

The CHAIRMAN: Are there other factors in connection with deferred profits that you want to talk about? We have really hit the high spots, have we not, other than the question of tax penalties? There are tax penalties which are the whip to enforce observance of these new requirements.

Senator HAIG: Mr. Chairman, are the words "qualified investment" defined?

The CHAIRMAN: Yes, you will find that on page 27 in paragraph (e). It is defined by identifying the various kinds of things that would be acceptable investments.

Senator HAIG: That is a wider definition than that of "trustee investment" under the Insurance Act, then?

The CHAIRMAN: I think that is right, is it not, Mr. Irwin? It is wider?

Mr. IRWIN: I think it admits some things that are not qualified under the insurance rules, but it probably does not include some which would be acceptable under those rules.

Senator LEONARD: I should like to ask a question which arises out of my ignorance. Does this definition of "qualified investment" apply to pension plans that are not deferred profit-sharing plans, or is this a new definition that is designed for deferred profit-sharing plans?

Mr. IRWIN: This definition on page 27 applies only with respect to deferred profit-sharing plans.

Senator LEONARD: What is the situation with respect to other pension plans?

Mr. IRWIN: The law does not contain a set of rules regarding investments by registered pension plans. The law merely requires that pension plans must be accepted for registration by the Minister of National Revenue.

Senator LEONARD: Tell me why is there this difference? Why is this clause put into this bill to define "qualified investment" for a deferred profit-sharing plan when it does not apply with respect to other pension plans? Tell me some of the facts that go into the determination of this difference.

Mr. IRWIN: The measure before us addresses itself to deferred profit-sharing plans, and the amendments proposed are intended to deal with some situations which have come to light, and where it is believed these rules are necessary. The same situation has not arisen with respect to pension plans. To some extent, these are now subject to provincial supervision. Pension plans have been subject to registration for many years, and there have been over some periods in the past sets of rules published by the Department of National Revenue dealing with the investments which would be acceptable if a plan is to be accepted for registration.

The CHAIRMAN: There might be this factor, that in most pension plans the company undertakes to contribute what is necessary beyond the employee's contribution in order to maintain the fund and make it actuarially sound, and to continue it in that way. Many plans I have seen, and some that I have drawn up, define the company's obligation in that sense. So, if you have an assurance that the company is going to have to make up the difference you can be sure that there is going to be a pretty strict supervision of the investment policy.

Now, here the company makes the contribution and the employee is the beneficiary, and certainly in the working out of this—and this is one of the abuses that are being corrected by this bill—use might be made of the monies for investments that might suit those who control the plan but which would not be in the best interests of the beneficiaries of the plan who had no guarantee to fall back on. That may be an element, although I do not know.

Mr. IRWIN: Yes, I think it is important that the benefits promised by the two kinds of plans have been different. The pension plan has undertaken to provide a specific benefit to the employee. The deferred profit-sharing plan usually