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ANNUAL REPORT



Report on the Administration of the *Members of Parliament Retiring Allowances Act*

for the Fiscal Year Ended March 31, 2012



**Report on the Administration of
the *Members of Parliament
Retiring Allowances Act***

for the Fiscal Year Ended March 31, 2012

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His Excellency the Right Honourable David Johnston, C.C., C.M.M., C.O.M., C.D.
Governor General of Canada

Excellency:

I have the honour to submit to Your Excellency the annual *Report on the Administration of the "Members of Parliament Retiring Allowances Act" for the Fiscal Year Ended March 31, 2012.*

Respectfully submitted,

Original signed by

The Honourable Tony Clement
President of the Treasury Board and Minister for FedNor

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Introduction

The *Members of Parliament Retiring Allowances Act* (MPRAA, or the Act) governs pension arrangements for members of Parliament: members of the Senate and of the House of Commons. Under the Act, the pension plan also provides a survivor allowance for eligible spouses and children. This report begins with a summary of the plan's main provisions and then presents information, for the fiscal year 2011–12, on the transactions recorded in the pension plan accounts, on membership, and on benefits paid. Historical data are also included.

In this report, “members” refers to active and retired participants in the plan. Where necessary, members of the Senate and of the House of Commons are referred to separately.

Funding

Accounts

Two accounts are maintained in the Public Accounts of Canada to record transactions under the plan: the Members of Parliament Retiring Allowances (MPRA) Account and the Members of Parliament Retirement Compensation Arrangements (MPRCA) Account.

The MPRA Account records the transactions related to the benefits payable under the plan when these benefits accord with income tax rules for registered pension plans. The MPRCA Account records the transactions related to the benefits payable under the plan when the benefits exceed the limits imposed by tax rules.

The MPRCA Account is registered with the Canada Revenue Agency (CRA), and a transfer is made annually between the MPRCA Account and CRA either to remit a 50-per-cent refundable tax in respect of the net contributions and interest credits or to credit a reimbursement based on the net benefit payments. For the fiscal year ended March 31, 2012, the MPRCA Account has paid to CRA an amount of \$16.8 million (\$16.8 million in 2011).

Tables 1 to 4 in this report present current and historical data on the MPRA and MPRCA accounts.

Actuarial funding valuation

As required by the *Public Pensions Reporting Act*, the President of the Treasury Board causes the Chief Actuary to conduct an actuarial funding valuation of the pension arrangements established under the MPRAA. The actuarial valuation is performed by the Office of the Chief Actuary at least every three years and is tabled in Parliament by the President. The actuarial valuation presents an estimate of the balance sheet on an actuarial basis, notably, the value of assets and liabilities and any resulting excess or shortfall. In addition, the actuarial valuation also

determines the projected current service cost for each of the next three years following the valuation date. The most recent actuarial funding valuation of the pension arrangements for members of Parliament was prepared as of March 31, 2010, and tabled in Parliament on September 27, 2011.

Members' contributions

Effective January 1, 2001, the contribution rate for members of the Senate remained unchanged at 7 per cent while the contribution rate for members of the House of Commons was reduced from 9 per cent to 7 per cent of their sessional indemnities.

Some members, such as the prime minister, speakers, ministers, leaders of the opposition, parliamentary secretaries, and so forth, receive additional allowances and salaries for their service. These members must contribute to the plan, based on these additional allowances and salaries, unless they elect not to make such contributions or to contribute at a lower rate.

The prime minister must contribute 7 per cent of the salary paid to him or her as prime minister in addition to the contributions required from that individual for his or her role as a member of the House of Commons. If eligible, a member can decide to contribute for prior service in Parliament, in which case the member must pay interest on past service contributions.

Government contributions

On a monthly basis, the government is required to contribute an amount to each account, after taking into account members' contributions, to fund the costs of all future benefits that members have earned during that month. The government contribution rate for each account varies from year to year and can be expressed as a percentage of the pensionable payroll. The government current service contribution rates for the calendar years 2012 and 2011 are as follows:

Government Contribution Rates (Percentage of pensionable payroll)

	2012	2011
Senate		
MPRA Account	10.47	9.87
MPRCA Account	21.64	21.69
House of Commons		
MPRA Account	14.83	14.46
MPRCA Account	33.01	34.09

Interest

Every quarter, the government credits interest on the balance of each account at a rate set by the regulations. For the fiscal year ended March 31, 2012, interest amounts were credited quarterly at a rate of 2.5 per cent on the balance of the MPRA Account and the MPRCA Account.

Future unfunded liabilities

When the government identifies an unfunded actuarial liability in either the MPRA Account or the MPRCA Account following the tabling of an actuarial valuation report in Parliament, the government must, over a prescribed period, credit to the Account such amounts that, after the prescribed period, would cover the unfunded actuarial liability identified.

Allowances and Other Benefits

Annual allowance

Members

Upon ceasing to be a member of Parliament, plan members are entitled to an annual allowance after they have contributed to the plan for at least six years. For service up to and including July 12, 1995, former members are entitled to an immediate annual allowance. For service after that date, former members are not entitled to an annual allowance until they are 55.

The benefit accrual rate for senators is 3 per cent per year of service to a maximum of 75 per cent of the average sessional indemnity. For members of the House of Commons, the accrual rate is 5 per cent per year of service up to and including July 12, 1995; 4 per cent per year of service after that date until December 31, 2000; and 3 per cent per year of service effective January 1, 2001, to a maximum of 75 per cent of the average sessional indemnity. Effective January 1, 2001, the annual allowance is based on members' average sessional indemnity for the best five years. Prior to that date, the annual allowance was based on the average sessional indemnity for the best six years.

The annual allowance of a retired member is suspended if that person becomes a member again, either of the Senate or the House of Commons. The annual allowance of a retired member of the Senate or the House of Commons is suspended if that person starts working for the federal government and remuneration exceeds \$5,000 per year.

Prime minister

During an individual's tenure as prime minister, the incumbent must contribute for at least four years if this service is to be eligible for an allowance. The allowance will be paid once the prime minister is no longer a member of Parliament or is 65 years old, whichever comes later.

The allowance is equal to two thirds of the annual salary payable to a prime minister at the time the payment of the allowance begins.

Withdrawal allowance

Some members may get a withdrawal allowance. This is a return of a member's contributions, along with interest on those contributions, at a rate set by the regulations. Members receive withdrawal allowances if they do not complete six years of contributory service, if they leave the Senate by reason of disqualification, or if they are expelled from the House of Commons.

Survivor allowance

Members

Eligible survivors and children of members may receive an allowance.

For eligible survivors, this allowance is equal to three fifths of the basic annual allowance that the member would have been entitled to receive, or that the retired member was receiving, immediately before his or her death.

Children of members who are under the age of 18 or full-time students between 18 and 25 years of age are also entitled to an allowance. This allowance is equal to one tenth of the member's basic annual allowance or two tenths if no allowance is being paid to an eligible survivor as defined in the legislation.

Prime minister

An eligible survivor receives an allowance equal to one half of the allowance payable to a former prime minister for service as prime minister. While the prime minister must contribute 7 per cent of the salary paid to him or her as prime minister in addition to the contributions as a member of the House of Commons, a survivor allowance is paid to a spouse and not to the children of a former prime minister.

Indexing

Allowances to retired members and survivors are adjusted at the beginning of each calendar year. This adjustment corresponds to the percentage increase in the average of the Consumer Price Index (CPI) for the 12-month period ended September 30 over the CPI average for the same 12-month period of the previous year. In January 2012, allowances were increased (i.e., indexed) by 2.8 per cent (1.4 per cent in January 2011).

Indexing payments do not begin until the former member is 60 years old; however, once indexing begins, payments reflect the cumulative increase in the CPI since the member left Parliament.

Survivor allowances are indexed immediately based on the date a member left Parliament.

Minimum benefit

When a member or retired member dies and there are no survivors entitled to an allowance, the member's estate receives the amount by which the member's contributions exceed any allowances already paid.

Contributors

At March 31, 2012, there were 410 (410 in 2011) members contributing under the plan, and there was 1 vacant seat in the House of Commons. Tables 5 and 6 in this report present information on the number and distribution of allowances.

Budget 2012

On March 29, 2012, Budget 2012 announced the government's intention to adjust the public service pension plan so that employee contributions equal, over time, those of the employer (50:50). Comparable changes will be made to contribution rates for the pension plan for members of Parliament. Other amendments to the pension plan for members of Parliament will take effect in the coming years.

Statistical Tables

Table 1Members of Parliament Retiring Allowances Account, Year Ended March 31
(\$ thousands)

	2012	2011
Members of Parliament Retiring Allowances Account, Opening Balance (A)	655,636	606,714
Receipts and Other Credits		
Members' contributions, current	1,909	1,823
Government contributions, current	9,002	7,618
Members' contributions, arrears on principal, interest, and mortality insurance	56	17
Government contributions on amounts payable (elections)	0	0
Interest	67,506	62,460
Transfer from the Supplementary Retirement Benefits Account	0	0
Actuarial liability adjustment	0	0
Total Receipts (B)	78,473	71,918
Payments and Other Charges		
Annual allowances	24,682	22,996
Withdrawal allowances including interest	666	0
Pension division payments	506	0
Transfers to Public Service Superannuation Account	206	0
Total Payments (C)	26,060	22,996
Excess of Receipts over Payments (B-C)=(D)	52,413	48,922
Members of Parliament Retiring Allowances Account, Closing Balance (A+D)	708,049	655,636

Table 2

Members of Parliament Retirement Compensation Arrangements Account,
Year Ended March 31 (\$ thousands)

	2012	2011
Members of Parliament Retirement Compensation Arrangements Account, Opening Balance (A)	215,033	197,463
Receipts and Other Credits		
Members' contributions, current	2,720	2,678
Government contributions, current	20,399	19,085
Members' contributions, arrears on principal, interest, and mortality insurance	29	28
Interest	22,707	20,981
Actuarial liability adjustment	600	600
Total Receipts (B)	46,455	43,372
Payments and Other Charges		
Annual allowances	11,778	8,986
Withdrawal allowances plus interest	1,037	(4)
Pension division payments	465	0
Refundable tax ¹	16,792	16,820
Total Payments (C)	30,072	25,802
Excess of Receipts over Payments (B-C)=(D)	16,383	17,570
Members of Parliament Retirement Compensation Arrangements Account, Closing Balance (A+D)	231,416	215,033

1. A refundable tax equal to 50 per cent of contributions and interest credited to the MPRCA Account, less 50 per cent of benefits paid out of the account, must be remitted each year to the CRA.

Table 3
Members of Parliament Retiring Allowances Account
Comparative Data—November 20, 1952, to March 31, 2012

Period / Fiscal Year	Members' Contributions (\$) ¹	Government Contributions (\$)	Interest (\$)	Actuarial and Other Accounting Adjustments (\$)			Total Receipts (\$)	Annual Allowances (\$)	Withdrawal Allowances (\$)	Transfers to PSS ⁴ Account (\$)	Total Payments (\$)	Account Balance (\$)
				Other Accounting Adjustments (\$)	Receipts (\$)	Allowances (\$)						
1952-1989	26,299,441	25,786,913	22,917,200	0	75,003,554	41,114,724	4,365,056	269,623	45,749,403	29,254,221		
1989-90	2,267,074	2,082,958	2,960,449	0	7,310,481	6,197,822	124,942	24,593	6,347,357	30,217,345		
1990-91	2,305,080	2,175,581	3,059,384	0	7,540,045	6,368,934	27,364	0	6,396,298	31,361,092		
1991-92	2,060,258	2,220,659	3,440,449	167,941,788 ²	175,663,154	7,187,271	7,339	0	7,194,610	199,829,636		
1992-93	1,042,520	2,131,335	20,493,768	0	23,667,623	9,813,446	17,221	0	9,830,667	213,666,592		
1993-94	1,048,643	2,064,761	21,882,703	0	24,996,107	12,084,079	1,852,076	0	13,936,155	224,726,544		
1994-95	1,070,539	1,884,100	22,861,864	0	25,816,503	15,432,287	58,833	0	15,491,120	235,051,927		
1995-96	990,505	1,685,476	23,933,398	0	26,609,379	14,947,496	936,723	0	15,884,219	245,777,087		
1996-97	876,577	1,561,870	25,029,451	0	27,467,898	15,000,643	138,516 ³	0	15,139,159	258,105,826		
1997-98	941,060	1,707,658	26,262,499	0	28,911,217	15,251,902	840,524 ³	0	16,092,426	270,924,617		
1998-99	1,081,944	2,261,589	27,620,578	0	30,964,111	15,211,454	673,914 ³	0	15,885,368	286,003,360		
1999-2000	1,054,926	2,673,500	29,409,145	0	33,137,571	15,311,534	680,015 ³	0	15,991,549	303,149,382		
2000-01	1,582,118	2,882,101	31,014,334	0	35,478,553	15,514,009	405,499 ³	0	15,919,508	322,708,427		
2001-02	1,366,802	3,847,838	33,226,180	0	38,440,820	15,993,470	154,314 ³	0	16,147,784	345,001,463		
2002-03	1,340,110	4,395,891	35,221,387	0	40,957,388	16,623,728	846,514 ³	0	17,470,242	368,488,609		
2003-04	1,100,713	4,557,315	37,822,796	0	43,480,824	16,551,392	862,213 ³	0	17,413,605	394,555,828		
2004-05	1,361,109	4,780,613	40,502,434	0	46,644,156	18,108,177	566,431 ³	0	18,674,608	422,525,376		
2005-06	1,600,703	5,226,747	43,384,988	0	50,212,438	18,977,081	311,777 ³	188,576	19,477,434	453,260,380		
2006-07	1,653,756	5,355,841	46,554,638	0	53,564,235	20,017,711	149,303 ³	0	20,167,014	486,657,601		
2007-08	1,635,495	5,592,419	50,003,648	0	57,231,562	20,530,863	260,000 ³	0	20,790,863	523,098,300		
2008-09	1,690,181	6,065,645	53,771,144	0	61,526,970	21,404,062	559,833 ³	0	21,963,895	562,661,375		
2009-10	1,821,235	6,800,618	57,879,875	0	66,501,728	22,448,720	0	0	22,448,720	606,714,383		
2010-11	1,840,317	7,618,115	62,459,846	0	71,918,278	22,996,056	0	0	22,996,056	655,636,605		
2011-12	1,964,975	9,002,051	67,506,190	0	78,473,216	24,682,295	1,172,223 ³	206,238	26,060,756	708,049,065		

Notes

1. Includes contributions for current and prior service and interest paid by members.
2. Includes a transfer of \$9,941,788 from the Supplementary Retirement Benefits Account and an actuarial adjustment credit of \$158,000,000.
3. Includes pension division payments and interest on withdrawal allowances.
4. PSS stands for Public Service Superannuation.

Table 4
Members of Parliament Retirement Compensation Arrangements Account
Comparative Data—January 1, 1992, to March 31, 2012

Fiscal Year	Members'		Government		Interest (\$)		Other Accounting		Total		Annual Allowances (\$)	Withdrawal Allowances (\$)	Refundable Tax (\$)	Payments	Total Account Balance (\$)
	Contributions (\$)	Contributions (\$)	Contributions (\$)	Contributions (\$)	Adjustments (\$)	Receipts (\$)	Adjustments (\$)	Receipts (\$)							
1992-93	1,944,720	13,837,316	806,119	0	16,588,155	71,198	3,901	6,516,391	6,591,490	9,996,665					
1993-94	1,553,821	10,394,866	1,487,793	0	13,436,480	391,546	571,762	6,637,345	7,600,653	15,832,492					
1994-95	1,610,329	9,058,349	2,025,049	0	12,693,727	727,802	27,755	5,807,226	6,562,783	21,963,436					
1995-96	1,246,927	5,971,846	2,563,705	0	9,782,478	762,478	574,632 ¹	4,808,645	6,145,755	25,600,159					
1996-97	1,074,385	4,944,660	2,853,534	0	8,872,579	772,012	57,167 ¹	3,884,619	4,713,798	29,756,940					
1997-98	1,147,880	5,410,244	3,257,976	0	9,816,100	954,739	718,385 ¹	3,982,375	5,655,499	33,919,541					
1998-99	1,353,367	6,816,386	3,769,294	0	11,939,047	976,109	113,933 ¹	5,101,490	6,191,532	39,667,056					
1999-2000	1,248,721	7,397,670	4,458,146	0	13,104,537	1,017,774	464,361 ¹	5,790,772	7,272,907	45,498,686					
2000-01	1,812,679	7,831,603	5,031,774	0	14,676,056	1,113,039	207,462 ¹	6,460,747	7,781,248	52,393,494					
2001-02	2,448,630	15,269,084	6,396,263	0	24,113,977	1,368,096	448,629 ¹	10,049,942	11,866,667	64,640,804					
2002-03	2,571,907	15,859,000	7,248,223	9,773,275	35,452,405	1,445,396	412,384 ¹	10,982,904	12,840,684	87,252,525					
2003-04	2,925,422	16,921,883	9,979,113	9,773,275	39,599,693	1,529,508	523,313 ¹	17,926,813	19,979,634	106,872,584					
2004-05	2,629,785 ²	16,297,793	11,702,344	9,645,766	40,275,688	3,254,354	441,259 ¹	17,944,084	21,639,697	125,508,575					
2005-06	2,755,607 ²	16,529,339	13,591,352	5,708,760	38,585,058	4,113,948	980,709 ¹	18,223,501	23,318,158	140,775,475					
2006-07	2,663,652 ²	16,178,865	15,103,392	0	33,945,909	5,886,618	211,517 ¹	13,540,275	19,638,410	155,082,974					
2007-08	2,579,374 ²	16,480,107	16,501,512	0	35,560,993	6,281,662	43,987 ¹	18,318,531	24,644,180	165,995,787					
2008-09	2,644,227 ²	17,921,071	17,734,300	600,000	38,899,598	7,431,275	801,124 ¹	15,438,016	23,670,415	181,228,970					
2009-10	2,710,973 ²	18,071,572	19,272,737	600,000	40,655,282	8,697,147	30,562 ¹	15,693,048	24,420,757	197,463,495					
2010-11	2,705,797 ²	19,084,944	20,980,723	600,000	43,371,464	8,985,433	(4,123) ¹	16,820,431	25,801,741	215,033,218					
2011-12	2,749,149 ²	20,398,894	22,706,928	600,000	46,454,971	11,777,488	1,502,030 ¹	16,792,405	30,071,923	231,416,266					

Notes

1. Includes pension division payments plus interest on withdrawal allowances.
2. Includes contributions for current and prior service and interest paid by members.

Table 5New and Past Allowances for the Fiscal Year 2011–12

1. a) The following 75 new allowances became payable:

- 7 to former members of the Senate
- 1 to the survivor of a former member of the Senate
- 56 to former members of the House of Commons
- 0 to former members of the House of Commons whose allowances were reinstated
- 11 to survivors of former members of the House of Commons

b) Withdrawal allowances (i.e., return of members' contributions with interest) were paid in respect of 36 members of the House of Commons and 1 member of the Senate who retired.

2. The following 26 allowances ceased to be payable:

a) to 20 persons who died:

- 1 member of the Senate
- 1 former member of the Senate
- 4 survivors of former members of the Senate
- 13 former members of the House of Commons
- 1 survivor of a former member of the House of Commons

b) to 6 persons whose allowances ceased to be payable for the reasons given below:

- 0 to the child of a former member of the Senate whose allowance was suspended due to age
- 1 to the child of a former member of the House of Commons whose student allowance was suspended
- 1 to a former member of the House of Commons who transferred to the Senate
- 1 to a former member of the House of Commons who was re-elected to Parliament
- 1 to a former member of the House of Commons suspended re Bill C85
- 2 to former members of the House of Commons suspended (cannot locate)

Since the Act came into force on November 20, 1952, a total of 1,520 (1,445 in 2011) annual allowances and 954 (916 in 2011) withdrawal allowances have been authorized.

The distribution of annual allowances in pay (including applicable indexation and MPRCA) at March 31, 2012, was as follows:

Table 6
Distribution of Annual Allowances in Pay

Amount of Allowance (\$)	Former Members	Survivors	Dependant Children/Students	Total 2012	Total 2011
90,000 and over	84	0	0	84	59
85,000–89,999	19	0	0	19	15
80,000–84,999	23	0	0	23	20
75,000–79,999	14	0	0	14	22
70,000–74,999	22	1	0	23	12
65,000–69,999	38	1	0	39	34
60,000–64,999	35	0	0	35	39
55,000–59,999	27	3	0	30	25
50,000–54,999	35	4	0	39	42
45,000–49,999	31	8	0	39	36
40,000–44,999	45	18	0	63	57
35,000–39,999	43	24	0	67	71
30,000–34,999	44	14	0	58	44
25,000–29,999	24	24	0	48	51
20,000–24,999	25	21	0	46	47
15,000–19,999	17	17	0	34	34
Up to 14,999	21	27	8	56	60
Totals	547	162	8	717	668

Notes: Included in the above allowances, two former members were in receipt of an indexed annual allowance for service as prime minister.

The average annual allowance, including indexation and MPRCA, was \$66,218 (\$60,599 in 2011) for former members of the Senate and \$58,051 (\$55,102 in 2011) for former members of the House of Commons.

There were 17 (14 in 2011) former members of the Senate and 67 (45 in 2011) former members of the House of Commons who received an annual pension, including indexing and MPRCA, exceeding \$90,000.