



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Report on the Administration of the Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 2018



ANNUAL REPORT

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Her Excellency the Right Honourable Julie Payette, C.C., C.M.M., C.O.M., C.Q., C.D.,
Governor General of Canada

Excellency:

I have the honour to submit to Your Excellency, the *Report on the Administration of the
Members of Parliament Retiring Allowances Act for the Fiscal Year Ended March 31, 2018*.

Respectfully submitted,

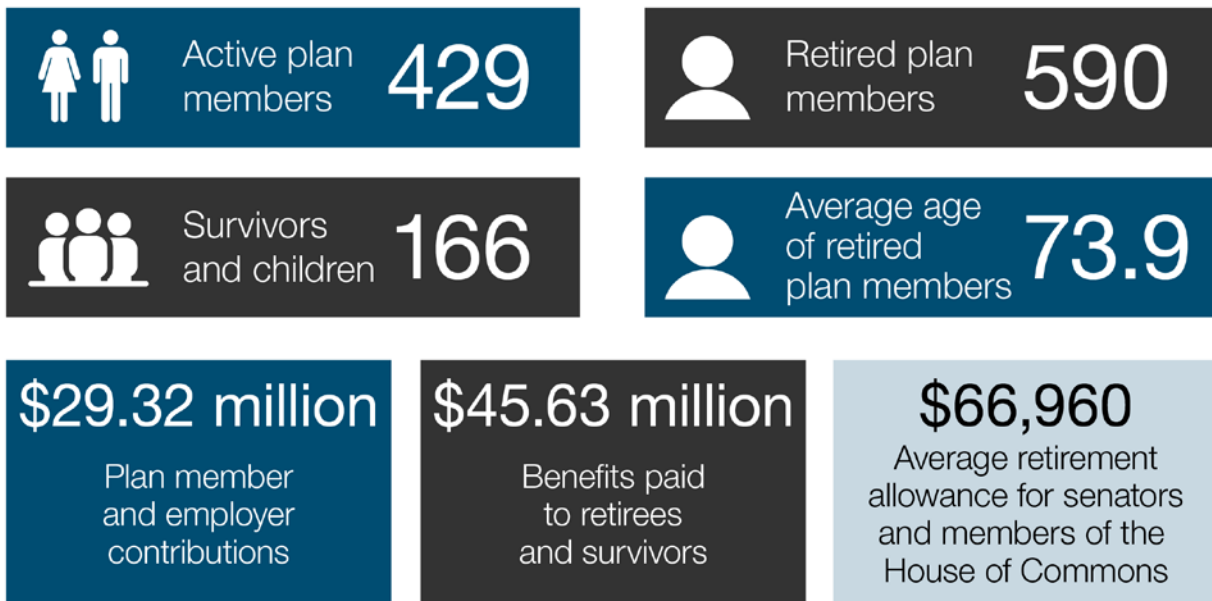
Original signed by

The Honourable Joyce Murray, P.C., M.P.

President of the Treasury Board and Minister of Digital Government



Members of Parliament Pension Plan: year at a glance



Introduction

The Members of Parliament Pension Plan is a contributory defined benefit pension plan that serves more than 1,000 active and retired senators and members of the House of Commons. The plan offers eligible plan members a lifetime pension benefit when they retire. The plan was established in 1952 and is governed by the *Members of Parliament Retiring Allowances Act* (MPRAA).

In this report, “members of Parliament” refers to senators and members of the House of Commons, and “plan members” refers to both active and retired members of Parliament. Where necessary, senators and members of the House of Commons are referred to separately.

Pension objective

The objective of the MPRAA is to provide a source of lifetime retirement income for retired and disabled members of Parliament. Upon a plan member’s death, the plan provides an income for eligible survivors and dependants.

Membership

All members of Parliament must contribute to the plan. Membership has been mandatory since 1965 for senators, and since 2000 for members of the House of Commons.



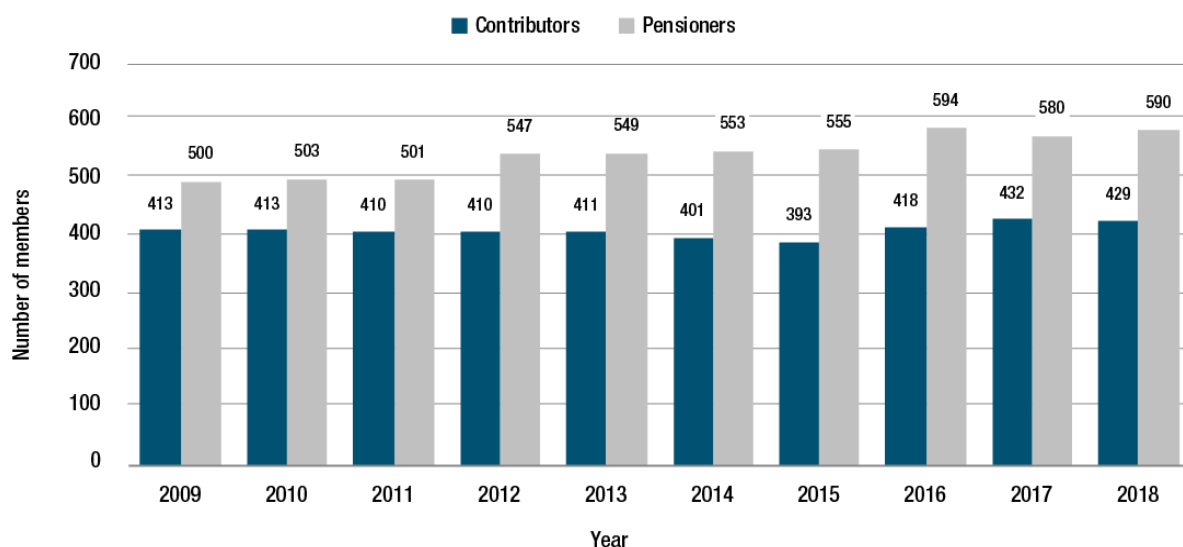
Highlights

- ▶ The employer-member cost-sharing ratio of 50:50, which is required under the *Pension Reform Act*, was reached in 2017. Since January 1, 2016, plan member contribution rates have been set by the Chief Actuary of Canada.
- ▶ The age at which a retirement allowance may be paid without a reduction has been raised from 55 to 65 for pensionable service accrued on or after January 1, 2016. A plan member can elect to receive a retirement allowance at age 55, but the allowance will be reduced by 1% for each year the plan member is under age 65.
- ▶ Since January 1, 2016, contributions and benefits for pensionable service accrued on or after January 1, 2016, have been coordinated with the Canada Pension Plan (CPP) and the Québec Pension Plan (QPP). As a result, plan members' benefits are reduced at age 60 by a formulated amount.
- ▶ For service accrued on or after January 1, 2016, average annual pensionable earnings used to calculate the retirement allowance include sessional indemnities, allowances and salaries received during the 5 consecutive years of highest-paid pensionable service. For service accrued before that date, only the average annual sessional indemnities are included.

Membership statistics

Figure 1 shows the number of contributors relative to the number of pensioners from 2009 to 2018.

Figure 1. Contributors and pensioners from 2009 to 2018



The 10-year average annual growth rate¹ for contributors was 0.9% (0.8% in 2017) and 2.3% for pensioners (2.2% in 2017).

Table 1. Comparison of membership distribution in 2014 and 2018
(year ended March 31)

Membership type	Number of members 2014	Percentage of total 2014	Number of members 2018	Percentage of total 2018	Percentage change from 2014 to 2018
Senate contributors	96	8.6	93*	7.8	-3.1
House of Commons contributors	305	27.3	337	28.4	10.5
Senate pensioners	78	7.0	92	7.8	17.9
House of Commons pensioners	475	42.4	498	42.0	4.8
Survivors	157	14.0	163	13.7	3.8
Children	8	0.7	3	0.3	-62.5
Total	1,119	100.0	1,186	100.0	6.0

* Data correction to include one senator who is currently not contributing to the Members of Parliament Pension Plan.

Summary of plan benefits

The following is an overview of the main benefits offered under the Members of Parliament Pension Plan. If there is a discrepancy between this information and the [Members of Parliament Retiring Allowances Act](#) or other applicable laws, the legislation will prevail at all times.

The Members of Parliament Pension Plan provides benefits that are calculated using a defined formula. The formula is based on a plan member's pensionable service and their annual pensionable earnings over the 5 consecutive years of highest-paid pensionable service.

Since January 1, 2016, benefits under the plan for pensionable service accrued on or after January 1, 2016, have been coordinated with the CPP and QPP. As a result, a plan member's retirement allowance now consists of 2 separate components: a lifetime pension benefit, payable until the plan member's death; and a temporary bridge benefit, payable until the plan member reaches age 60.

1. The average annual growth rate is the compounded annual growth rate, or geometric mean.



The retirement allowance of a plan member who reaches age 60 (or who starts receiving a retirement allowance after age 60) is reduced by a percentage of the average maximum pensionable earnings (AMPE) for CPP and QPP purposes, multiplied by the years of pensionable service.

Table 2 shows how a plan member's retirement allowance is calculated.

Table 2. Calculation of retirement allowance

Lifetime pension benefit (maximum 75% accrual*)				
For pensionable service accrued before January 1, 2016				
3% (or applicable rate)	x	Highest average sessional indemnity	x	Years of credited pre-2016 service
For pensionable service accrued after December 31, 2015				
2.6% up to AMPE 3% above AMPE	x	Highest average pensionable earnings	x	Years of credited post-2015 service
Bridge benefit: payable on post-2015 service until age 60				
0.4%	x	Average pensionable earnings up to AMPE	x	Years of credited post-2015 service

* The maximum accrual rate does not include additional service credits prior to January 1, 2016.

Benefit accrual rate

The benefit accrual rate is the rate at which a plan member's retirement allowance for the year is accumulated.

The current benefit accrual rate for senators and members of the House of Commons is 3% per year of service, to a maximum of 75% of average annual pensionable earnings.

For service prior to January 1, 2016, the benefit accrual rate for senators is 3% per year of service, to a maximum of 75% of the average sessional indemnity; and the benefit accrual rate for members of the House of Commons, to a maximum of 75% of the average sessional indemnity, is as follows:

- ▶ 3% per year of service effective January 1, 2001
- ▶ 4% per year of service from January 13, 1995, to December 31, 2000
- ▶ 5% per year of service up to and including July 12, 1995



The age at which a retirement allowance may be paid without a reduction has been raised from age 55 to age 65 for pensionable service accrued on or after January 1, 2016. A plan member can elect to receive a retirement allowance at age 55, but the allowance will be reduced by 1% for each year the plan member is under age 65.

Retirement allowance

- ▶ A plan member's retirement allowance is based on their average pensionable earnings for the best 5 consecutive years of pensionable earnings.
- ▶ For service prior to January 1, 2016, the retirement allowance is based on the plan member's average sessional indemnity for the best 5 consecutive years of pensionable earnings.
- ▶ Before 2001, the average sessional indemnity was based on the best 6 consecutive years of pensionable earnings.

Table 3 shows when benefit options are available to plan members who have 6 or more years of pensionable service. The availability of a benefit depends on when the pensionable service is accrued and at what age the pension benefit is taken.

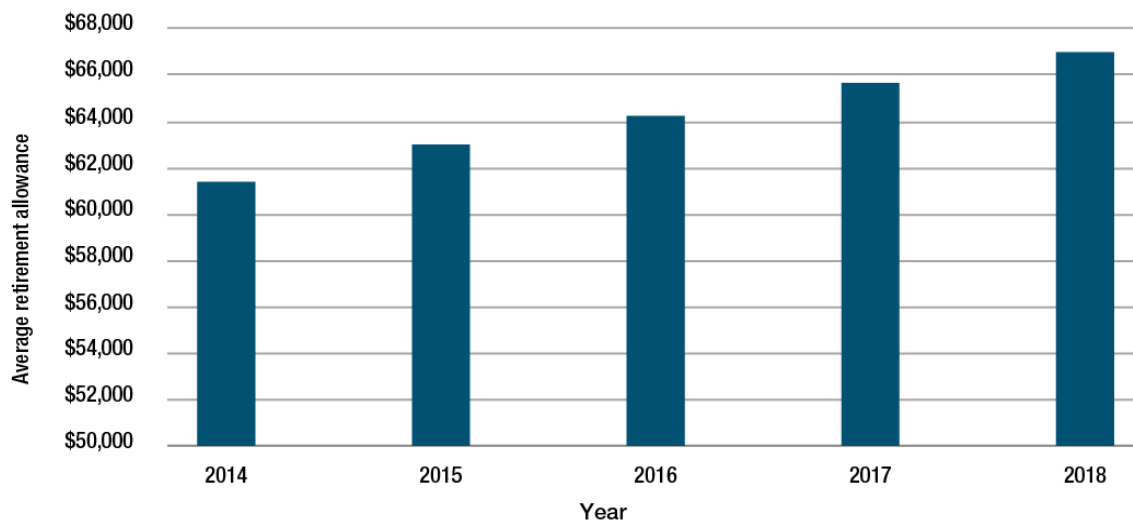
Table 3. Benefit options available to plan members

If the pensionable service is accrued...	the benefit option is...	payable at...
on or before July 12, 1995	an immediate unreduced retirement allowance	any age
from July 13, 1995, to December 31, 2015	an immediate unreduced retirement allowance	age 55
on or after January 1, 2016	an immediate and permanently reduced retirement allowance	age 55
	or an immediate unreduced retirement allowance	age 65



Figure 2 presents the average retirement allowance, including indexation, paid to retired plan members from 2014 to 2018. As at March 31, 2018, the average retirement allowance paid to retired plan members was \$66,960 (\$65,668 in 2017).

Figure 2: Average retirement allowance paid to retired plan members from 2014 to 2018 (year ended March 31)



The retirement allowance of a retired plan member is suspended if that person is re-employed as a senator or a member of the House of Commons. If the retired plan member receives remuneration of at least \$5,000 in any 1-year period as a federal public service employee or pursuant to a federal service contract, retirement allowances paid under the MPRAA to that retired plan member in that year will be reduced by \$1 for each dollar of remuneration received in that year.

Withdrawal allowance

If a plan member ceases to be a member prior to completing 6 years of contributory service, or if the plan member is disqualified from the Senate or expelled from the House of Commons, the plan member becomes entitled to a withdrawal allowance (also known as a return of contributions). The withdrawal allowance is a reimbursement of all the plan member's contributions, plus interest, calculated at the rate of 4%, compounded annually.

Survivor allowance

Upon a plan member's death, eligible survivors and children may receive an allowance.

Table 4. Benefits for survivors

At the time of death, if the member had...	the pension plan may pay...	and the benefit is...
a spouse or common-law partner	a survivor allowance	a monthly allowance equal to 60% of the plan member's basic retirement allowance , payable immediately, for the lifetime of the spouse or common-law partner
dependent children	a child allowance	a monthly allowance equal to 10% of the plan member's retirement allowance , payable to each child until age 18, or until age 25 if the child is a full-time student.
dependent children, but no spouse or common-law partner	a child allowance	a monthly allowance equal to 20% of the plan member's retirement allowance , payable to each child until age 18, or until age 25 if the child is a full-time student
no eligible survivor or dependent children	a lump-sum payment	a minimum benefit , payable to the plan member's estate, equal to the return of contributions (plus interest) exceeding any allowances already paid

If the plan member did not have 6 years of pensionable service and was therefore not eligible for a retirement allowance, a withdrawal allowance is paid to the estate. This lump-sum payment is equal to the total of the plan member's contributions, plus interest, calculated at the rate of 4%, compounded annually.

Protection from inflation

Retirement allowances, survivor allowances and disability pensions under the Members of Parliament Pension Plan are indexed annually to take into account the cost of living, which is based on increases in the Consumer Price Index. In 2018, the indexation rate was 1.6% (1.3% in 2017).

Retirement allowances are not indexed until the plan member reaches age 60. However, once indexing begins, payments reflect the cumulative increase in the Consumer Price Index since the plan member left Parliament.

Survivor allowances and disability pensions are indexed as soon as they start to be paid.



Plan provisions for the prime minister

Retirement allowance

A prime minister who holds office for at least 4 years is entitled to a special retirement allowance in addition to their Members of Parliament Pension Plan benefit. As of February 6, 2006, former prime ministers can receive a retirement allowance at age 67 or upon ceasing to hold office, whichever is later.

Table 5 shows the basic formula for calculating a prime minister's retirement allowance.

Table 5. Calculation of prime minister's retirement allowance*

3%	x	Prime minister's salary when payment of the allowance begins (age 67 or later)	x	Years of service as prime minister
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* The retirement allowance cannot exceed two thirds of the prime minister's salary at the time the payment of the retirement allowance begins.

Prior to February 6, 2006, payment of the retirement allowance began when the prime minister reached age 65 or ceased to be a plan member, whichever was later. The retirement allowance was equal to two thirds of the prime minister's salary at the time the payment of the allowance began.

Survivor allowance

An eligible survivor receives a survivor allowance equal to 50% of the retirement allowance payable to the former prime minister for service as prime minister. The survivor allowance is paid to a spouse only; there is no child's allowance payable.

Financial overview

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 are permitted under the *Income Tax Act* for registered pension plans. The MPRCA Account records the transactions related to the benefits payable under the plan when the benefits exceed the limits established by the *Income Tax Act*.



The MPRCA Account is registered with the Canada Revenue Agency. Transactions are recorded annually between the MPRCA Account and the Canada Revenue Agency either to remit a 50% 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, 2018, the MPRCA Account recorded a refundable tax credit of \$3.5 million and remitted \$4.7 million to the Canada Revenue Agency (\$6.3 million for the fiscal year ended March 31, 2017).

The “Account transaction statements”² section of this report presents the data on the MPRA and MPRCA accounts for the fiscal years ended March 31, 2017, and March 31, 2018.

Actuarial funding valuation

As required by the *Public Pensions Reporting Act*, the President of the Treasury Board directs the Chief Actuary of Canada to conduct an actuarial funding valuation of the pension arrangements established under the MPRAA at least every 3 years. The President tables the actuarial valuation in Parliament. This valuation presents an estimate of the balance sheet on an actuarial basis, which means that it presents the account balances and liabilities and any resulting excess or shortfall. The actuarial valuation also projects the current service cost for each of the 3 years following the valuation date. The [most recent actuarial funding valuation](#)ⁱ for the Members of Parliament Pension Plan, which has a valuation date of March 31, 2016, was tabled in Parliament on November 3, 2017.

Members' contributions

Plan members are required to make regular monthly contributions to the Members of Parliament Pension Plan for as long as they remain members of Parliament. To ensure the sustainability of the plan, contribution rates continue to be maintained at the 50:50 employer-member cost-sharing ratio. The targeted ratio was reached in 2017. Since January 1, 2016, contribution rates have been set by the Chief Actuary of Canada.

The coordination of benefits with the CPP and QPP, which started in 2016, means that plan members pay different contribution rates on different portions of their pensionable earnings. They pay one rate on the portion that is below the year's maximum pensionable earnings (YMPE), another rate on the portion that is at or above the YMPE up to the maximum pensionable earnings (MPE), and another rate on the portion that is above the MPE.

2. Certain comparative figures in the statements have been reclassified to conform to the current year's presentation.



The YMPE is the maximum earnings for which contributions can be made to the CPP or QPP during a calendar year. The MPE is the maximum earnings for which pension benefits can be accrued during a calendar year, as defined by the *Income Tax Act*.

Table 6 shows plan members' contribution rates to the MPRA Account for the calendar years from 2017 to 2019.

Table 6. Plan member contribution rates to the MPRA Account

Calendar year	Under Age 71			Age 71 and above
	Below YMPE	YMPE to MPE	Above MPE	
2017	11.15%	14.24%	0.00%	0.00%
2018	11.13%	14.22%	0.00%	0.00%
2019	11.19%	14.29%	0.00%	0.00%

Plan members make contributions on their sessional indemnities at the rates shown above, until they reach the maximum benefit accrual rate of 75%. Once they have reached that maximum, the contribution rate drops to 1% of salary for the remainder of their service.

Some plan members, such as the speakers, Cabinet ministers, leaders of the opposition and parliamentary secretaries, receive additional allowances and salaries. They make contributions on these additional amounts at the rates indicated.

Prime ministers must contribute at the applicable contribution rate of their salary received as prime minister, in addition to their contributions as a member of the House of Commons.

If eligible, a plan member can elect to make contributions on prior service in Parliament, in which case the member must pay interest on past service contributions.

Retirement compensation arrangement

Retirement compensation arrangements provide benefits that exceed the allowable limits for a registered pension plan under the *Income Tax Act*. The *Income Tax Act* defines the maximum pensionable earnings for which benefits can be accrued during a calendar year. On January 1, 2016, the earnings limit formula was revised to reflect the coordination with the CPP and QPP. The earnings limit for 2018 is \$154,700 and for 2019, \$159,000 (\$153,100 for 2017).

Plan members who have not reached the age of 71 contribute to the MPRA and MPRCA accounts a portion of their sessional indemnity up to the earnings limit for that year, until they have accrued a retirement allowance equal to 75% of the average sessional indemnity. Once a plan member has reached the earnings limit for the calendar year, the member contributes a certain percentage to the MPRCA Account as established under the MPRAA.

Table 7 shows plan members' contribution rates to the MPRCA Account for the calendar years from 2017 to 2019.

Table 7. Plan member contribution rates to the MPRCA Account

Calendar year	Under Age 71		Ages 71 and above
	Below MPE	Above MPE	
2017	6.36%	19.48%	19.48%
2018	6.31%	19.41%	19.41%
2019	6.35%	19.52%	19.52%

Government contributions

Every month, the government is required to contribute an amount to the MPRA and MPRCA accounts, after taking into account plan members' contributions, to fund the costs of all future benefits that members have earned during that month. The government's contributions, which match plan members' contributions, for each account vary from year to year and can be expressed as a percentage of the pensionable payroll.

Table 8 shows the government's current service contribution rates for the calendar years from 2017 to 2019.

Table 8. Government contribution rates (percentage of pensionable payroll)

Account	2017	2018	2019
MPRA Account	10.37%	10.69%	10.81%
MPRCA Account	9.11%	8.72%	8.71%

Interest

Every quarter, the government credits interest on the balance of each account at a rate set under the *Members of Parliament Retiring Allowances Regulations*. Effective January 1, 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 from the Chief Actuary of Canada. For the fiscal year ended March 31, 2018, interest was credited quarterly at a rate of 0.59%.



Credits and debits to the accounts

If there is an unfunded actuarial liability in either the MPRA Account or the MPRCA Account, the MPRA Account or the MPRCA Account must be credited with such amounts that, in the opinion of the President of the Treasury Board, on the basis of actuarial advice, would be necessary to meet the total costs of all the allowances and other benefits payable under the plan. Conversely, if there is an excess of the balance of the accounts over the actuarial liability, the President of the Treasury Board has the authority, on the basis of actuarial advice, to debit amounts from the MPRA Account or the MPRCA Account.

For the fiscal year ended March 31, 2018, to meet the total cost of all allowances and other benefits payable and to ensure that the account balances are aligned with the actuarial liability, the MPRA Account was credited with \$40.7 million and the MPRCA Account was debited by \$118.9 million.

Roles and responsibilities

On behalf of the Government of Canada, the overall responsibility for the Members of Parliament Pension Plan lies with the President of the Treasury Board, supported by the Treasury Board of Canada Secretariat (as the administrative arm of the Treasury Board), Public Services and Procurement Canada and the Senate of Canada.

The roles and responsibilities of each organization are as follows.

Treasury Board of Canada Secretariat

The President of the Treasury Board is responsible for the overall management of the Members of Parliament Pension Plan on behalf of the Government of Canada, the plan's sponsor. The Secretariat helps the Treasury Board carry out its role by developing policy for the funding, design and governance of the plan and of retirement allowances for members of Parliament. In addition, the Secretariat provides strategic direction, program advice and interpretation; develops legislation; liaises with stakeholders; communicates with plan members; and prepares an annual report on the administration of the *Members of Parliament Retiring Allowances Act*.

Public Services and Procurement Canada and the Senate of Canada

Public Services and Procurement Canada and the Senate of Canada are responsible for the day-to-day administration of the plan. This includes developing and maintaining the plan's pension systems, books of accounts, records, and internal controls, as well as preparing account transaction statements for reporting in the Public Accounts of Canada.



Office of the Chief Actuary

The Office of the Chief Actuary, an independent unit within the Office of the Superintendent of Financial Institutions Canada, provides a range of actuarial services and advice to the Government of Canada on the Members of Parliament Pension Plan. The Office of the Chief Actuary is responsible for conducting an annual actuarial valuation of the plan for accounting purposes, and for performing a funding valuation once every 3 years. It also sets contribution rates and coordination factors for the plan, and recommends credits and debits to the accounts.

Further information

Additional information concerning the Members of Parliament Pension Plan is available at the following sites:

- ▶ [*Members of Parliament Retiring Allowances Act*](#)ⁱⁱ
- ▶ [*Office of the Chief Actuary*](#)ⁱⁱⁱ



Account transaction statements

Members of Parliament Retiring Allowances Account statement
Fiscal year ended March 31, 2018 (\$ thousands)

	2018	2017
Opening balance (A)	509,482	502,299
Receipts and other credits		
Plan members' contributions, current	7,964	5,560
Government contributions, current	7,952	7,871
Plan members' contributions, arrears on principal, interest, and mortality insurance	22	40
Government contributions on amounts payable (elections)	0	0
Interest	20,997	22,844
Transfer from the Supplementary Retirement Benefits Account	0	0
Actuarial adjustment	40,700	0
Total receipts (B)	77,635	36,315
Payments and other charges		
Retirement allowances	29,347	28,496
Withdrawal allowances, including interest	103	231
Pension division payments	108	405
Transfers to the Public Service Superannuation Account	0	0
Actuarial adjustment	0	0
Total payments (C)	29,558	29,132
Excess of receipts over payments (B – C) = (D)	48,077	7,183
Closing balance (A + D)	557,559	509,482



Members of Parliament Retirement Compensation Arrangements Account statement
Fiscal year ended March 31, 2018 (\$ thousands)

	2018	2017
Opening balance (A)	254,930	248,635
Receipts and other credits		
Plan members' contributions, current	6,689	6,570
Government contributions, current	6,718	10,949
Plan members' contributions, arrears on principal, interest, and mortality insurance	42	80
Interest	10,866	11,471
Refundable tax ¹	3,500	0
Total receipts (B)	27,815	29,070
Payments and other charges		
Retirement allowances	16,041	15,499
Withdrawal allowances, including interest	138	340
Pension division payments	106	592
Transfer to other pension funds	0	0
Refundable tax ¹	4,730	6,344
Actuarial adjustment	118,900	0
Total payments (C)	139,915	22,775
Excess of receipts over payments (B - C) = (D)	(112,100)	6,295
Closing balance (A + D)	142,830	254,930

1. Transactions are recorded annually between the MPRCA Account and the CRA either to debit a 50% refundable tax in respect of the net contributions and interest credits or to credit a reimbursement based on the net benefit payments.



Statistical tables

Statistical table 1

New and past retirement allowances

Fiscal year ended March 31, 2018

The following 22 new retirement allowances became payable:

- ▶ 12 to former senators
- ▶ 3 to survivors of former senators
- ▶ 7 to former members of the House of Commons

Retirement allowances ceased to be payable to the following 17 members, who died during the fiscal year:

- ▶ 6 former senators
- ▶ 1 survivor of a former senator
- ▶ 4 former members of the House of Commons
- ▶ 6 survivors of former members of the House of Commons

The following retirement allowances ceased to be payable for other reasons:

- ▶ 4 student allowances suspended

Withdrawal allowances (returns of plan members' contributions, plus interest) were paid in respect of 1 senator and 3 members of Parliament.

Since the MPRAA came into force on November 20, 1952, a total of 1,715 retirement allowances and 1,056 withdrawal allowances have been authorized.

Statistical table 2

Distribution of retirement allowances in pay, including applicable indexation,
as at March 31, 2018

Amount of allowance (\$)	Former plan members	Survivors	Dependent children or students	Total 2018	Total 2017
90,000 and over	94	1	0	95	92
85,000 to 89,999	10	0	0	10	7
80,000 to 84,999	20	2	0	22	21
75,000 to 79,999	23	0	0	23	25
70,000 to 74,999	12	2	0	14	12
65,000 to 69,999	35	4	0	39	31
60,000 to 64,999	25	3	0	28	28
55,000 to 59,999	18	6	0	24	25
50,000 to 54,999	10	2	0	12	10
45,000 to 49,999	66	6	0	72	70
40,000 to 44,999	33	10	0	43	48
35,000 to 39,999	33	6	0	39	36
30,000 to 34,999	68	11	0	79	79
25,000 to 29,999	69	27	0	96	95
20,000 to 24,999	19	10	0	29	29
15,000 to 19,999	27	24	0	51	51
Up to 14,999	28	49	3	80	95
Totals	590	163	3	756	754



Glossary of terms

accrued pension benefits

Benefits earned by plan members under the Members of Parliament Pension Plan for pensionable service to date.

actuarial valuation

An actuarial analysis that provides information on the financial condition of a pension plan.

additional allowances and salary

The additional remuneration of, and salaries payable to, members of Parliament who occupy certain offices or positions, such as the prime minister, Cabinet ministers, speakers, and leaders of the opposition.

average maximum pensionable earnings

The average of the year's maximum pensionable earnings as set by the Canada Pension Plan and the Québec Pension Plan for the year of retirement and the 4 preceding years.

benefit accrual rate

The rate at which a plan member's retirement benefits for the year are accumulated in a defined benefit plan.

Canada Pension Plan

A mandatory earnings-related pension plan, implemented on January 1, 1966, to provide basic retirement income to Canadians who work in all the provinces and territories except Quebec. Quebec operates the Québec Pension Plan for persons who work in that province; it is similar to the Canada Pension Plan.

child

A dependant who may be entitled to a children's allowance under the Members of Parliament Pension Plan, in the event of a plan member's death. To be eligible for an allowance, a child must be under 18 years of age. Children between 18 and 25 may receive allowances if they are enrolled in school or another educational institution full-time and have attended continuously since the age of 18 or the date of the plan member's death, whichever occurs later.

Consumer Price Index

A measure of price changes published by Statistics Canada on a monthly basis. The Consumer Price Index measures the retail prices of a "shopping basket" of about 300 goods and services, including food, housing, transportation, clothing and recreation. The index is weighted, meaning that it gives greater importance to price changes for some products than others (for example, more to housing, for example, than to entertainment) in an effort to reflect typical spending patterns. Increases in the Consumer Price Index are also referred to as increases in the cost of living.



contributions

Sums credited or paid by the employer (the Government of Canada, in the case of Members of Parliament Pension Plan) and plan members to finance future pension benefits. Each year, the employer contributes amounts sufficient to fund the future benefits earned by plan members in respect of that year, as determined by the President of the Treasury Board and the Office of Chief Actuary.

defined benefit pension plan

A type of pension plan that promises a certain level of pension, which is usually based on the plan member's salary and years of service. The Members of Parliament Pension Plan is a defined benefit pension plan.

indexation

The automatic adjustment of pensions in pay or accrued pension benefits (deferred annuities) in accordance with changes in the Consumer Price Index. Under the Members of Parliament Pension Plan, pensions are indexed in January of each year in order to maintain their purchasing power.

maximum pensionable earnings

The maximum earnings for which pension benefits can be accrued during a calendar year, as defined by the *Income Tax Act*.

Members of Parliament Pension Plan

A pension plan, established in 1952, that governs pension arrangements for members of Parliament and provides benefits to their survivors and children payable after death. This plan is defined by the *Members of Parliament Retiring Allowances Act* and the *Members of Parliament Retiring Allowances Regulations*.

Members of Parliament Retiring Allowances Account

An account established by the *Members of Parliament Retiring Allowances Act* to record pension transactions relating to benefits payable under the plan.

Members of Parliament Retiring Allowances Act

An act to provide pension benefits to eligible members of Parliament.

minimum benefit

A benefit that is equal to the withdrawal allowance plus interest paid on prior service contributions that exceed allowances already paid to a plan member. It is payable to their estate.



pensionable earnings

The cumulative total of the sessional indemnity, annual allowances and any salary payable during the calendar year.

pensionable service

Periods of service credited to a member of the Members of Parliament Pension Plan. This service includes any complete or partial periods of purchased service (for example, service buyback or elective service).

Québec Pension Plan

A pension plan similar to the Canada Pension Plan that covers individuals working in the province of Quebec. It is administered by the Régie des rentes du Québec.

retirement allowance

A benefit payable on a periodic basis to a plan member until the member's death, unless payment of the benefit is suspended.

sessional indemnity

An annual amount, equivalent to a salary, payable monthly.

survivor

The person who, at the time of the plan member's death, was married to the plan member before their retirement, or was cohabiting with the plan member in a relationship of a conjugal nature prior to retirement and for at least 1 year prior to the date of death.

survivor allowance

A pension benefit paid to the survivor upon a plan member's death.

withdrawal allowance

A benefit that is available to contributors who have less than 6 years of pensionable service under the Members of Parliament Pension Plan when they cease to be a plan member. It includes plan member's contributions plus interest, if applicable.

year's maximum pensionable earnings

The maximum earnings for which contributions can be made to the Canada Pension Plan and the Québec Pension Plan (earnings ceiling) during the year.

Endnotes

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- i. Most recent actuarial funding valuation, <http://www.osfi-bsif.gc.ca/Eng/Docs/mp16.pdf>
 - ii. *Members of Parliament Retiring Allowances Act*, <http://laws.justice.gc.ca/eng/acts/m-5/>
 - iii. Office of the Chief Actuary, <http://www.osfi-bsif.gc.ca/Eng/oca-bac/Pages/default.aspx>

