Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Ottawa, Canada
K1A 0H2

PENSION PLAN
FOR
MEMBERS OF PARLIAMENT

ACTUARIAL REPORT

(INCLUDING COST CERTIFICATE)

AS AT DECEMBER 31, 1985

Canadä

Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Ottawa, Canada
K1A 0H2

March 7, 1988

The Honourable Donald Mazankowski
President of the Treasury Board
Ottawa

Sir:

Pursuant to section 6 of the Public Pensions Reporting Act, I have the honour to transmit herewith my valuation report on an actuarial review of the pension plan established under the Members of Parliament Retiring Allowances Act, as at December 31, 1985. The report includes a cost certificate required in accordance with section 5 of the Public Pensions Reporting Act.

This report was completed on August 17, 1987 but its submission had to await the Order in Council (passed March 4, 1988) designating the President of the Treasury Board to be the Minister for purposes of Subsection 9(1) of the Public Pensions Reporting Act as it pertains to the pension plan established under the Members of Parliament Retiring Allowances Act.

Subsection 9(1) of the Public Pensions Reporting Act requires the report to be laid before Parliament within thirty sitting days of its being filed with the Minister.

Respectfully submitted,

Walter Riese
Chief Actuary

Canada

TABLE OF CONTENTS

APPENDICES

PUBLIC PENSIONS REPORTING ACT

Report on the Actuarial Review of the pension plan established under the Members of Parliament Retiring Allowances Act as at December 31, 1985

I. Introduction

As required by paragraphs 3(1)(b) and 3(3)(a) of the Public Pensions Reporting Act (PPRA), we have made an actuarial review of the pension plan established under the Members of Parliament Retiring Allowances Act (MPRAA) as at December 31, 1985. The last actuarial review was made as at March 31, 1982.

For purposes of this report, as required by subsection 3(2) of the PPRA, the plan is deemed to include the related benefits (inflation adjustments) payable under the Supplementary Retirement Benefits Act (SRBA) and the related assets of the Supplementary Retirement Benefits Account. This report includes the cost certificate required by section 5 of the PPRA.

Since the Senate and House of Commons Act restricts annual increases in remuneration to be one percentage point below the lesser of the increase in the Consumer Price Index and the increase in the Industrial Aggregate (average wages and salaries) and since the Industrial Aggregate is assumed to increase by 1.5 percentage points more than the Consumer Price Index (CPI), all calculations in the body of this report are made on the assumption that Indemnities and Additional Salaries will increase at a rate that is one percentage point below the rate of increase in the Consumer Price Index (CPI). This assumption may be considered unrealistic for establishing long-range costs, on the premise that ad hoc adjustments may be expected from time to time to maintain a reasonably consistent relationship of the remuneration of members of the Senate and the House of Commons to the Industrial Aggregate. Supplementary cost estimates based on this premise are presented in Appendix 1.

Although a number of changes have been made in the actuarial methods and assumptions, the net effect on the results has not been very substantial.

II. Cost Certificate

(Pursuant to section 5 of the Public Pensions Reporting Act)

The normal actuarial cost, that is, the total contribution required from members* and Government to provide all benefits in respect of current service, are estimated to be the following percentages of remuneration:

	Payable by Members (%)	Effective Cost to Government (%)	Total Normal Cost (%)
Senate			
Sessional Indemnity			
Term Senators	6.13**	10.57	16.70
Life Senators	7.00	4.56	11.56
Additional Salary	11.00	22.42	33.42
House of Commons			
Sessional Indemnity	9.98**	34.04	44.02
Additional Salary	11.00	40.49	51.49

The above rates are considered to be applicable for the calendar years 1986, 1987 and 1988. However, in connection with these figures it is important to bear in mind the comments in the third paragraph on page 1 and to contemplate the somewhat higher costs given in Appendix 1.

The valuation balance sheet on page 16, based on long-term economic assumptions shows an unfunded (unrecorded) liability of $135.9 million. On the other hand, this valuation balance sheet probably overstates the unfunded liability because, if fully funded on that basis, gains from interest would likely exceed losses from salary increases and indexing for a substantial number of years.

The unfunded (unrecorded) liability of $97.2 million shown in Appendix 2, based on dynamic economic assumptions is considered to be more realistic at the present time. This amount could be liquidated by fifteen annual special payments beginning December 31, 1986 of $12.6 million.

The actuarial method is described in Section III and the assumptions in Section IV, except for the dynamic assumptions which are given in Appendix 2.

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* Unless otherwise specified, in this report "member" signifies a member of the Senate or House of Commons.

**The rates shown in the table are the average rates payable by all members as at December 31, 1985. The actual rates payable are:

	Life Senators	Term Senators	Members of House of Commons
To MPRA Account	-	6% for 25 years	10% for 15 years
To SRB Account	1%	1%	1%
To Consolidated Revenue Fund	6%	-	-

III. Actuarial Method

The actuarial method used is known as the Unit Credit or Accrued Benefit Method. It contemplates contributions in any year sufficient to fund all future benefits in respect of service in that year. In order to conform with the method included in the "Accounting Recommendations - April 1986" in respect of "Pension Costs and Obligations" issued by the Canadian Institute of Chartered Accountants, benefits are assumed to accrue equally each year over the period from entry into the plan to the time service ends in accordance with assumed rates of mortality, retirement or other termination.

The Normal Actuarial Cost (current service contributions) may be affected by changes in the underlying economic and demographic assumptions as well as by changes in the distribution of contributors by age and sex and relative salaries. It is also heavily influenced by the probability of an election occurring in a given year which in turn depends on the status of the Parliament (whether majority or minority) and the time elapsed since the last election. However, for purposes of this valuation, the probability of an election occurring in any year was taken as 0.3 which is the value to which it tends in the long run and which was used in the preceding valuation. Moreover, after extensive analysis, it was decided to take the normal cost related to the sessional indemnity for members of the House of Commons as the mean of the normal costs calculated for the distribution of active members as at December 31, 1985 and the six preceding hypothetical triennial valuation dates, i.e., starting with December 31, 1967, so as to minimize the risk of overstating or understating the average long-term cost (see Appendix 6).

The actuarial liability is the actuarial present value of projected benefits assumed to have accrued in respect of service to the effective date of the valuation. The above described assumption regarding accrual of benefits results in a somewhat lower value of accrued benefits than the assumption that benefits accrue in accordance with the terms of the plan which was used in the preceding valuation.

The normal actuarial cost includes no provision for the Prime Minister's plan. The actuarial liabilities include the present value of the full benefit and the assets include the actuarial present value of future contributions and matching government credits to the MPRA and SRB Accounts for the Prime Minister's plan.

The actuarial liability may be affected by net gains or losses from experience as well as by changes in assumptions.

IV. Valuation Assumptions

A. General Comments

Non-economic assumptions were set after studying the actual experience as described in detail under the respective headings. These were combined with a traditional set of long-term economic assumptions for purposes of estimating long-term costs. However, for purposes of ascertaining the financial status of the plan on a reasonably realistic basis, a second valuation based on dynamic economic assumptions was made, the assumptions and results being shown in Appendix 2.

As noted in recent years in our reports on other public employer-sponsored pension plans, our primary purpose in treating these plans in a manner consistent with the practice for industrial pension plans is not to provide security through funding but to derive pension costs in an appropriate and reasonably comparable manner. Before discussing the various assumptions under individual headings, the following general comments relating to economic assumptions may be in order.

1. Effect of explicit or implicit level of inflation <u>determining the general level of economic assumptions</u>

   There are two aspects to the discussion under this heading:

   (a) The extent to which the required normal actuarial cost (current service contribution rate) is affected by the level of economic assumptions depends on the type of pension plan under consideration. For a pension plan of the career-average type, where the rate of interest is normally the sole economic assumption, a relatively higher level of interest produces a very substantially lower cost. For a final-average salary plan, such as provided by the MPRAA, where the effect of a relatively high assumed rate of interest tends to be offset to some extent by the effect of an accompanying relatively high level of assumed salary increases, the effect is considerably smaller. Finally, for an indexed final average salary plan, such as the pension provisions of the MPRAA combined with the applicable provisions of the SRBA, the level of assumed inflation tends to have a relatively minor effect on normal costs if its relationship to assumed interest rates and general increases in salaries remains approximately the same.

(b) It seems unavoidable that actuaries, by their very act of attempting to use 'realistic' assumptions, influence expectations regarding future inflation and therefore actions affecting it. Thus, it may well be that the realism, desirable as it may appear to economists, accountants and actuaries, needs to be moderated, if there is to be any hope of maintaining a moderate long-term level of inflation.

2. Effect of benefits beyond the terms of pension plans

In recent years for a growing number of plans, in some cases as a result of collective bargaining, employers have adopted the practice of (a) making periodic ad hoc adjustments to pensions in payment to compensate for some or all of the purchasing power lost through inflation, and (b) increasing the benefits accrued to active members of flat-benefit or career-average type pension plans in order to keep earned pensions in a reasonable relationship to current rates of pay. When there is no explicit commitment under the terms of the plan for similar adjustments in the future, the normal actuarial cost and actuarial liabilities will include no provision for any future adjustments.

It might be argued, especially when adjustments occur with regularity, that the employer has made a strong moral commitment to maintain pension values at a certain level and that from an accounting point of view the costs are understated. It would be possible, of course, for the employer to make advance provision for future adjustments without contributing additional funds to the plan by setting up a special contingent liability in his balance sheet and by including the additions to such contingent liability account with the normal actuarial cost of the pension fund for purposes of assessing the total normal actuarial cost. Such practice might make for more valid comparison of the potential value of pensions under different plans and more equitable allocation of costs between different generations of shareholders, consumers and taxpayers. However, setting up a contingent liability in the employer's balance sheet might well be interpreted as converting a moral commitment into a promise, in which case the additional benefits should be considered part of the formal plan and funded in the same manner as basic benefits. For practical purposes, of course, this would eliminate the employer's option of updating benefits from time to time without any commitment regarding future adjustments.

B. Rate of Interest

For purposes of this review it was decided to use an assumed long-term rate of interest of 6.5% (see Appendix 2 for calculations on other assumptions). This rate is assumed to be composed of an inflation rate of 3.5% (the rate at which benefits are assumed to be indexed) and a real rate of return of about 3%*. A rate of 3.0% is the long-term real rate of interest included in the recommendations of the Canadian Institute of Actuaries for the computation of minimum transfer values of fully indexed deferred pensions.

The rate at which interest is credited on the MPRA Account is kept in line with interest credited on the Public Service Superannuation Account, and the assumed rate corresponds to the current valuation assumption for the latter account.

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* more precisely $\left(\frac{1.065}{1.035} - 1\right)$ or 2.899%

C. Salary Increases

It was deemed to be consistent with the assumption regarding the rate of interest to assume that the Industrial Aggregate (average wages and salaries in Canada) would increase at a rate of 5.0%. This rate was assumed to be composed of an inflation rate of 3.5% and a 1.5%* rate of real general salary increases related to productivity and labour market conditions in the long term.

It was felt that this report had to recognize the statutory limitation on increases in remuneration of Senators and Members of the House of Commons. Therefore, as may be inferred from the introduction, estimates in the report are based on the assumption that remuneration will increase at a rate of 2.5%, that is, the assumed rate of increase in the Consumer Price Index less one percentage point. Supplementary estimates assuming increases of 5% are given in Appendix 1.

It has been assumed that members who are contributing on additional salaries as at December 31, 1985 will continue to do so as long as they are members. The ratio of such contributions to their contributions on sessional indemnities is assumed to remain constant. Members not contributing on additional salaries at December 31, 1985 are assumed to continue not contributing on any additional salaries in the future.

D. Mortality

The 1971 GAM (Group Annuity Mortality) Table was replaced by the 1983 GAM Table for members and beneficiaries, except children for whom mortality was ignored. The rates are shown in Appendix 4A.

E. Probability of an Election

As for the preceding report, the probability of an election in any year is assumed to be equal to 30%. Some reference to the effect of this assumption was made in Section III, and some additional information is provided in Appendix 5.

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* more precisely $\left(\frac{1.050}{1.035} - 1\right)$ or 1.449%

F. Non-Reelection

The rate of non-reelection represents the proportion of members at the end of a Parliament who are not members on the first day of the immediately following Parliament.

The experience since 1965 was analyzed by individual age cells and service cells, as well as the number of elections contested by the member. The analysis on the latter basis produced the most satisfactory results insofar as the reliability of the probability estimate is concerned. Unfortunately, except for Monte Carlo methods, adoption of such rates is not practicable for valuation purposes.

The results arising from the analysis by age and service cells are equally acceptable. In choosing between rates based on age or service, recognition was given to the relatively clear pattern evidenced when analysed by number of elections; accordingly, rates based on service have been used. The probabilities are shown in Appendix 4B.

G. Voluntary Termination from the House of Commons

These rates are assumed to apply in all years (including years in which an election is held). Voluntary termination is defined as any termination other than death or non-reelection (as defined in F above).

The rates are shown in Appendix 4B.

H. Termination from the Senate - Term Senators

The following rates are in respect of all causes of termination other than death.

Years of Service	Rate of Termination
less than 6	0
6 or more	1%
any number at age 75	100%

I. Probability that a Terminated Member of the Senate or the House of Commons will subsequently become a Member of the Senate or the House of Commons

The probability is assumed to be equal to zero. Such events are recognized in the valuation following their occurrence. In our opinion, the impact on the estimate of normal costs or liabilities is not material.

J. Remarriage Rates

1940-57 Pension Act Remarriage Rates.

K. Proportion of Members and Former Members Married at Death

The proportions assumed are based on the distribution of population by marital status, sex and quinquennial age groups for Canada, 1981 as published by Statistics Canada*. Proportions at individual ages are interpolated using the Karup-King formula.

The proportions are shown in Appendix 4C.

L. Age Difference between Spouses

Females are assumed to be three years younger than their spouses.

M. Children

All married participants are assumed to have children that are 28, 30 and 32 years younger than the father. Further it was assumed that all child beneficiaries will remain eligible for benefits until age 23.

N. Life Senators

In addition to the foregoing, the following assumptions were made in respect of Life Senators:

(1) voluntary termination:	0%
(2) rate of disability:	1983 GAM
(3) disabled life mortality:	1983 GAM rated up 3 years in age

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* Statistics Canada: Catal. 91-519 Occasional, Table 7, p.96

V. Data, Membership Statistics and Accounts

The sources of the basic data were the files maintained by the Accounting Division of the Administration and Personnel Branch of the Senate for Senators and by the House of Commons Division of the Department of Supply and Services for members of the House of Commons.

The data were supplied by the above Divisions on forms developed by our staff. All records were examined for consistency, interrelationships and general reasonableness with regard to individual members or survivors. Where applicable, the data received for this valuation were compared with those of the preceding one.

In addition to data on active members (age, sex, contribution and salary histories) and persons in receipt of allowances (age, sex and amount of benefit), information on service and election results was requested for the period from 1965 to the valuation date. This information enabled us to build a historical data file which was used to study the variability in the Normal Cost (see Appendix 6).

The balances in the Members of Parliament Retiring Allowances Account and the applicable portion of the Supplementary Retirement Benefits Account were obtained from the Office of the Comptroller General.

Detailed statistical displays of members, former members and survivors are given in Appendix 3, and some basic information is shown in the following tables.

TERM SENATORS

	Male	Female	Total
Senators on April 1, 1982	64	9	73
New appointments	25	4	29
Terminations			
Deaths			
Annuity	5	-	5
Lump sum	-	-	-
Attained age 75			
Annuity	4	-	4
Lump sum	1	1	2
Resignation before age 75			
Annuity	1	-	1
Lump sum	-	-	-
Total terminations			
Annuity	10	-	10
Lump sum	1	1	2
Senators on December 31, 1985	78	12	90

Statistics for senators on December 31, 1985

Sessional Indemnity	$54,600
Average Age	61.2
Average Service	12.0
Senators with maximum Benefit*	13
Senators in receipt of additional salary	7
Average additional salary	$17,214

* Such senators may contribute and earn benefits only with respect to additional salaries.

LIFE SENATORS

	Male	Female	Total
Senators on April 1, 1982	16	1	17
Terminations			
Deaths			
Annuity	-	-	-
Lump sum	1	-	1
Resignation age 75			
Annuity	1	-	1
Lump sum	-	-	-
Disability			
Annuity	3	-	3
Lump sum	-	-	-
Total terminations			
Annuity	4	-	4
Lump sum	1	-	1
Senators on December 31, 1985	11	1	12

Statistics for senators on December 31, 1985

Sessional Indemnity	$54,600
Average Age	79.1
Average Service	30.1

MEMBERS OF THE HOUSE OF COMMONS

	Male	Female	Total
Members on April 1, 1982	265	14	279
New members	127	21	148
Terminations			
Deaths			
Annuity	2	-	2
Lump sum	1	-	1
Total	3	-	3
Voluntary Retirements			
Annuity	23	1	24
Lump sum	2	-	2
Total	25	1	26
Non-Reelections			
Annuity	49	3	52
Lump sum	54	4	58
Total	103	7	110
Appointments to the Senate			
Service credit retained	6	-	6
Total			
Annuity	74	4	78
Lump sum	57	4	61
Service credit retained	6	-	6
Grand total of terminations	137	8	145
Members on December 31, 1985	255	27	282

Statistics for members on December 31, 1985

Sessional Indemnity	$54,600
Average Age	48.5
Average Service	6.2
Members with maximum benefit*	29
Members with additional salaries	82
Average Age	50.0
Average Service	8.2
Average additional salary	$25,058

* Such members may contribute and earn benefits only with respect to additional salaries.

RETIRED SENATORS

	Type of Retirement	Annuitants 1982-04-01	New Allowances	Deaths	Annuitants 1985-12-31
Term Senators					
Male		12	5	3	14
Female		-	-	-	-
Total		12	5	3	14
Life Senators					
Male	Resignation	6	1	5	2
	Disability	5	3	3	5
Female	Resignation	-	-	-	-
	Disability	1	-	-	1
Total	Resignation	6	1	5	2
	Disability	6	3	3	6
Grand Total		24	9	11	22

RETIRED MEMBERS OF THE HOUSE OF COMMONS

	Annuitants 1982-04-01	New Entitle-ments	Terminations: Death	Terminations: Re-election	Terminations: Appointment to Senate	Terminations: Total	1985-12-31
Male	241	72	22	2	2	26	287
Female	3	4	-	-	-	-	7
Total	244	76	22	2	2	26	294

SURVIVING SPOUSES

Status of Contributors at Death	Annuitants 1982-04-01	New Allowances	Terminations Death	Terminations Remarriage	Annuitants 1985-12-31
Term Senators	9	6	1	-	14
Life Senators	16	6	4	-	18
Members of the House of Commons	38	12	4	1	45
Total	63	24	9	1	77

SURVIVING CHILDREN AND STUDENTS

Status of Contributors at Death	Annuitants 1982-04-01	New Allowances	Terminations	Annuitants 1985-12-31
Term Senators	1	1	1	1
Life Senators	-	-	-	-
Members of the House of Commons	5	3	4	4
Total	6	4	5	5

VI. Contributions and Costs

The normal actuarial costs, i.e., the total rates that would be required from contributors and the Government combined to reflect the costs of future benefits in respect of current service were calculated using the actuarial method and the assumptions described in Sections III and IV, respectively.The results are given in the Cost Certificate on page 2.

If the plan were operated in accordance with normal pension practices, any actuarial losses attributable to adverse experience as compared to the valuation assumptions after allowing for any gains would be amortized following presentation of periodic actuarial reports.

VII. Valuation Balance Sheet

			($ thousands)
Assets			
Account balances			
MPRAA		23,777	
SRBA		4,638	28,415
Present value of prior service contributions from Members			1,289
Present value of future contributions with respect to Prime Minister's Plan*			63
Total Assets			29,767
Unfunded Actuarial Liability			135,905
			165,672
Liabilities			
Actuarial present value of benefit to active Members			
Term Senators			
Sessional Indemnity	10,969		
Additional Salary	1,236	12,205	
Life Senators			
Sessional Indemnity		1,610	
House of Commons			
Sessional Indemnity	46,548		
Additional Salary**	6,159	52,707	66,522
Present value of benefits to persons entitled to an annual allowance			
Term Senators			
Retiring allowances	3,308		
Spouses' allowances	2,143	5,451	
Life Senators			
Retiring allowances	1,542		
Spouses' allowances	1,392	2,934	
House of Commons			
Retiring allowances**	85,729		
Spouses' allowances**	4,993		
Children's allowances	43	90,765	99,150
Total Liabilities			165,672

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* includes matching Government credits

** includes Prime Minister's plan

The foregoing balance sheet reveals an unfunded (unrecorded) actuarial liability of about $135.9 million, indicating an increase of about $42.3 million from the unfunded liability of $93.6 million in the actuarial report as at March 31, 1982. The major components of this increase are as follows:

	Gain	Loss
	($ millions)	
Interest at assumed rate not earned on unfunded liability		24.9
Shortage in government credits (contributions)		15.7
SRBA benefits charged directly to Consolidated Revenue Fund	7.1	
Interest earned on accounts in excess of assumed rate	2.5	
Salary increase in excess of assumed rate		3.2
Indexing in excess of assumed rate		2.0
Net experience loss related to other assumptions*		6.2
Change in actuarial methods	7.2	
Net loss from change in assumptions		7.1
Total net loss		42.3

For the reason noted in the Cost Certificate on page 2, the foregoing balance sheet probably overstates the unfunded actuarial liability to a substantial degree at the present time. Reference should be made to Appendix 2 for what may be considered a more realistic assessment.

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* balancing item

VIII. Actuarial Opinion and Acknowledgements

In closing, we wish to acknowledge the assistance provided by the Accounting Division of the Administration and Personnel Branch of the Senate, by the House of Commons Division of the Department of Supply and Services and by the Pensions Group of the General Personnel Management Division of the Treasury Board.

The work on this actuarial review was largely carried out by Bryan Osborne, F.C.I.A., assisted by Michel Rapin, A.S.A. and Pierre Perron, A.S.A., under the direction of Pierre Treuil, F.C.I.A.

In my opinion, for the purposes of this actuarial report

(a) the data on which this report is based are sufficient and reliable,

(b) the assumptions that have been used are adequate and appropriate,

(c) the methods that have been employed are consistent with sound actuarial principles.

This report has been prepared and this opinion has been given in accordance with generally accepted actuarial principles and the Recommendations of the Canadian Institute of Actuaries.

Respectfully submitted,

Walter Riese

Walter Riese, F.S.A., F.C.I.A.
Chief Actuary

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August 17, 1987

APPENDIX 1

Estimates based on Assumption that Remuneration of Members Increases in Proportion to Average Industrial Wages and Salaries (Industrial Aggregate)

The estimates given in this appendix for contributions and costs and actuarial liabilities are based on all the methods and assumptions used for purposes of the report except that increases in sessional indemnities and additional salaries are assumed to be 5% instead of 2.5% per annum. In comparison with the figures shown in the cost certificate on page 2, the results are as follows:

The normal actuarial cost, that is, the total contributions required from members and Government to provide all benefits in respect of current service, are estimated to be the following percentages of remuneration:

	Payable by Members (%)	Effective Cost to Government (%)	Total Normal Cost (%)
Senate			
Sessional Indemnity			
Term Senators	6.13	13.46	19.59
Life Senators	7.00	5.51	12.51
Additional Salary	11.00	27.04	38.04
House of Commons			
Sessional Indemnity	9.98	37.73	47.71
Additional Salary	11.00	44.87	55.87

The unfunded actuarial liability is estimated at $139.9 million as compared to $136.0 million shown on page 2 of the report. The balance sheet as compared to the one shown in Section VII of the report is as follows:

Valuation Balance Sheet Assuming Remuneration Proportional to Average Industrial Wages

			($ thousands)
Assets			
Account Balances			
MPRAA		23,777	
SRBA		4,638	28,415
Actuarial present value of prior service contributions from Members			1,289
Actuarial present value of future contributions with respect to Prime Minister's plan*			72
Total Assets			29,776
Unfunded Actuarial Liability			139,874
			169,650
Liabilities			
Actuarial present value of benefit to active Members			
Term Senators			
Sessional Indemnity	12,366		
Additional Salary	1,440	13,806	
Life Senators			
Sessional Indemnity		1,740	
House of Commons			
Sessional Indemnity	48,464		
Additional Salary**	6,490	54,954	70,500
Actuarial present value of benefits to persons entitled to an annual allowance			
Term Senators			
Retiring allowances	3,308		
Spouses' allowances	2,143	5,451	
Life Senators			
Retiring allowances	1,542		
Spouses' allowances	1,392	2,934	
House of Commons			
Retiring allowances**	85,729		
Spouses' allowances**	4,993		
Children's allowances	43	90,765	99,150
Total Liabilities			169,650

* includes matching Government credits
** includes Prime Minister's plan

APPENDIX 2

Valuation Balance Sheet based on Dynamic Economic Assumptions

This balance sheet is constructed using the same methods and assumptions as used for purposes of Appendix 1, except that dynamic economic assumptions are used.

The purpose of these assumptions is to take account of the relatively high interest rates that are expected to continue for some time and at the same time to recognize in the short term increases in the Consumer Price Index and general salary levels slightly different from the long-term assumptions.

There is a danger in this approach, under the present economic circumstances, in that it may eliminate any expected actuarial gain from investment earnings that could cushion the effect of future actuarial losses from salary increases and indexing in excess of the assumed rates. Accordingly, an explicit margin was introduced into the assumed rates of interest.

For illustrative purposes, it was assumed that the funds of this plan would be commingled with those of the Public Service, Canadian Forces and RCMP Superannuation Accounts and notionally invested in similar fashion in long-term Government of Canada bonds, and expected interest earned on the funds was projected accordingly. Consistent with this assumption, it was thought appropriate to assume an ultimate new money rate of 6% rather than 6.5% in conjunction with an ultimate rate of increase in the CPI of 3.5%, implying an ultimate real rate of return of 2.5% (or more precisely, 2.415%) rather than 3% (or more precisely, 2.899%). It was also thought prudent to assume an ultimate rate of increase in remuneration of 5%, the assumption used for purposes of Appendix 1.

Dynamic Economic Assumptions

Year	Rates of Interest: Assumed New Money Rate	Projected Fund Yield	Assumed Fund Yield	Assumed Increases in CPI	Assumed Salary Increases	Assumed Rates of Indexing
	%	%	%	%	%	%
1986*	diverse	11.1	10.1	4.1	2.7	3.9
1987*	9.6	11.1	10.1	3.9	2.3	4.1
1988	8.8	11.1	10.1	3.8	3.5	4.0
1989	8.2	11.0	10.0	3.0	3.7	3.8
1990	8.0	10.8	9.8	2.9	4.0	3.2
1991	7.8	10.7	9.7	3.0	3.6	2.9
1992	7.7	10.5	9.5	3.0	3.4	3.0
1993	7.5	10.4	9.4	3.2	3.6	3.0
1994	7.3	10.3	9.3	3.5	4.0	3.2
1995	7.0	10.1	9.1	3.5	4.5	3.4
1996	6.8	9.9	8.9	3.5	5.0	3.5
1997	6.5	9.7	8.7	3.5	5.0	3.5
1998	6.3	9.5	8.5	3.5	5.0	3.5
1999	6.0	9.3	8.3	3.5	5.0	3.5
2000	6.0	9.0	8.0	3.5	5.0	3.5
2001	6.0	8.7	7.7	3.5	5.0	3.5
2002	6.0	8.2	7.2	3.5	5.0	3.5
2003	6.0	7.8	6.8	3.5	5.0	3.5
2004	6.0	7.6	6.6	3.5	5.0	3.5
2005	6.0	7.2	6.2	3.5	5.0	3.5
2006	6.0	6.9	6.0	3.5	5.0	3.5
2007	6.0	6.7	6.0	3.5	5.0	3.5
2008	6.0	6.6	6.0	3.5	5.0	3.5
2009	6.0	6.5	6.0	3.5	5.0	3.5
2010	6.0	6.4	6.0	3.5	5.0	3.5
2011	6.0	6.3	6.0	3.5	5.0	3.5
2012	6.0	6.2	6.0	3.5	5.0	3.5
2013	6.0	6.2	6.0	3.5	5.0	3.5
2014	6.0	6.1	6.0	3.5	5.0	3.5
2015	6.0	6.1	6.0	3.5	5.0	3.5
2016+	6.0	6.0	6.0	3.5	5.0	3.5

* Factors for 1986 as well as the salary increases and the rate of indexing for 1987 are based on actual experience. The new money rate for 1986 varied between 9.6 and 11.0%. For the following years, the salary increases and the rates of indexing effective January 1 are based, respectively, on assumed increases in average salaries (ratio of Industrial Aggregate for preceding year to corresponding value one year earlier) and in the Consumer Price Index (increase of the average CPI for twelve months ending the previous September over the average one year earlier); the assumed increases in average salaries and the Consumer Price Index to 1992 are consistent with the projections developed for the White Paper entitled Tax Reform 1987.

Balance Sheet based on Dynamic Economic Assumptions

			($ thousands)
Assets			
Account balances			
MPRAA		23,777	
SRBA		4,638	28,415
Actuarial present value of prior service contributions from Members			1,118
Actuarial present value of future contributions with respect to Prime Minister's plan*			58
Total Assets			29,591
Unfunded Actuarial Liability			97,226
			126,817
Liabilities			
Actuarial present value of benefit to active Members			
Term Senators			
Sessional Indemnity	8,397		
Additional Salary	954	9,351	
Life Senators			
Sessional Indemnity		1,293	
House of Commons			
Sessional Indemnity	34,229		
Additional Salary**	4,567	38,796	49,440
Actuarial present value of benefits to persons entitled to an annual allowance			
Term Senators			
Retiring allowances	2,693		
Spouses' allowances	1,704	4,397	
Life Senators			
Retiring allowances	1,340		
Spouses' allowances	1,170	2,510	
House of Commons			
Retiring allowances**	66,434		
Spouses' allowances**	3,998		
Children's allowances	38	70,470	77,377
Total Liabilities			126,817

* includes matching Government credits
** includes Prime Minister's Plan

The foregoing balance sheet suggests that through the use of dynamic economic assumptions, the total liabilities and, therefore, the notionally unfunded actuarial liability, as at December 31, 1985 might be reduced by about $38.7 million. The annual payment required to amortize the unfunded (unrecognized) liability over 15 years beginning in 1986 would be reduced from $14.5 to $12.6 million.

The margin which, as noted above, was introduced into the assumed rates of interest had the effect of increasing the total liabilities by $13.8 million.

APPENDIX 3A

Life Senators as at December 31, 1985

Attained Age	Years of Service 20-24	25-29	30-34	35-39	40-44	45+	TOTAL
65-69	2	-	-	-	-	-	2
70-74	1	1	-	-	-	-	2
75-79	-	1	1	-	-	1	3
80-84	-	1	1	-	-	-	2
85-89	-	-	-	-	1	-	1
90-94	-	-	1	-	-	-	1
95-99	-	-	1	-	-	-	1
TOTAL	3	3	4	-	1	1	12

Term Senators as at December 31, 1985

Attained Age	Years of Service 0-2	3-5	6-8	9-11	12-14	15-17	18-20	21-23	24-26	27-29	30+	TOTAL
39-41	1	-	-	-	-	-	-	-	-	-	-	1
42-44	4	-	-	-	-	-	-	-	-	-	-	4
45-47	1	-	-	-	-	1	-	-	-	-	-	2
48-50	2	1	1	-	1	-	-	-	-	-	-	5
51-53	-	-	2	2	1	1	-	-	-	-	-	6
54-56	3	-	1	1	1	2	-	-	-	-	-	8
57-59	-	-	1	-	2	2	3	-	-	-	-	8
60-62	4	1	4	-	2	3	3	-	2	1	-	20
63-65	-	-	2	-	3	-	1	-	-	1	1	8
66-68	2	-	3	-	-	2	-	1	-	2	-	10
69-71	-	-	3	2	2	2	-	-	-	-	-	9
72-74	1	1	-	1	3	1	-	-	-	-	2	9
TOTAL	18	3	17	6	15	14	7	1	2	4	3	90

APPENDIX 3B

Members of the House of Commons as at December 31, 1985

Attained Age	Years of Service 0-2	3-5	6-8	9-11	12-14	15-17	18-20	21-23	24-26	27-29	30+	TOTAL
24-26	1	-	-	-	-	-	-	-	-	-	-	1
27-29	4	-	1	-	-	-	-	-	-	-	-	5
30-32	6	1	-	-	-	-	-	-	-	-	-	7
33-35	8	2	4	-	1	-	-	-	-	-	-	15
36-38	12	2	1	-	1	-	-	-	-	-	-	16
39-41	17	1	4	1	-	1	-	-	-	-	-	24
42-44	17	2	9	1	-	1	-	-	-	-	-	30
45-47	15	1	10	1	5	-	1	-	-	-	-	33
48-50	25	5	6	1	3	4	-	-	-	-	-	44
51-53	20	2	4	1	2	2	2	3	-	-	-	36
54-56	6	1	2	2	5	2	2	1	-	-	-	21
57-59	2	-	7	2	2	1	-	-	-	1	-	15
60-62	8	3	5	-	2	1	-	-	-	1	-	20
63-65	-	-	-	1	1	-	2	-	-	-	-	4
66-68	-	-	1	-	4	-	-	1	-	1	-	7
69-71	-	-	-	-	-	-	-	-	-	-	-	-
72-74	-	-	1	-	1	-	-	-	1	-	1	4
TOTAL	141	20	55	10	27	12	7	5	1	3	1	282

APPENDIX 3C

Retired Contributors as at December 31, 1985

	HOUSE OF COMMONS			SENATE		
		ANNUAL PENSION			ANNUAL PENSION	
AGE	NUMBER	MPRAA	SRBA*	NUMBER	MPRAA	SRBA*
30-32	1	22,227	(1,132)	-	-	-
33-35	-	-	-	-	-	-
36-38	2	38,554	(1,964)	-	-	-
39-41	5	137,901	(7,024)	-	-	-
42-44	4	74,323	(6,860)	-	-	-
45-47	14	340,764	(29,389)	-	-	-
48-50	14	274,680	(39,758)	-	-	-
51-53	11	207,399	(72,381)	-	-	-
54-56	20	365,541	(70,477)	-	-	-
57-59	29	402,346	(136,219)	1	12,770	(10,031)
60-62	23	340,871	172,833	1	2,849	4,894
63-65	39	514,269	252,383	-	-	-
66-68	26	295,797	175,796	1	49,156	4,265
69-71	24	166,512	198,045	-	-	-
72-74	24	186,178	167,323	1	10,350	19,751
75-77	22	161,345	179,811	4	122,973	12,565
78-80	14	90 771	143,839	3	29,192	7,062
81-83	11	79,206	119,227	5	86,654	51,654
84-86	5	12,065	33,893	2	32,000	42,030
87-89	2	5,781	13,212	2	35,556	6,552
90-92	4	16,148	34,946	-	-	-
93-95	-	-	-	1	8,000	15,266
96-98	-	-	-	1	8,000	18,162
TOTAL	294	3,732,678	1,856,514	22	397,500	192,232
		Average Pension			Average Pension	
Deferred Indexing	100	18,637	(3,652)	1	12,770	(10,031)
Indexing Payable	194	9,634	7,687	21	18,320	8,676

* SRBA benefits shown include increases effective January 1, 1986; figures in parentheses relate to indexation accrued but not payable until age 60.

APPENDIX 3D

Surviving Spouses as at December 31, 1985*

Age	Number	Annual Allowance MPRAA	SRBA**
36-38	1	8,878	1,963
39-41	1	3,985	3,643
42-44	-	-	-
45-47	-	-	-
48-50	-	-	-
51-53	1	3,349	2,132
54-56	1	15,409	1,414
57-59	3	16,883	14,963
60-62	4	29,589	17,267
63-65	5	42,789	13,060
66-68	7	36,408	27,913
69-71	13	61,609	64,261
72-74	4	19,814	22,353
75-77	9	46,315	56,828
78-80	2	10,474	7,799
81-83	6	9,414	20,370
84-86	9	57,650	54,927
87-89	5	15,638	26,191
90-92	2	8,000	11,971
93-95	3	6,875	15,417
96-98	1	2,667	6,219
Total	77	395,746	368,691
Average Allowance		5,140	4,788

* All surviving spouses are widows.

** SRBA benefits shown include increases effective January 1, 1986.

APPENDIX 4A

Assumed Rates of Mortality

Age	Males	Females	Age	Males	Females
30	0.000607	0.000342	70	0.027530	0.012385
31	0.000645	0.000364	71	0.030354	0.014128
32	0.000687	0.000388	72	0.033370	0.016159
33	0.000734	0.000414	73	0.036680	0.018481
34	0.000785	0.000443	74	0.040388	0.021091
35	0.000860	0.000476	75	0.044597	0.023992
36	0.000907	0.000502	76	0.049388	0.027184
37	0.000966	0.000535	77	0.054758	0.030672
38	0.001039	0.000573	78	0.060678	0.034459
39	0.001128	0.000617	79	0.067125	0.038549
40	0.001238	0.000665	80	0.074070	0.042945
41	0.001370	0.000716	81	0.081484	0.047655
42	0.001527	0.000775	82	0.089320	0.052691
43	0.001715	0.000841	83	0.097525	0.058071
44	0.001932	0.000919	84	0.106047	0.063807
45	0.002183	0.001010	85	0.114836	0.069918
46	0.002471	0.001117	86	0.124170	0.076570
47	0.002790	0.001237	87	0.133870	0.084459
48	0.003138	0.001366	88	0.144073	0.091935
49	0.003513	0.001505	89	0.154859	0.101354
50	0.003909	0.001647	90	0.166307	0.111750
51	0.004324	0.001793	91	0.178214	0.123076
52	0.004755	0.001948	92	0.190460	0.135630
53	0.005200	0.002119	93	0.203007	0.149577
54	0.005660	0.002315	94	0.217904	0.165103
55	0.006131	0.002541	95	0.234086	0.182419
56	0.006618	0.002803	96	0.248436	0.201757
57	0.007139	0.003103	97	0.263954	0.222043
58	0.007719	0.003442	98	0.280803	0.243899
59	0.008384	0.003821	99	0.299154	0.268185
60	0.009158	0.004241	100	0.319185	0.295187
61	0.010064	0.004702	101	0.341086	0.325225
62	0.011133	0.005210	102	0.365052	0.358897
63	0.012391	0.005769	103	0.393102	0.395842
64	0.013868	0.006385	104	0.427255	0.438360
65	0.015592	0.007064	105	0.469531	0.487816
66	0.017579	0.007817	106	0.521945	0.545886
67	0.019804	0.008681	107	0.586518	0.614309
68	0.022229	0.009702	108	0.665268	0.694884
69	0.024817	0.010921	109	0.760215	0.789474

APPENDIX 4B

Assumed Rates

Years of Service	Non-Reelection to House of Commons	Voluntary Termination
0	0.209	0.006
1	0.280	0.006
2	0.323	0.006
3	0.335	0.006
4	0.311	0.010
5	0.268	0.012
6	0.233	0.015
7	0.226	0.018
8	0.247	0.024
9	0.276	0.030
10	0.294	0.035
11	0.297	0.040
12	0.291	0.043
13	0.286	0.045
14	0.287	0.046
15	0.299	0.047
16	0.319	0.048
17	0.342	0.049
18	0.359	0.050
19	0.362	0.053
20	0.351	0.058
21	0.328	0.063
22	0.299	0.070
23	0.271	0.076
24	0.249	0.082
25	0.238	0.086
26	0.237	0.088
27	0.247	0.088
28	0.250	0.086
29	0.250	0.082
30	0.250	0.075
31	0.250	0.066
32	0.250	0.054
33	0.250	0.050
34	0.250	0.050
35	0.250	0.050
36	0.250	0.050
37	0.250	0.050
38	0.250	0.050
39	0.250	0.050

APPENDIX 4C

Assumed Proportion of Members and Former Members Married at Death

Age	Males	Females	Age	Males	Females
20	0.152	0.307	60	0.859	0.723
21	0.214	0.400	61	0.858	0.706
22	0.278	0.480	62	0.855	0.687
23	0.351	0.549	63	0.851	0.667
24	0.434	0.614	64	0.847	0.646
25	0.519	0.674	65	0.842	0.623
26	0.599	0.726	66	0.836	0.600
27	0.663	0.768	67	0.830	0.576
28	0.711	0.798	68	0.823	0.551
29	0.748	0.816	69	0.816	0.526
30	0.777	0.827	70	0.808	0.499
31	0.800	0.835	71	0.799	0.473
32	0.821	0.843	72	0.789	0.446
33	0.838	0.850	73	0.777	0.419
34	0.850	0.854	74	0.765	0.392
35	0.858	0.857	75	0.751	0.365
36	0.864	0.858	76	0.736	0.338
37	0.869	0.859	77	0.720	0.312
38	0.874	0.860	78	0.702	0.286
39	0.876	0.861	79	0.684	0.260
40	0.878	0.861	80	0.663	0.235
41	0.878	0.860	81	0.643	0.211
42	0.879	0.859	82	0.621	0.189
43	0.880	0.858	83	0.599	0.169
44	0.880	0.856	84	0.576	0.151
45	0.880	0.854	85	0.553	0.134
46	0.879	0.851	86	0.528	0.119
47	0.878	0.847	87	0.502	0.104
48	0.877	0.842	88	0.471	0.090
49	0.874	0.837	89	0.436	0.076
50	0.872	0.831	90	0.401	0.064
51	0.870	0.824	91	0.370	0.054
52	0.868	0.816	92	0.349	0.047
53	0.867	0.808	93	0.349	0.047
54	0.865	0.800	94	0.349	0.047
55	0.864	0.790	95	0.349	0.047
56	0.863	0.780	96	0.349	0.047
57	0.862	0.768	97	0.349	0.047
58	0.861	0.754	98	0.349	0.047
59	0.860	0.739	99	0.349	0.047

APPENDIX 5

Note on the Probability of an Election

Experience since Confederation revealed the following

Duration since last election to nearest year	Number of elections depending on status of preceding Parliament: Majority	Minority
0	-	-
1	1	4
2	-	1
3	1	2
4	13	1
5	9	-
	24	8

Moreover, excluding the period prior to the 1917 election which comprised only majority governments, the characteristics of succeeding Parliaments appeared as follows:

Status preceding election	Probability of status indicated following election: Majority	Minority
Majority	7/12	5/12
Minority	5/9	4/9

On the basis of the foregoing data and recognizing the fact that no election had occurred between September 1984 and the valuation date, probabilities of an election occurring in any calendar year were calculated.

These probabilities tended towards a value of between 0.30 and 0.31 in the long term, and it was decided to retain the value of 0.30 adopted for the preceding valuation on the basis of a smaller sample of elections.

However, the calendar year probabilities were also used to test the sensitivity of the valuation results to the assumption regarding the probability of an election (see Appendix 6).

The election dates indicated a central tendency of occurrence in the middle of the calendar year, which was assumed for valuation purposes.

APPENDIX 6

Note on variability of normal cost

Extensive studies were carried out to test the variability of the normal cost for members of the House of Commons.

Normal costs for benefits in respect of sessional indemnities were calculated at a series of points in time, assuming that the current plan had been in effect at all times. The results are summarized in the following table:

Valuation dates	Range (%)	Average (%)	Standard Deviation (%)
(a) Dec. 31 following each of last seven elections	38.88-43.71	41.74	1.49
(b) Seven triennial dates ending Dec. 31, 1985	40.83-46.52	44.02	1.90
(c) Seven triennial dates ending Dec. 31, 1983	41.32-47.96	44.13	2.62

The normal cost tends to be at a minimum for a valuation made just following an election and then increases by as much as 4.5% a year as the probability of members surviving the six-year qualification period increases.

Considering the great variability and the uncertainity regarding the appropriateness of a normal cost calculated at any point in time, it suggested itself to use an average figure applicable to a series of triennial valuation dates, and it was decided to use the series indicated in (b) above. The low value in that range happens to be the normal cost based on the membership as at December 31, 1985.

All the calculations were carried out using the method and assumptions described in sections III and IV of the report. As another test of the appropriateness of the normal cost, similar calculations were made using the Entry Age Normal Cost method, which revealed the following results:

Valuation Dates	Range (%)	Average (%)	Standard Deviation (%)
(a) Dec. 31, following each of last seven elections	43.62-45.56	44.80	0.64
(b) Seven triennial dates ending Dec. 31, 1985	43.74-45.51	44.83	0.57

The above appeared to confirm that the proposed method of establishing the normal cost would produce an appropriate measure of long-term cost.

APPENDIX 7

Summary of the Members of Parliament Retiring Allowances Act (MPRAA) and Relevant Provisions of Supplementary Retirement Benefits Act (SRBA) for Current Members

(A) Plan applicable (since 1981) to Members other than Life Senators

Contributions from Members

Contributions from members are required at the following rates in respect of sessional indemnity*:

Account to which credited	Senate	House of Commons
Members of Parliament Retiring Allowances	6% for 25 years	10% for 15 years
Supplementary Retirement Benefits	1%	1%

Members in receipt of additional salaries** contribute 10% of such salaries to the MPRA Account and 1% to the SRB Account, unless they elect not to contribute or to contribute only on a portion of such salaries.

Members may elect to contribute for prior service as a member.

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* "Sessional indemnity" means the allowance payable to a member pursuant to sections 34 to 39 of the Senate and House of Commons Act.

** "Additional salaries" are salaries or allowances paid to Members of the Senate and House of Commons in their capacities as Prime Minister, Speaker, Minister, Leader of the Opposition, Parliamentary Secretary, etc.

Government Contributions

(i) The Government matches contributions from members.

(ii) Supplementary Retirement Benefits (see (D) below) payable in excess of contributions by and in respect of members (including interest) are charged directly to the Consolidated Revenue Fund.

Basic Retiring Allowance

A member is eligible to receive a basic retiring allowance upon termination of membership after having contributed for at least six years.

The amount of annual allowance payable to a member is determined by multiplying the member's best six-year average sessional indemnity by a fraction which is the sum of (a) plus (b) below.

(a) = the lesser of .75 and the sum of (i) and (ii), where

(i) = .05 times the number of years of credit for contributions with respect to basic indemnity as a member of the House of Commons.

(ii) = .03 times the number of years of credit for contributions with respect to basic indemnity as a Senator.

(b) = .05 times the number of years of credit determined by summing the ratios of the member's contributions with respect to the MPRAA in respect of additional salaries received by the member in a calendar year to 10% of the maximum sessional indemnity in that calendar year.

Basic Survivor Allowance

The following basic annual allowances are payable on the death of a member or former member who has satisfied the eligibility requirements for a retiring allowance:

a) to a surviving spouse* until remarriage, three-fifths of the basic allowance** and

b) if there is a surviving spouse, to each unmarried child under age 18 (or under age 25 if a full-time student), one-tenth of the basic allowance subject to a maximum of three-tenths, or if there is no surviving spouse, to each unmarried child under age 18 (or under age 25 if a full-time student), two-tenths of the basic allowance, subject to a maximum of eight-tenths.

Withdrawal Allowance

If a member ceases to be a member before satisfying the eligibility requirements for a retiring 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 all contributions with interest at the rate of 4% per annum compounded annually.

* In the case of a former member, no allowance is payable unless the marriage existed while the deceased spouse was a member.

** The "basic allowance" is the annual allowance a member was receiving or would have been eligible to receive if he had ceased to be a member immediately before his death.

B. Prime Minister's Plan

These provisions apply to the member who holds the office of Prime Minister.

The member is required to contribute, in respect of the salary payable to the Prime Minister under the Salaries Act, 6% to the MPRA Account and 1% to the SRB Account.

Government contributions are as described in (A) above.

A member becomes eligible to receive a basic retiring allowance after having held the office of Prime Minister for at least four years and having attained age 65. However, the allowance is not payable for any period during which the member is a Senator or a member of the House of Commons.

The amount of the allowance is two-thirds of the salary payable to the Prime Minister under the Salaries Act on the date the allowance commences.

An annual allowance is payable to the spouse of a deceased member, if the member had held the office of Prime Minister for at least four years and the surviving spouse was the spouse at the time the member held the office of Prime Minister. The allowance ceases on the remarriage of the surviving spouse. The amount of the allowance is one-half the allowance that was payable to the former Prime Minister or would have been payable if immediately preceding death he had ceased to be a member and had attained age 65.

If a member ceases to be a member before holding the office of Prime Minister for at least four years, the member is entitled to a return of all contributions with interest at 4% per annum.

C. Life Senators*

These provisions apply to Senators who were summoned to the Senate prior to June 2, 1965 and who did not elect to contribute to the Members of Parliament Retiring Allowances Account.

Members are required to contribute 6% of sessional indemnity to the Consolidated Revenue Fund for a maximum of 26 years and eight months. In addition, members are required to contribute 1% to the SRB Account without limit.

Members of the Senate who had not attained age 75 could, until April 1, 1971, give notice of their intention to resign at age 75.

The Governor in Council may grant an annuity equal to two-thirds of the sessional indemnity to a Senator who is disabled or who gave the above notice of intention to resign and resigns within one year of attaining age 75.

An annuity may be granted to the surviving spouse of a Senator who (i) having given the notice of intention to resign, dies before attaining age 75 or (ii) dies while in receipt of an annuity.

The amount of the surviving spouse's annuity is the greater of (a) and (b), where

(a) = two-ninths of the sessional indemnity at death or resignation for (i) and (ii) above, respectively, and

(b) = the lesser of

- (i) thirty percent of the Senator's contributions, and
- (ii) one-third of the applicable sessional indemnity (as in (a)).

This annuity ceases on the remarriage of the surviving spouse.

Contributions and Benefits for Life Senators (other than contributions payable to and benefits payable from the SRB Account) are credited and charged directly to the Consolidated Revenue Fund rather than to the Members of Parliament Retiring Allowances Account.

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* Other Senators hold their place in the Senate until attainment of age 75 and are referred to herein as Term Senators.

D. Supplementary Retirement Benefits

The Supplementary Retirement Benefits Act provides for indexing of the basic allowances payable to MPRAA contributors and their survivors as well as of annuities to Life Senators and their survivors in accordance with increases in the Pension Index*. While survivor benefits are indexed immediately, retiring allowances are not indexed until age 60, but the increase at that age reflects the increase in the Pension Index since commencement of the allowance.

E. General

Minimum Benefit

If a member or former member dies, leaving no eligible survivor, or the survivor dies or becomes ineligible the amount by which the member's contributions including interest exceeds any amounts paid to the member and any survivors is paid to the member's estate.

Suspension of Allowance

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

Repayment of Withdrawal Allowances

If a member ceases to be a member, receives a withdrawal allowance and subsequently becomes a member again, the member may repay the withdrawal allowance and regain credit for the previous service.

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* The Pension Index normally provides for increases on January 1 of each year reflecting the increase in the average Consumer Price Index for the year ending on the preceding September 30 over the average for a similar period ending one year earlier. The first increase is pro-rated depending on the date of commencement of the allowance. As part of a general economic restraints program, increases for 1983 and 1984 were limited to 6.5% and 5.5%, respectively.

Rate of Interest for Lump Sum Calculations

The rate of interest used in calculating withdrawal allowances and lump sum repayments of withdrawal allowances and prior service contributions is 4%. (Interest on withdrawn contributions is paid only for periods after December 31, 1973).

Amortization of Lump Sums

Any payments that a member may elect to make with respect to prior service, including repayment of withdrawal allowances, may be amortized using a rate of interest set by regulation at 8%.

Interest Credited to Accounts

The rate of interest, to be credited to the MPRA Account is set by regulation and is intended to be in line with the rates used for the Public Service Superannuation Account, the Canadian Forces Superannuation Account and the Royal Canadian Mounted Police Superannuation Account.

Interest is credited to the SRB Account at the end of each quarter. It is calculated monthly on the minimum balance at a rate representative of the yield on outstanding Government of Canada bonds having a term to maturity of five years less 0.125%.