before, but I can put it again—will the changes envisaged in this bill, provided there are no other changes, alter the government annuities situation to such an extent that you would reverse your policy of not recommending to your clients that they accept government annuities for their pension plans?—A. My only answer to that question would be that it depends entirely upon the orders in council which may follow the bill, if they do follow it.

Q. In other words, unless some changes are made in the combination of the interest rate and the mortality table, then the other administrative changes in this bill would not alter the picture to any extent?—A. This bill permits changes to be made which could make government annuities extremely attractive for underwriting pension plans, but it does not—

Q. These changes are—?—A. These changes are really the only important ones. There is the matter of cash values; whether these cash values are going to be allowed because of the reference made to interest, which at the present time would require an increase in the rate of 3 per cent—they are pretty near, almost 3·5 per cent now. As I see it, the effect of this bill is to restrict the administration in the matter of interest rate because it has been made similar to that of government bonds. I think the present mortality basis has been gone into thoroughly by the annuities branch from the standpoint of the government. I do not think anybody is questioning the mortality rate; but the terms under which cash is going to be given to employees, or to individuals, is not mentioned at all, and will not necessarily be done. And you may remember that even under the old group annuity rate that the interest rate was 4 per cent and the mortality rate was a better one for the purchaser than the one we have now. Even there, however, there was a case for not using Canadian government annuities in pension plans and many companies did not use them because it was exceedingly difficult if not impossible to operate a pension plan in which the security, the basic annuity pension, had no provision for cash termination. There are hundreds of people in this country who leave employment where there is a Canadian government annuity pension scheme in operation, leave their employer before reaching the age of 65, the retirement age, and they are disappointed when they find that the cash value of their participation cannot be determined and transferred to them; and it is no satisfaction to them at all to have a pension of let us say $1.03 per week coming in. To answer your question again, in another way: I can't say that I would recommend government annuities as they were prior to April 1948 to people.

Q. Then, the effect of this bill is going to be that the extent to which your company will recommend the purchase of annuities to their clients will depend upon what orders in council are passed after the bill goes through?—A. Yes. I have to say that the bill itself achieves nothing, but it permits a good deal to be done. I should not say that it permits nothing, that is not quite right; I think it immediately raises the limit to $2,400, and that is something. The other changes which may come are administrative, and their effect should be good.

Q. With regard to cash surrender values and the cash surrender privilege, Mr. Mercer, I gather from what you have been saying, particularly in the last few minutes, that this is of most importance in group plans where people transfer their employment from one job to another, that that is where the greatest amount of hard feelings develop?—A. That is where a great amount of hard feeling has developed. Whether a real hardship develops or not, I am not sure; but, certainly, participation in many of these large Canadian government pension plans has fallen below 50 per cent because the people are not coming into a plan. Most young people when they take a job usually don't think they are going to remain with that employer all their lives, and when