

basically assigned to that fund, is sound actuarially, fully funded, with certain adjustments from time to time as the five-year actuarial review takes place, mainly on salary increases. We are now paying on that, by act of parliament—and it is only fair that we should pay—the weighted average interest of 20 year bond issues which at the moment is 7.6 per cent, a rate which inevitably will go up over the next few years as low interest bond issues of the past mature and as the higher bond rates of the past years and of the immediate future weight the average upward.

What we are proposing at the moment is that on the 30 per cent of the fund which is owned by the pensioner, the excess in interest, the difference to which I have referred, should be the difference between that basic 4 per cent payable to the basic fund for the basic pension and the 7.6 per cent; in other words, 3.6 per cent. That is of the current 20 year bond weighted average. That, in my opinion, is legitimately applicable to the indexation to its mathematical limit of the pensioners already out there. It is their money.

● (1742)

Some hon. Members: Hear, hear!

Mr. Andras: In addition, we are saying, of course, that the contribution made on their behalf, the one-and-one, is also available for that calculation. We think it is sufficient for the next three years at the present rate of indexation, but I will not be pinned down right now because we want to get all these formalities completed, but it is approximately from those sources \$525 million, without any taxpayers' money other than the fact that it is made up from that employer-employee matching contribution.

So I think the situation we have reached is eminently fair. The indexing will be switched from full indexation at any rate of inflation with regard to interest, extra money to be found from the taxpayer, to the available funds in accordance with the formula I have described as applied to the supplementation of the basic benefits. We think this fund is over the hump now. After those first few years of retirement benefits, with the one-to-one contribution, it is not in trouble now, and as the situation matures over the years, we get away from any inter-generational transfer, the point the hon. member for Hamilton West (Mr. Alexander) was talking about.

I think that without any subsidy from the taxpayers this plan is sound. Let us not forget that it has been in existence for 60 years with very few changes over the years. We are assuring everybody that it is going to be actuarially sound. We are answering the critics and fundamentally making sure that, if interest rates change and if the inflation rate changes, if that very important equation down the pike somewhere does get out of line, we are not facing our pensioners with some shock they do not know about. But I think it is "easy as you go".

Mr. Baker (Grenville-Carleton): I have two relatively short questions to ask, Mr. Speaker. Let me say by way of preamble that I share the views expressed by the hon. member for Hamilton West and the hon. member for Winnipeg North

Pensions

Centre. I am happy to see that the principle of indexation is being preserved. I made a speech in the House about this matter when it was first dealt with in this parliament during my period here. I take the view that nothing else could have been done which was reasonable, fair and just.

May I direct this question to the minister; it relates, I suppose, to the business of the House. Has the legislation been drafted?

The minister indicates that it has not. If that is the case, when does he intend to introduce it? What is the period of time he has in mind? Would he consult the government House leader with a view to referring the Tomenson-Alexander report, as well as the other reports available, to a committee of the House so that they might be dealt with even in advance of legislation, perhaps? In this way we might be able to deal with a number of questions and fears in the minds of public servants.

Mr. Andras: No, the legislation has not been drafted. We have certainly had consultation with the Public Service Advisory Committee on Pensions which includes representatives of the senior bargaining units and other officials, all public servants incidentally. We have discussed this subject with the bargaining agents formally. I may say they are not jumping with joy at the prospect of any change whatsoever. We still have to work out some complexities, so the bill is not ready. Quite honestly, I am not sure it can be ready until the next session of parliament—

An hon. Member: And when is that going to be?

Mr. Andras: Probably in the fall. As to the other suggestion, I am intrigued by it and I will definitely give consideration to the suggestion that a more formal examination of the report be undertaken. I will discuss it with my colleague and see what can be done.

Mr. Baker (Grenville-Carleton): My other question concerns the minister's statement on page four in which he deals with the introduction of the legislation and talks in terms of consultation when three year adjustments are being considered. In view of the uncertainty which discussions of this kind cause in the public service, whether they take place today or three years hence, and since it is not unreasonable to suggest that these matters ought to be considered by those who are affected, that is to say, the public service pensioners, would the minister consider, when he is drafting the bill, changing his arrangements so that the body which meets will include, in a structural way, representatives of the public service unions? Thus, the minister would not merely be consulting them; they would be included as a structural part of the decision-making process.

Mr. Andras: I will give that suggestion my consideration. Again, without making any final commitment, I repeat that the Public Service Advisory Committee is to be part of the development of this program, and that committee does, of course, include representatives of the Public Service Alliance,