

which is as current as possible. It is based on an average, I think, of the last three months rate of treasury bills; a fairly current rate of interest is used. It is possible we might even get different rates of interest under this bill, depending on the financial arrangement.

If there is an excess of revenue over expenditure this will be invested as an advance. If there is a deficit of revenue, as might occur at certain times of the year, there are provisions for the Government to put as much as \$800 million into this account to cover the amount of money that the Government may have to pay back a year after, once the experience of the year is known. There are these two provisions. It is a separate account; it will have the same investment features, and if there is a deficit the Government is committed to paying as much as \$800 million, which should be ample to meet the amount of one year to be paid by the treasury in the following year.

**Senator Connolly (Ottawa West):** I had understood, though, that the balance remaining in the fund was to be used for the assistance of the new entrants to the scheme, the additional people who are now coming into the labour force and stand to benefit after eight weeks of attachment in three-week instalments.

**Mr. DesRoches:** I think effectively that would be so in the sense that this money has been contributed by people who are now in the fund, if you like, and they will be starting to get benefits before new contributions are raised. Although there is a change in contribution this July, it is to cover that portion of people who are getting between \$100 and \$150. The other people will be immediately entitled, very soon after, to the new rate of benefits, even though the new contribution structure will not come in until next January.

Effectively, what you are referring to is how we make it attractive for new people who have suggested that their experience is lower than most people's. They are public servants, and so on. The intention was to give them a preferred rate over a three-year period. To the extent that their experience would be lower, this would be fine. If their experience turns out to be the same as other people's, there would be a deficit created from that and the fund would be used to that extent as a means of covering this feature to those people who were now claiming they have a lower experience. We do not really know the actual experience; I do not think anybody knows; it is a changing situation. Assuming their experience is lower, presumably this preferred rate would meet that experience; but if the experience is higher, then there would be a deficit created for that reason.

**Senator Connolly (Ottawa West):** I should like to ask one more question, Mr. Chairman, because I think perhaps we are getting towards the end of our considerations. The telegram to which you referred at the beginning of this sitting mentions:

—an annual deficit of from four hundred million dollars to one thousand million dollars estimate by responsible citizens—

I think perhaps Mr. DesRoches has already dealt with that, but specifically it might be helpful if he said something about it.

**Mr. DesRoches:** There are two things here. If it is meant to be a deficit on government account, at a high rate of unemployment the whole scheme is structured so that it will be in deficit, and will require funds from the government. This has been explained. At six per cent it would require \$300 million on the part of the government, and at seven per cent \$400 million. If that is what is meant, I do not know where the \$1,000 million comes from. This would have to be a very high rate of unemployment. On the other hand, if what is meant is that our figures are out by \$400 million, I can only try to explain how we have made our estimates and hope to leave some credibility behind.

First of all, even though the sickness and maternity is only one feature of the plan, perhaps I can deal with that separately, because it is a new feature. We cover now only people who are sick after they have become unemployed and there is no doubt that we will have more claims, because of the sickness and maternity feature, than we have had at present.

What we have done in that case is this. We have done this for the whole program. We have secured the services of actuaries both inside and outside the Government. We have had attached to our organization now for about two years, an actuary from the Department of Insurance. He is working with us on the estimates and other matters relating to the sickness and maternity portion.

In addition, we have retained the services of outside actuarial consultants for that very same purpose of verifying our estimates and we have obtained a certificate of validity of our estimates in this area.

**Senator Connolly (Ottawa West):** Would you care to name the consultants?

**Mr. DesRoches:** It is William Mercer Limited. We have a certificate for sickness and maternity, which is one of the special items.

As far as the other elements of the program are concerned, where we have direct experience, I referred earlier to a sample or model. Perhaps I should explain a bit more what this sample involves.

What was really done here was to take a number of cases, 27,000 and sometimes 54,000, depending on what we wanted to do. We took the records of individual taxpayers; and their record on a computer system was put on a tape, completely anonymously, by social insurance numbers. Then the social insurance number record of the unemployment insurance and the Canada Pension Plan were all merged, according to these social insurance numbers. After that, the numbers were scrambled, so that it became an indecipherable type of record. We had 54,000 of this type of record and by the combination of these various elements, it gave us an indication of the salary, the occupation, the sex, the age, the type of industry, and so on, of these various cases.

We had a group of economists who studied the various features of the present plan and the various features of the new plan, or whatever scheme we wanted.