

The CHAIRMAN: We have with us this morning, gentlemen, Mr. William M. Mercer, of William M. Mercer Limited, of Vancouver. I am going to call on Mr. Mercer to introduce two gentlemen who are accompanying him to this meeting, and I would ask that Mr. Mercer outline the qualifications he has to make a submission to this committee.

Mr. MERCER: I am president of William M. Mercer Limited. Your chairman stated "of Vancouver". Actually, we have four offices, one each at Toronto, Montreal, Calgary and Vancouver. Toronto is our largest office, but I like Vancouver so I spend most of my time there. First of all, I would like to introduce Mr. W. D. Welsford, who is director of our company and manager of our Toronto office, and Mr. L. E. Coward, our chief actuary, and a director. He is also located at our Toronto office.

We are independent consultants in the field of employee benefit plans. When I say independent, I mean that we sell welfare plans, pension plans, group insurance plans, sickness and accident plans, and all that type of thing. We install, but do not act on behalf of any one underwriter. The majority of our income comes from these and our job is to use the underwriting basis we consider best at the particular time. We have underwritten pension plans by insurance companies and we set up trust funds administered by trustees and pay pensions out of such funds. We have had considerable experience with Canadian government annuities because until the 19th of April, 1948, we used them to a great extent and I suppose we are responsible for investing in Canadian government annuities tens of millions of dollars. Since April of 1948 we have used them practically to no extent at all. I think we have installed one or two small plans but we do not consider Canadian government annuities today as a satisfactory basis for underwriting pension plans and we have not used them. I would like to list some of our clients. These clients do not necessarily use Canadian government annuities.

Mr. KNOWLES: Before you leave that point, it is known to all of us, but you might indicate for the record what happened on that date, the 19th of April, 1948.

The WITNESS: May I list our clients first? We have several hundred, Canada Packers, B.C. Electric, Howard Smith Paper Mills, Henry Morgan, Massey-Harris, Algoma Steel, Government of Alberta, Dunlop Tire and Rubber Company, A. V. Roe, E. B. Eddy Company, St. Lawrence Paper Company, Southam Newspapers, and many other very large and prominent Canadian corporations.

Now, you asked me what happened on the 19th of April, 1948. An order in council was tabled which lowered the rate of interest on the accumulation of money in government annuities from 4 per cent to 3 per cent. It changed the mortality basis in such a manner that it was less favourable to the purchaser, and made a minor change in that a person could not make irregular contributions on his annuity but must undertake to make regular contributions. I should point out that the order in council did not lower the rate of interest payable in the event of the man's death, which is still 4 per cent, which I do not believe is realized by too many people. If I buy a government annuity and die before it matures the money is still returned at 4 per cent, although this new bill as I interpret it will allow that 4 per cent to be reduced.

Now, we have no financial interest in what happens to government annuities, whether they disappear entirely or whether they are based on 10 per cent interest. We have no financial interest because our duty is to take the underwriting basis that is best at the time. However, many of our clients have an interest in it and we will have to give you some of their views. It is very difficult for us to pound the pulpit very hard for any side because we have no direct financial interest. I think I can sum up my own personal feelings this way, that the members of parliament must decide whether or not the govern-