

## Government Annuities Act

is, the amount necessary to maintain reserves plus the cost of administration—make a total expenditure for the year of \$1,417,425. With 275,813 contracts and certificates in effect, the portion of cost borne by the taxpayers of this country is \$5.14 for each of those contracts.

The question then arises: To what extent will administration costs increase with the increase in annuities? I was interested to notice the remarks which were made by Right Hon. R. B. Bennett, a former prime minister of this country, when on June 23, 1931, he spoke in support of a bill to reduce the maximum annuity from \$5,000 to \$1,200. At that time he said as reported at page 2917 of *Hansard*:

In view of the fact that the government itself defrays the costs of administration, and the rate of interest upon which computations with respect to annuities are made is four per cent—

Which it was at that time.

—which, as the house knows, is a very high rate—it has been suggested in many quarters that the fund is hardly solvent, because with the prolonging of life consequent upon modern scientific knowledge being applied to diet and hygiene, it is obvious that the old time computations of the period during which an assured might live must be based upon a lower interest rate than four per cent, which is the figure that has been used in connection with our annuity tables. Therefore the actuaries of the department, having gone over the matter roughly, are satisfied that we should not carry so large an annuity as \$5,000 without making an amendment of our rates. That, of course, is undesirable, and so the suggestion by those who have the responsibility for administration—from the standpoint of pure administration apart from policy—is that \$1,200 would be a reasonable maximum.

What interested me greatly in this excerpt from *Hansard* of that date is the former prime minister's statement that this action is taken:

—in view of the fact that the government itself defrays the costs of administration . . .

And further on:

. . . those who have the responsibility for administration—from the standpoint of pure administration apart from policy . . .

I think I should say at this moment that I am not, in these remarks, contending that this amount should not be raised. I think that a \$1,200 maximum in 1931 compares favourably with a \$2,400 maximum at the present time. I am raising some of these questions which occur to me as I proceed with the minister's statement.

The third one to which I should like to refer deals with the number of annuities and the manner in which they have increased in the last five years. Of the total premiums received since 1908, the minister announced that 50 per cent were received in the last five years. In sessional paper 62A the figures are given of the various contracts which

have been issued since 1908. It is noticeable that from 1908 to 1933—that is, the first twenty-five years—some 16,000 contracts were issued. In the ensuing five years to 1938, 26,000 were issued. From 1938 to 1943 there were 47,000; from 1943 to 1948, 145,000. That is quite a jump. The average from 1943 to 1948 was 29,000 a year. We then come to 1949 with 36,000 contracts; 1950 with 21,000 and 1951 with 22,000. It would appear that the peak year was 1947, when 43,585 contracts were issued, which was closely followed by 1948 with 40,945. I wonder whether these figures of the past three years indicate that the absorption of industrial pension schemes has passed its peak, or is there any indication of renewed acceleration? Will the new maximum of \$2,400 tend greatly to increase the number of applications? I ask these questions, Mr. Speaker, because I do not think there is any doubt that the great increase in the last fifteen years or so has been largely due to the absorption or the merging of industrial pension schemes with the government annuities. As a matter of fact, in his statement the minister himself says that the rapid growth in recent years of employee retirement pension plans which have been underwritten by group contracts issued under the act is largely responsible for this increase. But whether these are new schemes, or whether it is merely the matter of the annuities branch taking over existing schemes and merging them, I do not know. It would be very interesting and helpful to know just what proportion of government annuities are sold to mature for less than \$100 a month, the present maximum. In view of the new old age pension and the proposal to equalize pensions, already referred to, to what maximum monthly payment could the present annuities extend; I mean to what maximum monthly payment in the first period of retirement, which could conceivably be carried right on through in conjunction with the old age pension? I was interested in this regard to notice that in the report the Ives commission brought down in 1945 it was stated that 87 per cent of the recipients received less than \$900, while 75 per cent received less than \$600 a year. Therefore, Mr. Speaker, in raising this maximum I think we should take into account the current demand and what these people are ready and willing to pay for, and what amount they can afford to invest in order to secure for themselves a return upon retirement.

Further in his statement the minister had this to say in regard to administration, as reported at page 864 of *Hansard*:

The purposes of the proposed amendments are to provide greater facilities for the benefit of pur-