Order Paper Questions

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

Table 2

6 per cent Inflation Scenario	6 years	5 years	Salary Averaging Period 4 years	3 years	2 years	1 year
			(000,000's)			
Decrease in liabilities in respect of service prior to December 31, 1974	326	314	301	287	273	258
			(per cent)			
Decrease in current service cost for service after December 31, 1974, as a per cent of contributory payroll	13.33	12.78	12.21	11.61	10.98	10.33
9 per cent Inflation Scenario	6 years	5 years	Salary Averaging Period 4 years	3 years	2 years	1 year
			(000,000's)			
Decrease in liabilities in respect of service prior to December 31, 1974	397	385	373	359	345	330
			(per cent)			
Decrease in current service cost for service after December 31, 1974, as a per cent of contributory payroll	16.22	15.69	15.13	14.54	13.91	13.26

5. The 1974 RCMPSA Report assumes that RCMPSA 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, i.e., more than two percentage points above the implicitly assumed rate of annual inflation. It is impossible to calculate a single meaningful average figure since the average compound rate depends on the range of ages being considered as indicated in the following examples.

Average Compound Annual Real Salary Increase Assumed in the 1974 RCMPSA Actuarial Report

Age Range	Male and Female
45-60	3.88
35-60	3.78
25-60	4.10

6. Approximate increase in real salaries received by RCMPSA contributors as a result of salary revisions in the last ten calendar years.

1972	2.3
1973	− 1.4
1974	1.5
1975	2.5
1976	2.3
1977	− .3
1978	− 2.9
1979	− 1.6
1980	1.4
1981	.4

Note: Salary increase information is maintained on a calendar rather than a fiscal year basis.

Information regarding salary increases due to promotions each year is not available. Promotional salary increase assumptions used in the actuarial reports are determined by making comparisons of salary movements for various age groups between valuations.

7. See reply to question 4,483, Parts 1, 2 and 4 answered this day.

8. See reply to question 4,483, Part 7 answered this day.

CANADIAN ARMED FORCES SUPERANNUATION ACCOUNT

Question No. 4,485—**Mr. Baker (Nepean-Carleton):**

1. Did the actuarial reports on the Canadian Forces Superannuation Account (CFSA) prior to December 31, 1975 examine the CFSA using economic assumptions that reflected a zero inflation scenario?

2. Did the actuarial report on the CFSA as at December 31, 1975 examine the CFSA using economic assumptions that reflected a 3 per cent annual inflation scenario and, if so, what windfall gains were realized by the CFSA with respect to (a) the amount required to finance CFSA benefits earned to December 31, 1975 (b) the employer contribution rate required to finance all CFSA benefits in respect of current service after December 31, 1975 solely because the 1975 CFSA valuation was carried out in a 3 per cent annual inflation scenario?

3. To what extent would the windfall gains realized by the CFSA through the move to a 3 per cent annual inflation scenario in the 1975 actuarial report have been reduced if the calculation of CFSA benefits after December 31, 1975 were made on the basis of a CFSA contributor's (a) best consecutive (i) five (ii) four (iii) three (iv) two (b) best single year annual salary?

4. What windfall gains would have been realized by the CFSA with respect to the amount required to finance CFSA benefits earned to December 31, 1975 and the employer contribution rate required to finance CFSA benefits on account of current service after December 31, 1975 if the 1975 CFSA actuarial report had moved to economic assumptions reflecting annual inflation scenarios of 6 per cent and 9 per cent respectively and if the calculations of CFSA benefits after December 31, 1975 were made on the basis of a CFSA contributor's (a) best consecutive (i) six (ii) five (iii) four (iv) three (v) two (b) best single year annual salary?