• (3:30 p.m.)

Mr. Douglas: That is clause 11 (b), which reads:

—for investment of pension fund moneys in such securities and obligations as are prescribed by the regulations;

Let me use as an example the C.P.R. Does that mean that the superintendent of insurance has authority to examine the securities and obligations that company now has and to recommend changes in their investments in terms of these regulations?

Mr. Chrétien: Yes. I am given to understand that the superintendent of insurance will have the right to look into the investment of the C.P.R. in relation to the pension plan. If the superintendent is not satisfied with the security of that investment he will make a recommendation and force them to make a change. That is the way we understand the situation. This bill is designed to protect the rights of the employees and the money that they have put into the pension plan, and the superintendent of insurance will have the right to make recommendations if he is not satisfied with the kind of investment that is made.

Mr. Douglas: Since there is this prescription as to what type of securities and obligations may be used for investing pension funds, has the parliamentary secretary any idea what the regulations are likely to stipulate? It seems to me that this is very important. We are passing legislation giving wide discretionary power to the governor in council to make regulations which will stipulate what type of securities and obligations pension funds may invest in. Is it the intention of the government that those regulations should definitely state that an employer cannot invest his pension funds in securities of the company owned by the employer? In the case of the C.P.R. the illustration is not likely to be applicable, but an employer could use pension funds to purchase debentures of his own company and if that company went bankrupt those debentures would be valueless, in which case the pension fund would be virtually non-existent.

Mr. Chrétien: I cannot say exactly what the regulations will be, Mr. Chairman, but I think the same standard will apply to these investments as applies to investments of life insurance companies in Canada. There are regulations governing investments of life insurance companies so as to protect the holders of life insurance policies, and identical or similar regulations will be drafted to protect pension funds.

Mr. Douglas: I should like to urge that when the government is drafting these regulations serious consideration be given to stipulating in the regulations that an employer may not use the pension funds to invest in securities of his own company. In other words, an employer cannot take pension funds in return for an I.O.U. and use the money for his own company's industrial expansion. He may do so in perfectly good faith, but it seems to me that an employee is entitled to much greater protection than that. This would be particularly true of an employer who owns a relatively small company.

Mr. Chrétien: I will transmit the views of the hon. member to the minister, but he may be assured that the government will make itself responsible to ensure that investment of these funds will be protected. Certainly the situation described by the hon. member will receive consideration and everything will be done to protect funds. As I understand the point made by the hon. member, he is suggesting it is possible that an employer might invest in his own company and that such investment might not be a secure one, and I can assure him the regulations will provide for such a situation. I can tell him the matter will be studied very carefully.

Mr. Barnett: Mr. Chairman, I should like to ask a question related to this problem. Is it possible under this legislation for a company to handle, entirely as a matter of internal management, the investment of pension funds, or will it be required to turn over such moneys to a pension trust administration which will be independent of the operating management of the company?

Mr. Chrétien: No, Mr. Chairman. The law is designed to permit companies to do what they want in the matter of investments, though the investments will be under the supervision of the superintendent of insurance. Therefore, if an investment is not adjudged to be a good one by the superintendent of insurance he will not permit it but will force employers to invest their moneys elsewhere. So there is no problem at all. There will be supervision and the money will be invested in safe securities.

Mr. Pugh: I should like to raise one further matter, Mr. Chairman. Would the parliamentary secretary care to indicate what are the regulations now in effect with respect to trust