

*Government Annuities Act*

thus far. The minister has pointed out that the bill will make possible the purchase of annuities for a limited period of time, up to twenty years, in addition to the type of annuity now available that runs for the balance of one's life. In addition, as has already been pointed out, there is to be a type of annuity which one can mesh with government old age security legislation. There is also one other type, but we can deal with that when we reach the committee stage. As I say, these new types of annuities are welcome and acceptable to us. From what we have heard thus far it would seem that the other changes are likewise worth considering, such as the possibility of a cash surrender value, and one or two other changes which have been proposed.

However, I think I should say before I go further that we regret that at this time, when something is being done about the Government Annuities Act, nothing is being done about the feature that is most important, namely the rate on which annuities are computed. The hon. member for Hamilton West had something to say about that this afternoon. Those of us who were here in 1948 will recall the suddenness with which the interest rate, the basis upon which annuity rates are computed, was reduced as from April 19 of that year. I have in my hand a copy of order in council P.C. 1713 which was passed on April 16, 1948, which was a Friday, and subsequently tabled in the house on Monday, April 19, 1948, having effect as from that date.

The two main results of that order in council were to change the interest rate from 4 per cent to 3 per cent, and to change the mortality tables used in computing the rates that are arrived at on the basis of the interest figure already determined. As the Minister of Labour (Mr. Gregg) pointed out the other day, the Government Annuities Act was first brought into being in 1908. If my information is correct, the rate used at that time was 4 per cent. Sir Wilfrid Laurier referred to that fact in the debate which took place in the house on June 18, 1908; and it remained at 4 per cent from that date until April 19, 1948.

We regret very deeply the change that was made at that time. In fact it seemed to us a bit of a blow to what was a very good plan to enable people to provide for their own retirement. We have no illusions about the Government Annuities Act being a plan that can meet the requirements of all the Canadian people; but it certainly was a good plan for those who were able to take advantage of it. But reducing from 4 per cent to

3 per cent the interest figure used in computing the rates certainly reduced the value of government annuities. As we pointed out in 1948 when this change was made, the result was that anyone who had purchased an annuity prior to April 19, 1948, even though he might not have paid very much on it up to that time, still had the advantage of the 4 per cent interest rate; whereas those who purchased annuities after that date would have the advantage of only the 3 per cent rate.

We pointed out also that this created a division within the ranks of employees working for one and the same firm; for even though a firm may have had a group contract prior to April 19, 1948, any employee who became a participant in that contract after April 19, 1948, got his annuity at the new and less advantageous rate. I know of examples where employees working for the same firm pay in different amounts toward their retirement, because of the line that was drawn by the order in council to which I have referred.

In addition to the depreciation in the value of government annuities that was effected by changing the interest rate from 4 per cent to 3 per cent, that same order in council effected a change from the mortality table that had been in use up to that time to another table which is less advantageous to the purchaser of the annuity. This is spelled out in detail in the order in council. I have had occasion to put it on the record before, so I shall not repeat it tonight. But I would say again, as we pointed out in 1948, that we have felt that the change from one table to the other was unfair, particularly in view of the fact that in recent years the greatest increase in the number of annuities purchased has been by employees in group contracts. The other night the Minister of Labour (Mr. Gregg) gave figures to show that there had been a substantial increase in this respect. For example, in 1941 there were 58,780 individual contracts and only 7,000 persons involved in group contracts. By 1951 the number of individual contracts had increased to 147,514, an increase of 147 per cent, while the individuals in group contracts had increased to 128,299, a rather staggering increase of 1732 per cent. I emphasize the fact that the greatest increase in the purchase of annuities, in recent years at any rate, is by employees of firms who arrange group contracts.

I have in my hand a brief protesting the increase in government annuity rates submitted by William M. Mercer Limited in June, 1948. In this brief this firm deals with the actuarial basis of the new rates. I point out again that the changes made in 1948