

Pensions

Some people worry, following the rumours that have been circulating concerning the amendments that have been proposed today or that will be proposed some time in the future, that indexation could be affected. I for one, Mr. Speaker, think that the indexation of other programs like old age security, family allowances and others is there to stay because the inflation that brought it seems also to be there to stay. Obviously, this government is unable to stop this inflationary trend, and it is absolutely necessary, if salaries, retirement plans and savings are to keep some value and keep their purchasing power, to maintain and apply this indexation.

That kind of overfaced amendments are often proposed but after careful examination we realize that we may win on some aspects and lose on others but eventually we are not better off. I had the feeling when listening to the minister's statement that we are following the trend and keeping several years behind the cost of living index, as this has been the case in about every other area.

Whatever their level, increases in salaries or pensions always lag behind price increases.

This statement, this proposal was long overdue, however if be appreciated by all involved. The legislation that will be put forward will no doubt receive close scrutiny, because we will be looking at the report in very fine detail. We will study it in depth, and every clause of the bill will also receive close attention and, if needed, valuable amendments that may be suggested by officials at whatever level would be introduced.

● (1732)

[*English*]

Mr. Francis: Mr. Speaker, I have a question for the President of the Treasury Board (Mr. Andras). In listening to his statements today and the projections which the Tomenson-Alexander report made, I understood him to indicate there was on a fully funded basis a deficit of \$5.9 billion of which \$5.6 billion was on the indexation account. In making this kind of projection, I would like to ask what assumptions were made for future rates of interest, future rates of inflation and future rates of salary increases. I would like to know what the President of the Treasury Board thinks of these assumptions, because I heard him give a scenario about the pessimists and the optimists. I think we got a truly pessimistic projection in the Tomenson-Alexander report. That is my view. I would like to hear the view of the President of the Treasury Board.

Mr. Andras: Mr. Speaker, I do not think I can give the hon. member the precise interest rate, inflation rate and basic salary increase rate assumptions of Tomenson-Alexander except to say that they were unquestionably lower and more pessimistic than any assumptions that we would permit in the application by law to private sector pension plans. They certainly are assumptions considerably below those now applied to the Canada Pension Plan and that sort of thing.

Apart from that, I consider the issue to be resolved with regard to any argument toward full funding by the three-year

[Mr. Laprise.]

ad hoc arrangement. One could theoretically accept, I suppose, that full funding might be necessary if the commitment were to be there permanently under any circumstances of inflation, but I think the argument is dissolved. The Tomenson-Alexander report says that if this were moved to a more frequent examination and ad hoc adjustment, as we are proposing, the demand for, or insistence upon, full funding would be somewhat diffused. They are in the Tomenson-Alexander report, but I will get the precise equations that were used.

[*Translation*]

Mr. Clermont: Mr. Speaker, the President of the Treasury Board (Mr. Andras) suggested in his comments that cost-of-living adjustments will be computed over three year periods starting from January 1, 1979.

My question is this: Will the President of the Treasury Board be in a position to indicate as soon as possible the relevant date to the people entitled to indexing I ask this because I understand from his report to the House that every triennial computation will be made, not on October 31, but in the month of October before the start of each period, at the latest.

Will the President of Treasury Board be in a position to indicate as soon as possible, for the coming three years, the escalation rate for retired civil servants and also other pensionee groups, referred to. I have no fear for myself, because the retired member of parliament is not entitled to escalation before age 60.

[*English*]

Mr. Andras: Mr. Speaker, when the full phasing out of the early retirement access to fully indexed pensions is completed in 1983, everyone involved in the public service will be on the same basis. That is, indexation will commence from age 60 on.

As to the first part of the question, this is subject to parliament's will in terms of amending the basic act, and if that were to take place, we would be in a position to confirm by October of this year. This is not a very complex actuarial calculation. Really the cost of living is rather secondary in this sense to the calculation of the availability of funds legitimately applicable to indexation.

I can tell the hon. member now basically what the formula might be in that sense. It is the calculation of actuaries, confirmed by more than one actuary, that about 30 per cent of the basic fund which now stands at approximately \$8.6 billion and is going up at the rate of approximately \$1.3 billion a year, is owned by the pensioners, those people now on retirement. That includes the interest that has been paid on their portion of the fund up until now. Their portion of the fund is the contribution made by them and on behalf of them by the employer up to that date of retirement, plus that earned interest.

What this means is that the basic pension fund, not the indexing portion, based upon the actuarial calculation, together with continuing contributions and 4 per cent interest