Co-Chairman (*Mr. Richard*): Then will you have them distributed?

Mr. Clark: Yes, Mr. Chairman.

Mr. Knowles: Mr. Chairman, we seem to have got into a matter of order right away, Mr. Bell's question and the answer relating more or less to the formula of benefits at the beginning of clause 9 of the bill. If that is our plan and we are going to stay with the subject that has been raised I would like to ask Mr. Clark a question following on what he has just said.

I think I understand the formula, in that it provides that a person with 10 years to go does get the maximum marginal benefits. At the end of the 10 years he has the full benefit of 10 years in the Canada Pension Plan and has lost a minimum amount so far as the Public Service Superannuation Act is concerned. Is it not correct that if one carries this forward—and let me go to the extreme—in the case of a person having 35 years to go from any date subsequent to January 1, 1966, at that point there is practically no difference. He will have gained 25 per cent of his maximum pensionable earnings under the Canada Pension Plan, but he will have lost 24½ per cent from his superannuation.

I have two questions. One, am I understanding the way the formula works? My second question is: What is the rationale for a scheme that actually reduces the marginal benefit an employee will get the longer he has been in the service? It is not just that he gets a smaller increment in the succeeding years after the tenth year but actually the total marginal benefit dwindles until it gets down to nothing. Is my understanding correct? And, secondly, what is the rationale?

Mr. Clark: Yes, Mr. Knowles, you understanding is correct. At, say 30-35 years the result of applying this formula could well be that the civil servant's pension would be the same on the combined basis as the act now provides. I think this relationship could be attributed in part to the contribution basis that was developed under the Canada Pension Plan. As Mr. Benson indicated, one of the basic factors in developing this integration formula was the maintenance of approximately the same overall cost. In other words, the civil servant would continue to pay 6½ and 5 per cent, overall, but a lower effective rate, say, of 4.8 on the first $5,000 initially—

Mr. Knowles: On the first $4,400.

Mr. Clark: That is right, and then the full 6½ per cent on any salary beyond the $5,000. Now, with this diversion of contributions away from the superannuation account, the matter of calculation of what type of benefit could be paid was turned over to our actuarial advisers in the Department of Insurance, and we considered a number of alternatives which they suggested, bearing in mind, as I say, that the overall cost was to be kept within the same limits. This was the end result of their calculations that produced this levelling off, as it were, over that period of time. It depends, of course, on a number of factors as to whether and in how many cases this will happen, but it is a possible result.

Mr. Knowles: I appreciate the actuarial calculations that produced these figures, but I do not know whether I have yet made the point I am trying to make in asking for the rationale of this. Most people who come into a pension plan, or who already have a pension plan and come into another pension plan,