applicable accounts.

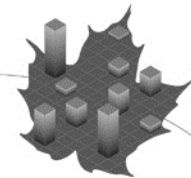
2. Current Service Costs

The Plan's total current service cost for the 2013 Plan year is \$30.7 million or 48.0% of pensionable payroll compared to \$33.4 million or 51.9% of pensionable payroll as reported in the 2010 Statutory Report.

The current service costs are borne jointly by the parliamentarians and the Government. In accordance with the new plan provisions, the parliamentarian's contribution rates will be gradually increased, beginning in calendar year 2013, so that a 50:50 Members/Government cost sharing ratio will be reached in 2017. The parliamentarians' contribution rates for calendar years 2013 to 2017 are as follows:

| Calendar Year | 2013 | 2014 | 2015 | 2016 ¹ | 2017 ¹ |
|--------------------------------------|------|------|-------|-------------------|-------------------|
| Parliamentarians' contribution rates | 8.0% | 9.0% | 10.0% | 15.7% | 21.4% |

¹ Estimated.



The allocation of current service costs is as follows:

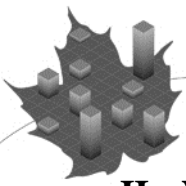
| Plan Year | Current Service Costs (% of Pensionable Payroll) | | | |
|-------------------|--|------------------|-------|-------|
| | Government | Parliamentarians | Ratio | Total |
| 2013 | 40.66 | 7.31 | 5.56 | 47.97 |
| 2014 | 40.08 | 8.31 | 4.82 | 48.39 |
| 2015 | 39.48 | 9.31 | 4.24 | 48.79 |
| 2016 ¹ | 36.77 | 11.47 | 3.21 | 48.24 |
| 2017 ¹ | 25.13 | 17.18 | 1.46 | 42.31 |
| 2018 ¹ | 21.44 | 21.44 | 1.00 | 42.88 |

3. Valuation Interest Rates

The legislation requires that the interest rates credited to the Accounts be the same as the interest rates used in the most recent tabled valuation report. The valuation interest rates used in this report and the effective quarterly rates are as follows:

| Plan Year | Valuation Rate | Effective Quarterly Rate |
|-----------|----------------|--------------------------|
| 2014 | 4.2% | 1.034% |
| 2015 | 4.4% | 1.082% |
| 2016 | 4.6% | 1.131% |

¹ Current service costs showed after 2016 are estimated.



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II. Valuation Results

The legislated changes of the *Pension Reform Act* do not modify the accrued benefits earned prior to 1 January 2016. However, the actuarial liabilities of the Plan as at 31 March 2013 have decreased when compared to the actuarial liabilities projected from the Statutory Report due to the changes in actuarial assumptions described in Appendix 2.

Emerging experience, differing from the corresponding assumptions, will result in gains or losses to be revealed in subsequent reports.

A. Financial Position and Amounts that may be Debited from the Accounts

If the President of the Treasury Board is of the opinion, based on actuarial advice, that the recorded account balances are in excess of the actuarial liabilities for one or both of the Accounts, there may be debited from that (those) Account(s), at the time and in the manner determined by the President, an amount specified by the President.

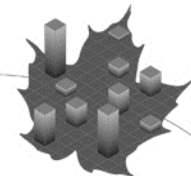
The following table shows the actuarial liabilities as at 31 March 2013 including the recommended amounts to be debited from the Accounts.

Table 1 State of the Accounts as at 31 March 2013
(\$ millions)

| | Account | |
|--|--------------|-------------|
| | MPRA | MPRCA |
| Recorded Account Balances | | |
| Expected Account balances | 755 | 246 |
| Present value of prior service contributions | - | 1 |
| Expected Refundable tax for past contributions | - | <u>236</u> |
| Total Recorded Account Balances | 755 | 483 |
| Actuarial Liabilities | | |
| For benefits accrued by or in respect of: | | |
| · Parliamentarians | 98 | 167 |
| · Pensioners | 314 | 258 |
| · Surviving dependants | <u>42</u> | <u>8</u> |
| Total Actuarial Liabilities | 454 | 433 |
| Actuarial Excess (Deficit) | 301 | 50 |
| Recommended amounts to be debited | <u>(280)</u> | <u>(30)</u> |
| Actuarial Excess (Deficit) After Recommendation | 21 | 20 |

It is recommended that amounts not exceeding \$280 million for the MPRA Account and \$30 million for the MPRCA Account may be debited from the applicable accounts in order to maintain a conservatism margin. As at 31 March 2013, the total recorded account balances of the Plan after the recommended debits are \$928 million and the total actuarial liabilities are \$887 million (\$896 million in the Statutory Report). Recommended debits reduce the MPRA Account actuarial excess of \$301 million to \$21 million and the MPRCA Account actuarial excess of \$50 million to \$20 million.

Actuarial assumptions were revised as described in Appendix 2. The following table describes the factors reconciling the actuarial liabilities as at 31 March 2013 between this



valuation report and the Statutory Report as at 31 March 2010. Figures in parentheses indicate negative amounts.

Table 2 Actuarial Liabilities as at 31 March 2013 - Revision of Actuarial Assumptions
(\$ millions)

| | Account | |
|--|------------|------------|
| | MPRA | MPRCA |
| Total Actuarial Liabilities – Statutory Report | 450 | 446 |
| Probability of general election | (0.3) | (0.5) |
| Valuation interest rate | 18.5 | 11.6 |
| Pension indexation | (6.0) | (7.9) |
| Remuneration increases | (8.1) | (16.0) |
| Prime Minister's new plan | 0.0 | (0.4) |
| Total Actuarial Liabilities - Revised Assumptions | 454 | 433 |

The actuarial liabilities as at 31 March 2013 have been projected from the values as at 31 March 2010 presented in the Statutory Report using the data and methodology described in Appendices 3 and 4 of the Statutory Report and the actuarial assumptions presented in Appendix 5 of the Statutory Report with the changes described in Appendix 2, where applicable.

The recorded account balances as at 31 March 2013 have been projected from the balances in the MPRA and MPRCA Accounts as at 31 March 2012.

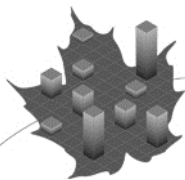
B. Current Service Costs

1. Projection of Current Service Costs

The current service costs are borne jointly by the parliamentarians and the Government. With the implementation of the new plan provisions, the parliamentarians' contribution rates will be gradually increased, starting in 2013, so that a 50:50 Members/Government cost sharing ratio will be reached in 2017.

While the legislated changes of the *Pension Reform Act* do not modify the accrual of benefits earned prior to 1 January 2016, the current service costs after 1 January 2013 have decreased from the current service costs presented in the Statutory Report due to the changes in assumptions described in Appendix 2.

The following table presents the projected current service costs of the existing and amended plans (in bold) for each Account, expressed as a percentage of the projected pensionable payroll as well as a dollar amount.



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Table 3 Projection of Current Service Costs

| Plan Year | MPRA | | MPRCA | | Total | |
|--------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | % | \$ Millions | % | \$ Millions | % | \$ Millions |
| 2013 | 16.14 | 10.3 | 31.83 | 20.4 | 47.97 | 30.7 |
| 2014 | 16.40 | 10.8 | 31.99 | 21.0 | 48.39 | 31.8 |
| 2015 | 16.64 | 11.1 | 32.15 | 21.5 | 48.79 | 32.6 |
| 2016 | 16.55 | 11.3 | 31.69 | 21.5 | 48.24 | 32.8 |
| 2017 | 18.47 | 12.7 | 23.84 | 16.4 | 42.31 | 29.1 |
| 2018 | 19.06 | 13.4 | 23.82 | 16.7 | 42.88 | 30.1 |

The annual increase in the projected current service costs for Plan years 2013 to 2016 primarily reflects the progression of all economic assumptions from their current to their ultimate levels. The decrease in the projected current service costs starting in Plan year 2017 is a result of the changes to the accrual of benefits introduced in the *Pension Reform Act* which are effective 1 January 2016.

2. Allocation of Current Service Costs

The current service costs are borne jointly by the parliamentarians and the Government. With the implementation of the new plan provisions, the parliamentarians' contribution rates will be gradually increased, starting in 2013, so that a 50:50 Members/Government cost sharing ratio will be reached in 2017. The following table shows the new parliamentarians contribution rates for the calendar years following the implementation of the amendments.

Table 4 Parliamentarians Contribution Rates

| Calendar Year | MPRA | | | MPRCA | Total | | |
|------------------|---------------|---------------|----------|--------|---------------|---------------|----------|
| | Below YMPE | Above YMPE | Combined | | Below YMPE | Above YMPE | Combined |
| 2013 | 4.00% | 4.00% | 4.00% | 4.00% | 8.00% | 8.00% | 8.00% |
| 2014 | 4.00% | 4.00% | 4.00% | 5.00% | 9.00% | 9.00% | 9.00% |
| 2015 | 4.00% | 4.00% | 4.00% | 6.00% | 10.00% | 10.00% | 10.00% |
| 2016 | 6.06% | 8.36% | 7.66% | 8.02% | 14.08% | 16.38% | 15.68% |
| 2017 | 9.76% | 12.06% | 11.36% | 10.08% | 19.84% | 22.14% | 21.44% |

Table 5 shows the allocation of the current service costs between the parliamentarians and the Government as a percentage of pensionable payroll.

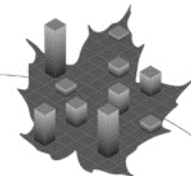


Table 5 Allocation of Current Service Costs
(As a percentage of pensionable payroll)

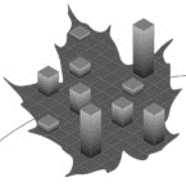
| Plan Year | MPRA | | | MPRCA | | | Total | | |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Gov. | Parl. | Ratio | Gov. | Parl. | Ratio | Gov. | Parl. | Ratio |
| 2013 | 13.14 | 3.00 | 4.38 | 27.52 | 4.31 | 6.39 | 40.66 | 7.31 | 5.56 |
| 2014 | 13.40 | 3.00 | 4.47 | 26.68 | 5.31 | 5.03 | 40.08 | 8.31 | 4.82 |
| 2015 | 13.65 | 2.99 | 4.57 | 25.83 | 6.32 | 4.09 | 39.48 | 9.31 | 4.24 |
| 2016 | 12.84 | 3.71 | 3.46 | 23.93 | 7.76 | 3.08 | 36.77 | 11.47 | 3.21 |
| 2017 | 11.33 | 7.14 | 1.59 | 13.80 | 10.04 | 1.37 | 25.13 | 17.18 | 1.46 |
| 2018 | 9.53 | 9.53 | 1.00 | 11.91 | 11.91 | 1.00 | 21.44 | 21.44 | 1.00 |

3. Current Service Costs Reconciliation (Existing versus Amended Plan)

As described in Section I above, the *Pension Reform Act* changes, for service after 1 January 2016, the age at which parliamentarians will be entitled to an unreduced pension from age 55 to age 65. In addition, the retirement allowance payable for service after 1 January 2016 will be reduced at age 60 for coordination with the Canada Pension Plan (CPP) or the Québec Pension Plan (QPP). These two changes to Plan provisions will reduce the current service costs for the Plan years following the implementation of the amendments. The following table presents a reconciliation of the current service costs for Plan year 2018.

Table 6 Reconciliation of Current Service Cost for Plan Year 2018
For each Account
(% of pensionable payroll)

| | MPRAA | MPRCA | Total |
|---|--------------|--------------|--------------|
| Current Plan | 16.88 | 35.63 | 52.51 |
| Probability of general election | (0.04) | (0.14) | (0.18) |
| Valuation interest rate | 0.82 | 0.86 | 1.68 |
| Pension indexation | (0.23) | (0.50) | (0.73) |
| MPE & YMPE increase | 0.43 | (1.16) | (0.73) |
| Salary increase | (0.96) | (4.36) | (5.32) |
| Financing methodology | 1.97 | (4.62) | (2.65) |
| Deferred annuity to 65 | (1.73) | (4.18) | (5.91) |
| Deferred annuity to 55 with a reduction | 1.19 | 3.16 | 4.35 |
| New contribution rates | 0.70 | 0.92 | 1.62 |
| Coordination with CPP | 0.03 | (1.79) | (1.76) |
| <i>Pension Reform Act Plan Amendment</i> | 19.06 | 23.82 | 42.88 |



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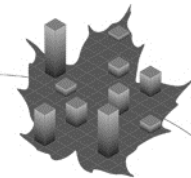
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C. Valuation Interest Rate

Effective 1 January 2013, the interest rate to be credited to the MPRA and the MPRCA Accounts is the effective quarterly rate derived from the valuation interest rate used in the most recently tabled valuation report. The following table presents the valuation interest rates used in this report and the effective quarterly rates.

Table 7 Valuation Interest Rates

| Plan Year | Valuation Rate | Effective Quarterly Rate |
|-----------|----------------|--------------------------|
| 2014 | 4.2% | 1.034% |
| 2015 | 4.4% | 1.082% |
| 2016 | 4.6% | 1.131% |



III. Actuarial Opinion

In our opinion,

- the valuation input data on which the valuation is based are sufficient and reliable for the purposes of the valuation;
- the assumptions that have been used are, individually and in aggregate, appropriate for the purposes of the valuation;
- the methodology employed is appropriate for the purposes of the valuation; and
- this report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

In particular, this report was prepared in accordance with the Standards of Practice (General Standards and Practice – Specific Standards for Pension Plans) published by the Canadian Institute of Actuaries.

At the time of the preparation of this report, membership data reflecting the general election which occurred on 2 May 2011 were not available. The impact of the change of membership due to the general election will be reflected in the next actuarial report scheduled for 31 March 2013.

To the best of our knowledge, there were no other subsequent events between the valuation date and the date of this report that would materially impact the results of the actuarial valuation report.

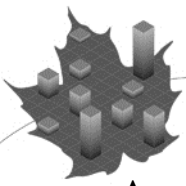
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Jean-Claude Ménard, F.S.A., F.C.I.A.
Chief Actuary

Ottawa, Canada
12 April 2013



Appendix 1 – Amendments of Plan Provisions

The *Members of Parliament Retiring Allowances Act* has been amended by the *Pension Reform Act*, which received Royal Assent on 1 November 2012. The amended plan provisions are summarized in this Appendix.

A description of all other provisions can be found in the Statutory Report as at 31 March 2010.

A. Contribution Rates

Until they reach the maximum pension accrual of 75%, members of the Senate and the House of Commons contribute on their sessional indemnity based on the rates shown in the following table. After reaching the maximum pension accrual, the contributions are reduced to 1% of their sessional indemnity.

Some parliamentarians receive additional allowances and salaries as speakers, ministers, leaders of the opposition, parliamentary secretaries, and so forth. They contribute on these additional allowances and salaries based on the rates shown in table 8.

1. Prior to 1 January 2016

The following table shows the Members’ contribution rates for calendar years 2013 to 2015 inclusively. These contribution rates have been set in the *Pension Reform Act*.

Table 8 Contribution Rates on Sessional Indemnity (prior to reaching maximum pension accrual) and on Additional Allowances

| Calendar Year | 2013 | 2014 | 2015 |
|--------------------|------|------|------|
| Contribution rates | 8% | 9% | 10% |

2. After 1 January 2016

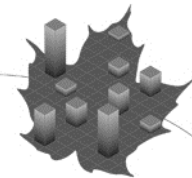
Beginning on 1 January 2016, the contribution rates will be set by the Chief Actuary with the objective that, by no later than 1 January 2017, the total amount of contributions to be paid by Members will represent 50% of the current service cost of the Plan.

3. Prime Minister

In addition to the contributions made by a parliamentarian described above, the member who holds the office of Prime Minister must contribute on his salary received as Prime Minister prior to 1 January 2016 based on the rates shown in Table 8. Beginning on 1 January 2016, the contribution rates to be applied to the salary received as Prime Minister will be set by the Chief Actuary.

B. Retirement Age

For service after 1 January 2016, the age at which a pension may be paid without a reduction is raised from age 55 to age 65. A member can still elect to receive a pension at age 55 but the pension will be reduced by 1% per year for each year by which the age at pension commencement precedes age 65.



C. Coordination with Canada Pension Plan (CPP) or the Québec Pension Plan (QPP)

For service after 1 January 2016, the annual pension amount of a pensioner who attains age 60 (or who commences to receive a pension after age 60) is reduced by a percentage of the average pensionable earnings for C/QPP purposes multiplied by the years of pensionable service. The applicable percentage is determined by the Chief Actuary and is equal to 0.4%.

D. Change in the Average Remuneration used in the Benefit Formula

Plan members will no longer receive additional service for contributions paid on additional remuneration (allowances and salaries). Instead, additional allowances will be included in their average annual pensionable earnings calculation.

Subject to C/QPP coordination for service after 1 January 2016, the current rate of retirement pension is 3% of the highest average of annual pensionable earnings over any period of five consecutive years, multiplied by the number of years of pensionable service, to a maximum of 75% of the average annual pensionable earnings.

E. Allowance for Former Prime Minister

A former Prime Minister who has held the office of the Prime Minister for at least four years is entitled to receive a retirement compensation allowance based on his or her salary as Prime Minister. With retroactive effect from 6 February 2006, the annual amount of retirement compensation allowance is changed to 3% of the salary payable under the *Salaries Act* to the Prime Minister as Prime Minister on day where the retirement compensation allowance becomes payable multiplied by the number of years and portions of years that the member held the office of Prime Minister.

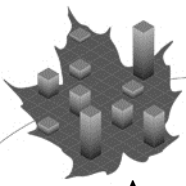
The former Prime Minister may begin to receive the retirement compensation allowance at age 67 or upon ceasing to hold office, whichever is later.

F. Interest Rates Credited to the Accounts

The interest rate to be credited to the MPRA and MPRCA Accounts is changed from 2.5% per quarter to the effective quarterly rate derived from the interest rate used in the most recent actuarial report of the Plan tabled before Parliament.

G. Actuarial Excess

The *Pension Reform Act* authorizes the President of the Treasury Board, on the basis of actuarial advice, to debit amounts from the MPRA and the MPRCA Accounts if the amounts to the credit of the Accounts exceed the total costs of all allowances and other benefits payable under the Plan.



Appendix 2 – Actuarial Assumptions

This report has been prepared on the basis of the most recent statutory actuarial valuation report, which was prepared as at 31 March 2010 and tabled before the Parliament on 27 September 2011. However, the economic assumptions are those used in the most recent actuarial report for the Pension Plan for the Public Service of Canada, which was prepared as at 31 March 2011 and tabled before the Parliament on 21 June 2012.

A. Economic Assumptions

Table 9 Economic Assumptions
(Percentage)¹

| Plan Year | Inflation | | Employment Earnings Increase | | | Valuation Interest Rate |
|-----------|----------------|------------------|------------------------------|-----|--------------|-------------------------|
| | Price Increase | Pension Indexing | Industrial Aggregate | MPE | Remuneration | |
| 2013 | 2.0 | 2.0 | 2.7 | 2.5 | 0.0 | 4.0 |
| 2014 | 2.0 | 2.0 | 2.9 | 2.7 | 1.5 | 4.2 |
| 2015 | 2.0 | 2.0 | 3.1 | 2.8 | 1.5 | 4.4 |
| 2016 | 2.0 | 2.0 | 3.2 | 2.9 | 2.0 | 4.6 |
| 2017 | 2.0 | 2.0 | 3.4 | 3.0 | 2.0 | 4.7 |
| 2018 | 2.1 | 2.0 | 3.5 | 3.1 | 2.0 | 4.8 |
| 2019 | 2.2 | 2.1 | 3.6 | 3.3 | 2.0 | 4.9 |
| 2020 | 2.3 | 2.2 | 3.6 | 3.5 | 2.0 | 5.0 |
| 2021+ | 2.3 | 2.3 | 3.6 | 3.6 | 2.0 | 5.0 |

1. Valuation Interest Rates

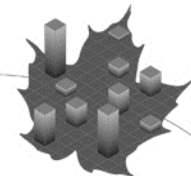
The valuation interest rate is equal to the new money rate which is the nominal yield on long-term Government of Canada bonds. It is set for each year in the projection period. The real yield on long-term federal bonds is equal to the new money rate less the assumed rate of inflation. The real yield on long-term federal bonds is assumed to be 2.0% in Plan year 2013, and is assumed to increase gradually to its ultimate level of 2.7% first attained in Plan year 2017. The ultimate real yield is 0.1% less than assumed in the 2010 Statutory Report, which was 2.8%. The real yield on long-term bonds is based on historical yields.

Starting January 2013, the interest rate to be credited to the MPRA and MPRCA Accounts is changed from 2.5% per quarter to the effective quarterly rate derived from the valuation interest rate used in the most recently tabled valuation report.

2. Parliamentarians Remuneration Increase

Parliamentarians' salaries increases were set to 0.0% for Plan years 2011 to 2013 due to Part 7 of the *Jobs and Economic Growth Act*. For the Statutory Report as at 31 March 2010, salaries for Plan years after 2013 were assumed to follow much the same pattern of increase as for the average Canadian wage increase to which they are indexed with a lag of a few

¹ Bold denotes actual figures.



months. Based on recent information received, it is now assumed that the salaries for Plan years after 2015 will increase at a rate of 2.0% per year.

Up to 2009, the remuneration for the Senators was equal to the remuneration of the Members of the House of Commons minus \$25,000. In 2009 the *Jobs and Economic Growth Act* set the increase in respect of remuneration for the senators to be 1.5%. For Plan years after 2014 it was assumed that their remuneration will be equal to the remuneration of the Members of the House of Commons minus \$25,000.

3. Maximum Pensionable Earnings (MPE) Increase

The MPE is part of the valuation process since the benefits accrued in respect of pensionable earnings (sessional indemnity and additional allowance) in excess of the MPE must be provided through a Retirement Compensation Arrangement. The MPE was \$132,400 in calendar year 2012. Thereafter it will be indexed in accordance with the average Canadian wage increase.

Starting 1 January 2016, the MPE will be adjusted to take into consideration the coordination of the retirement allowance payable with the benefits of the Canada Pension Plan or the Québec Pension Plan.

B. Demographic Assumptions

1. Probability of General Election

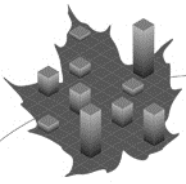
This assumption was changed from the assumption used in the Statutory Report to take into account the most recent general election that occurred on 2 May 2011. Experience data since Confederation are shown in Table 10. Prior to 1917, all general elections gave rise to majority Governments. The characteristics of the 1917 and subsequent Parliaments are shown in Table 11.

Table 10 General Elections Frequency since Confederation

| Duration of Parliament since preceding general election (rounded to 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 | - | 2 |
| 3 | 2 | 4 |
| 4 | 16 | 1 |
| 5 | 10 | - |
| Total | 29 | 11 |

Table 11 Characteristics of Past Parliaments since 1917

| Status preceding general election | Probability of given status following general election | |
|-----------------------------------|--|----------|
| | Majority | Minority |
| Majority | 11/17 | 6/17 |
| Minority | 6/12 | 6/12 |



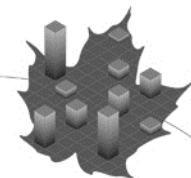
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Based on this data, probabilities of a general election were developed for each Plan year in the future. In developing those probabilities, account was taken of the majority Government elected at the last election (2 May 2011). The probabilities shown in Table 12 tend toward a value of 0.30 in the long term, implying that general elections are called every 3.3 years on average.

Table 12 General Election Rates for the House of Commons

| Plan Year | Rate |
|-----------|------|
| 2011 | 0.00 |
| 2012 | 1.00 |
| 2013-2015 | 0.00 |
| 2016 | 1.00 |
| 2017 | 0.13 |
| 2018 | 0.13 |
| 2019 | 0.17 |
| 2020 | 0.36 |
| Ultimate | 0.30 |



Appendix 3 – Current Service Costs for the House of Commons and the Senate

A. Projection of Current Service Costs

1. Members of the House of Commons¹

The following current service costs associated to Members of the House of Commons are expressed as a percentage of the projected pensionable payroll as well as a dollar amount in each given Plan year.

Table 13 Members of the House of Commons - Current Service Costs – Amended Plan
(Percentage of pensionable payroll and \$ millions)

| Plan Year | MPRA | | MPRCA | | Total | |
|-----------|-------|-------------|-------|-------------|-------|-------------|
| | % | \$ Millions | % | \$ Millions | % | \$ Millions |
| 2013 | 17.16 | 8.8 | 33.80 | 17.4 | 50.96 | 26.2 |
| 2014 | 17.52 | 9.2 | 33.94 | 17.8 | 51.46 | 27.0 |
| 2015 | 17.97 | 9.5 | 33.93 | 18.0 | 51.90 | 27.5 |
| 2016 | 17.94 | 9.7 | 33.22 | 17.9 | 51.16 | 27.6 |
| 2017 | 19.75 | 10.8 | 24.35 | 13.3 | 44.10 | 24.1 |
| 2018 | 20.36 | 11.3 | 24.46 | 13.6 | 44.82 | 24.9 |

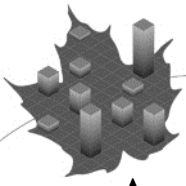
2. Senators

The following current service costs associated to Senators expressed as a percentage of the projected pensionable payroll as well as a dollar amount in each given Plan year.

Table 14 Senators - Current Service Costs – Amended Plan
(In percentage of pensionable payroll and in \$ millions)

| Plan Year | MPRA | | MPRCA | | Total | |
|-----------|-------|-------------|-------|-------------|-------|-------------|
| | % | \$ Millions | % | \$ Millions | % | \$ Millions |
| 2013 | 12.01 | 1.5 | 23.85 | 3.0 | 35.86 | 4.5 |
| 2014 | 11.95 | 1.6 | 24.26 | 3.2 | 36.21 | 4.8 |
| 2015 | 11.49 | 1.6 | 25.24 | 3.5 | 36.73 | 5.1 |
| 2016 | 11.20 | 1.6 | 25.86 | 3.6 | 37.06 | 5.2 |
| 2017 | 13.58 | 1.9 | 21.93 | 3.1 | 35.51 | 5.0 |
| 2018 | 14.11 | 2.1 | 21.34 | 3.1 | 35.45 | 5.2 |

¹ In this section, the current service cost for the Prime Minister has been added in the current service cost for the Members of the House of Commons.



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Appendix 4 – Acknowledgements

The following individuals assisted in the preparation of this report:

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