5. Does the December 31, 1975 actuarial report on the Canadian Forces Superannuation Account (CFSA) assume that CFSA contributors will, through salary revisions and promotions, experience an average long-term increase in their real salaries of more than 2 per cent per annum, that is more than two percentage points above the implicitly assumed rate of annual inflation and, if so, what is the annual real rate of salary increases that the 1975 CFSA actuarial report assumes will be received by military personnel through salary revisions and promotions?

6. What was the average annual percentage increase in real salaries that was received by CFSA contributors as a result of salary revisions and promotions for each of the past ten fiscal years?

7. If the 1975 CFSA actuarial report assumes that military personnel will, though salary revisions and promotions, receive real salary increases of more than the annual 2 per cent real earnings increase assumed for Canadians contributing to the Canada Pension Plan (CPP) in the 1977 CPP actuarial report, have representatives of CFSA contributors and pensioners been consulted on continuing the future financing of the CFSA on the assumption that military personnel in future will receive larger increases in their real salaries than Canadians in general who contribute to the CPP and, if not, for what reason?

8. What would be the size of the actuarial surplus of the CFSA as at December 31, 1975 if the 1975 CFSA actuarial report had assumed that military personnel, through salary revisions and promotions, would receive the same real salary increases as Canadians contributing to the CPP, which was 2 per cent per annum, and if the 1975 report remained unchanged in all other respects?

Mr. Peter Lang (Parliamentary Secretary to President of the Treasury Board): 1. Yes.

2. The actuarial report on the CFSA as at December 31, 1975 used economic assumptions of 6.5 per cent annual interest and 5.5 per cent annual salary increases. While no explicit assumption was made with regard to inflation, an implicit assumption of 3 per cent annual inflation was included in the two economic assumptions used.

Previous reports were based on assumptions of 4 per cent interest rates, zero per cent for salary increases and no inflation assumptions. In the most recent report (as at December 31, 1975), the real interest rate could be said to have changed from 4 per cent to 3.5 per cent and salary increases related to productivity were assumed to be 2.5 per cent.

The effect of using an implicit inflation assumption of 3 per cent, and therefore raising the interest and salary increase rate assumptions from 3.5 per cent and 2.5 per cent to 6.5 per cent and 5.5 per cent, respectively, were as follows: (a) with respect to benefits earned to December 31, 1975 a decrease in liabilities of $2,438 million; (b) with respect to the employer current service costs after December 31, 1975 a decrease of 8.2 per cent of contributory payroll from 19.0 per cent to 10.8 per cent.

3. The effect on the amounts shown in question 2 of lowering the number of years over which CFSA salaries are averaged for benefit calculation purposes would be as follows:

Table 1

Salary Averaging Period

	5 years	4 years	3 years	2 years	1 year
			(000,000's)		
Reduction in the $2,438 million decrease in liabilities shown in question 2	106	215	328	445	565
			(per cent)		
Reduction of the current service cost difference of 8.2 per cent of contributory payroll, as a per cent of contributory payroll	0.54	1.11	1.69	2.28	2.90

4. The effect of using implicit annual inflation assumptions, of 6 per cent and 9 per cent along with reduced salary averaging periods would have been as follows:

Table 2

Salary Averaging Period

6 per cent Inflation Scenario	6 years	5 years	4 years	3 years	2 years	1 year
			(000,000's)			
Decrease in liabilities in respect of service prior to December 31, 1975	3,828	3,721	3,609	3,491	3,368	3,240
			(per cent)			
Decrease in current service cost for service after December 31, 1975 as a per cent of payroll	12.87	12.33	11.76	11.17	10.55	9.90
9 per cent inflation Scenario			Salary Averaging Period			
			(000,000's)			
Decrease in liabilities in respect of service prior to December 31, 1975	4,688	4,585	4,475	4,360	4,237	4,107
			(per cent)			
Decrease in current service cost for service after December 31, 1975 as a per cent of payroll	15.67	15.15	14.60	14.02	13.41	12.75