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ANNUAL REPORT TO PARLIAMENT



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

for the Fiscal Year Ended March 31, 2006



Canada 

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of the *Members of Parliament
Retiring Allowances Act*

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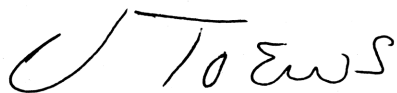
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Her Excellency the Right Honourable Michaëlle Jean, C.C., C.M.M., C.O.M., C.D.
Governor General of Canada

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, 2006*.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "V Toews". The signature is written in a cursive, flowing style.

The Honourable Vic Toews, P.C., Q.C., M.P.
President of the Treasury Board

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Introduction

The *Members of Parliament Retiring Allowances Act* (the Act or MPRAA) 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 2005–06, 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 Accounts of Canada to record transactions under the plan: the Retiring Allowances (RA) Account and the Retirement Compensation Arrangements (RCA) Account.

The RA 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 RCA Account records the transactions related to the benefits payable under the plan when the benefits exceed the limits imposed by those tax rules.

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

Members’ contributions

Effective January 1, 2001, the contribution rate for members of the Senate remains 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 receive additional allowances and salaries for their service as the prime minister, speakers, ministers, leaders of the opposition, parliamentary secretaries, and so forth. 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 that, after taking into account members' contributions, will 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 multiple of members' contributions. The ratios of government contributions to members' contributions for the calendar years 2006 and 2005 are as follows:

Government Contributions as a Multiple of Members' Contributions

	2006	2005
Senate		
RA Account	3.10	3.12
RCA Account	4.25	4.09
House of Commons		
RA Account	3.45	3.51
RCA Account	6.67	6.64

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, 2006, the interest rate was 2.5 per cent per quarter.

Future unfunded liabilities

When the government identifies an unfunded liability after it tables an actuarial valuation report in Parliament, the government must cover that liability.

Allowances and Other Benefits

Annual allowance

Members

Upon ceasing to be a member of Parliament, 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 as a member 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 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.

If a child is under the age of 18 or is a full-time student between 18 and 25 years of age, that child is entitled to a survivor allowance. This allowance is equal to one tenth of the member's basic annual allowance or two tenths if no survivor allowance is being paid.

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.

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 months ended on the preceding September 30, over the CPI average for the 12 months ended a year earlier.

Indexing payments do not begin until the former member is 60 years old. But 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, then the member's estate receives the amount by which the member's contributions exceed any allowances already paid.

Contributors

At March 31, 2006, there were 408 members contributing under the plan, and there was no vacant seat in the House of Commons. Tables 5 and 6 in this report present information on the number and distribution of allowances.

Statistical Tables

Table 1

Members of Parliament Retiring Allowances Account (in dollars)

	Fiscal Year 2005–06	Fiscal Year 2004–05
Opening Balance	422,525,376	394,555,828
Receipts and Other Credits		
Members' contributions, current	1,531,607	1,358,819
Government contributions, current	5,226,747	4,780,613
Members' contributions, arrears on principal, interest, and mortality insurance	69,096	2,290
Government contributions on amounts payable (re-elections)	–	–
Interest	43,384,988	40,502,434
Transfer from the Supplementary Retirement Benefits Account	–	–
Actuarial liability adjustment	–	–
Total Receipts	50,212,438	46,644,156
Payments and Other Charges		
Annual allowances	18,977,081	18,108,177
Withdrawal allowances including interest	171,984	178,131
Pension division payments	139,793	388,300
Transfers to Public Service Superannuation Account	188,576	–
Total Payments	19,477,434	18,674,608
Excess of Receipts over Disbursements	30,735,004	27,969,548
Closing Balance	453,260,380	422,525,376

Table 2**Members of Parliament Retirement Compensation Arrangements Account**
(in dollars)

	Fiscal Year 2005–06	Fiscal Year 2004–05
Opening Balance	125,508,575	106,872,584
Receipts and Other Credits		
Members' contributions, current	2,685,345	2,580,301
Government contributions, current	16,529,339	16,297,793
Members' contributions, arrears on principal, interest, and mortality insurance	70,262	49,484
Interest	13,591,352	11,702,344
Actuarial liability adjustment	5,708,760	9,645,766
Total Receipts	38,585,058	40,275,688
Payments and Other Charges		
Annual allowances	4,113,948	3,254,354
Withdrawal allowances plus interest	419,646	376,352
Pension division payments	561,063	64,907
Refundable tax ¹	18,223,501	17,944,084
Total Payments	23,318,158	21,639,697
Excess of Receipts over Disbursements	15,266,900	18,635,991
Closing Balance	140,775,475	125,508,575

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

Table 3

**Members of Parliament Retiring Allowances Account
Comparative Data—November 20, 1952, to March 31, 2006 (in dollars)**

Period/ Fiscal Year	Members' Contributions ¹	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Transfers to PSS Account	Total Payments	Account Balance
1952–1988	24,124,138	23,889,147	19,966,523	67,979,808	36,027,810	2,903,061	269,623	59,200,494	28,779,384
1988–89	2,175,303	1,897,766	2,950,677	7,023,746	5,086,914	1,461,995	–	6,548,909	29,254,221
1989–90	2,267,074	2,082,958	2,960,449	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	7,540,045	6,368,934	27,364	–	6,396,298	31,361,092
1991–92	2,060,258	2,220,659	3,440,449	175,663,154 ²	7,187,271	7,339	–	7,194,610	199,829,636
1992–93	1,042,520	2,131,335	20,493,768	23,667,623	9,813,446	17,221	–	9,830,667	213,666,592
1993–94	1,048,643	2,064,761	21,882,703	24,996,107	12,084,079	1,852,076	–	13,936,155	224,726,544
1994–95	1,070,539	1,884,100	22,861,864	25,816,503	15,432,287	58,833	–	15,491,120	235,051,927
1995–96	990,575	1,685,476	23,933,398	26,609,449	14,947,496	936,723	–	15,884,219	245,777,087
1996–97	876,577	1,561,870	25,029,451	27,467,898	15,000,643	138,516 ³	–	15,139,159	258,105,826
1997–98	941,060	1,707,658	26,262,499	28,911,217	15,251,902	840,521 ³	–	16,092,426	270,924,617
1998–99	1,081,944	2,261,588	27,620,578	30,964,110	15,211,454	673,914 ³	–	15,885,368	286,003,360
1999–2000	1,054,926	2,673,500	29,409,145	33,137,571	15,311,534	680,015 ³	–	15,991,549	303,149,382
2000–01	1,582,118	2,882,101	31,014,334	35,478,553	15,514,009	405,499 ³	–	15,919,508	322,708,427
2001–02	1,366,802	3,847,838	33,226,180	38,440,820	15,993,470	154,314 ³	–	16,147,784	345,001,463
2002–03	1,340,110	4,395,891	35,221,387	40,957,388	16,623,728	846,514 ³	–	17,470,242	368,488,609
2003–04	1,100,713	4,557,315	37,822,796	43,480,824	16,551,392	862,213 ³	–	17,413,605	394,555,828
2004–05	1,361,109	4,780,613	40,502,434	46,644,156	18,108,177	566,431 ³	–	18,674,608	422,525,376
2005–06	1,600,703	5,226,747	43,384,988	50,212,438	18,977,081	311,777 ³	188,576	19,477,434	453,260,380
Totals	49,390,192	73,926,904	451,043,007	744,301,891	275,689,449	12,869,270	482,792	289,041,511	

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.

Table 4

**Members of Parliament Retirement Compensation Arrangements Account
Comparative Data—January 1, 1992, to March 31, 2006 (in dollars)**

Period/ Fiscal Year	Members' Contributions	Government Contributions	Interest	Total Receipts	Annual Allowances	Withdrawal Allowances	Refundable Tax	Total Payments	Account Balance
Jan. 1, 1992– Mar. 31, 1993	1,944,720	13,837,316	806,119	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	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	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	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	8,872,579	772,012	57,167 ¹	3,884,619	4,713,798	29,758,940
1997–98	1,147,880	5,410,244	3,257,976	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	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	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	14,676,056	1,113,039	207,462	6,460,747	7,781,248	52,393,494
2001–02	2,448,630	15,269,084	6,396,263	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	35,452,405 ²	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	39,599,693 ²	1,529,508	523,313 ¹	17,926,813	19,979,634	106,872,584
2004–05	2,629,785 ³	16,297,793	11,702,344	40,275,688 ²	3,254,354	441,259 ¹	17,944,084	21,639,697	125,508,575
2005–06	2,755,607 ³	16,529,339	13,591,352	38,585,058 ²	4,113,948	980,709 ¹	18,223,501	23,318,158	140,775,475
Totals	26,324,180	154,540,039	75,170,685	288,935,980	18,497,999	5,545,652	124,116,854	148,160,505	

1. Includes pension division payments plus interest on withdrawal allowances.

2. Includes actuarial liability adjustments.

3. Includes contributions for current and prior service and interest paid by members.

Table 5

New and Past Allowances for the Fiscal Year 2005–06

1. a) The following 56 new allowances became payable:

- 3 to former members of the Senate
- 2 to survivors of former members of the Senate
- 39 to former members of the House of Commons
- 4 to former members of the House of Commons whose allowances were reinstated
- 2 to survivors of former members of the House of Commons whose allowances were reinstated
- 6 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 two members of the Senate and 21 members of the House of Commons who retired.

2. The following 27 allowances ceased to be payable

a) to 17 persons who died:

- 2 former members of the Senate
- 4 survivors of a former member of the Senate
- 7 former members of the House of Commons
- 4 survivors of former members of the House of Commons

b) to 10 persons whose allowances ceased to be payable for the reasons given below:

- 4 to former members of the House of Commons whose allowances were suspended
- 5 to former members of the House of Commons who transferred to other pension plans
- 1 to a former member of the House of Commons who was re-elected to Parliament

Since the Act came into force on November 20, 1952, a total of 1,291 annual allowances and 887 withdrawal allowances have been authorized.

Table 6**Distribution of Annual Allowances in Pay**

The distribution of annual allowances in pay (including applicable indexation) at March 31, 2006, was as follows:

Amount of Allowance (\$)	Former Members	Survivors	Dependant Children	Total
70,000 and over	69	–	–	69
65,000–69,999	16	–	–	16
60,000–64,999	27	–	–	27
55,000–59,999	46	1	–	47
50,000–54,999	25	2	–	27
45,000–49,999	39	1	–	40
40,000–44,999	32	8	–	40
35,000–39,999	63	15	–	78
30,000–34,999	25	19	–	44
25,000–29,999	34	18	–	52
20,000–24,999	30	26	–	56
15,000–19,999	22	20	–	42
10,000–14,999	19	22	–	41
5,000– 9,999	20	19	–	39
Up to 4,999	–	1	2	3
Totals	467	152	2	621

1. *Included in the above allowances, two former members were in receipt of an indexed annual allowance for service as prime minister.*
2. *The average annual allowance, including indexation, was \$50,979 for former members of the Senate and \$46,336 for former members of the House of Commons.*
3. *There were 10 former members of the Senate and 59 former members of the House of Commons who received an annual pension, including indexing and RCA, exceeding \$70,000.*