

Mr. BRYCE: The main purpose of the account is twofold; in it we hold our main exchange reserves so we can meet any requirement for foreign exchange out of it, and we operate in the account from week to week in order to meet fluctuations in the supply and demand of foreign exchange in terms of Canadian dollars. As you will note from the figures Mr. Henderson has referred to on page 133, we held a large proportion of the reserves in gold but a large share still is held in United States dollars and securities. The bulk of that item would normally be in United States government securities rather than bank loans.

Mr. SOUTHAM: I think the suggestion Mr. Bryce has made of having the Minister of Finance prepare a statement for the next sitting of this committee in the next session of parliament would be the logical approach. The problem has arisen chiefly owing to the fact that we have been tied up in two elections and our whole process has slowed down a little.

The CHAIRMAN: Thank you Mr. Southam.

If the committee feel this has been a good preliminary canter before the next committee meets, may we turn to paragraph 64 in the Auditor General's report, which you will find at page 21. There are four or five items—64, 65, 66, 67 and 68—with which we should deal. But perhaps we may start at 64.

64. *Questionable revision of basis for calculation of annuity.* An employee of a government agency became a contributor to the super-annuation account in 1944 and elected to contribute for prior part-time service as a consultant to the agency. In this former capacity, during a period of seventeen and one-half years he had received \$40,800 from the agency while drawing \$70,000 in salary from his principal employment. A credit of half-time for the prior service with the agency was requested for superannuation purposes but, after due consideration, the superannuation branch decided, in 1945, that it was prepared to accept the election on the basis of only four months to the year, this being more closely proportional to the earnings.

In 1961, on the eve of the contributor's retirement, and as a result of further representations, service of six months to the year was allowed for the prior part-time service, with the result that there was an increase of \$877 per annum—from \$6,865 to \$7,742—in the annuity that was authorized for payment.

I shall now call on Mr. Bryce.

Mr. BRYCE: Thank you, Mr. Chairman.

After seeing the Auditor General's observations in this case I got out the papers and looked at it myself. You will note the point to which he has drawn attention—and I think in principle it is a proper thing to which to draw attention—is that the branch has revised the basis on which the prior part-time service of a contributor who was in one of the government agencies was calculated. The case relates to an officer of a crown agency who had earlier served on a part time basis as professional consultant. What is at issue is the determination of the fraction of full time which his part time services should be regarded as having comprised. The original decision as noted in the Auditor General's report was based on a rough comparison of the earnings received by this contributor as a consultant for the agency compared to his earnings from other employers, and the figures here are given over the period of 17 years. This decision was taken notwithstanding the statement of the agency at the time that it felt it would be fair to consider the consultant as having served half time for the purpose of payment of contributions for prior service. What is at issue here is not the amount of contributions he makes, which is determined by the amount of pay he receives, but rather what fraction of a year it counts in terms of counting the final annuity to which he is entitled.