

Appendix 4

Contributions and Age Retirement Benefits

1. General

The method used for the development of contributions was, essentially, the same for both the short-range and the long-range estimates. It is described in section 2 below.

In the development of age retirement benefits, somewhat different methods were used for the short-range and the long-range estimates. Also, for the long-range estimates, three groups of contributors—classified by age at the effective date of the Plan—were treated separately for calculation purposes. The methods used are described in section 3 below.

2. Development of contributions

The development of contributions is described below in the form of a series of steps.

Step 1—"Participating populations" for each year were obtained by multiplying the projected populations for each sex and age group by the assumed participation rates.

Step 2—The participating populations obtained in Step 1 were multiplied by

(a) the applicable modified average earnings rates, and

(b) for 1966 and 1967—\$600

for years after 1967—\$600 increased by 1½% for each year after 1967 until 1975 and 3% or 4%, as applicable, for each year thereafter.

Step 3—Total contributory earnings were obtained by deduction of the amounts determined in (b) of Step 2 from those determined in (a) of Step 2 and by subsequent summation.

Step 4—The totals were reduced by 1% to take account of an overstatement arising from the use, in (b) of Step 2, of the average participating population instead of the population of workers who contribute at any time during the year.

Step 5—The totals determined in Step 4 were allocated between salary and wages and self-employed earnings in the manner described in Appendix 2.

Step 6—The short-range male totals for self-employed earnings were adjusted to take account of expected "lower-than-average" participation among self-employed farmers in the manner described in Appendix 2.

Step 7—Contributions equivalent to a contribution rate of 1% were obtained by multiplying the resulting totals by 0.01.

3. Development of age retirement benefits

(a) Short-range estimates

The following basic assumptions were used:

- (i) no person who does not commence to contribute on the effective date of the Plan or who ceases to contribute after the effective date will subsequently contribute;