Canada Pension Plan

I now turn by natural transition to the nature of the adjustments which will have to be applied to the numerous existing plans for which the government is responsible. The largest of these is the Public Service Superannuation Act, which covers some 175,000 employees. It would perhaps be convenient if I outlined in a very summary fashion the scope of this act. Males working in the public service pay 6½ per cent of their salaries into the superannuation fund, and female employees pay 5 per cent. The government matches these contributions regularly and from time to time contributes additional amounts which are required in respect of the liabilities created by pay increases which are not covered by the ordinary matching contributions. Subject to certain detailed conditions, pensions are calculated by multiplying the average salary over the best six years by 2 per cent for every year of service up to 35 years. In other words, the act provides an employee with an opportunity to secure a generous pension as high as 70 per cent of his average annual salary over the best six years.

Bearing in mind the substantial existing plan, and with a desire to deal equitably with the legitimate interests of the civil service, the government decided to apply two principles in adjusting the superannuation act to the Canada pension plan. The first principle is that the total contributions paid by the employee and the government should not be increased, but instead a portion of the contribution should be diverted away from the superannuation fund in each case to the Canada pension plan. To balance this diversion, the benefits earned under the superannuation act after the Canada pension plan goes into effect will be reduced. The second principle is that this reduction in benefits under the superannuation act would not bring the total level of benefits below the level that would have prevailed under the superannuation act before adjustments.

At the risk of oversimplification, I would point out that the total contributions by the employees would not increase, and their total benefits would not decrease. So far from decreasing the total benefits, the relationship between benefits, contributions and the funding under the Public Service Superannuation Act and the Canada pension plan are such that if the combined rates of current contributions for the two plans are the same as the present rates under the Public Service Superannuation Act—that is, 6½ per cent for male employees and 5 per cent for female employees—then a formula might be devised whereby the combined benefits in some cases would exceed modestly the benefits, and at no time fall below the benefits, which the present superannuation act will provide.

[Mr. Pennell.]

As a result of these relationships the government has decided to recommend to parliament at the appropriate time that the Public Service Superannuation Act be amended so that the following method of co-ordination could be applied: First, the combined contributions under the Public Service Superannuation Act and the Canada pension plan should be equal to the present contribution rates under the Public Service Superannuation Act, but the contributions paid into the public service superannuation account would be reduced by the amount of the contributions required under the Canada pension plan. It follows that the government's matching contribution into the superannuation account would be correspondingly reduced by the amount the government pays into the Canada pension plan.

In the second place, superannuation benefits paid before age 65 to persons retiring between the ages 60 and 64 will be the same as is now paid under the Public Service Superannuation Act; that is, by multiplying the average salary for the best six years by 2 per cent for each year of service. In the third place, superannuation benefits paid to persons who become eligible for a pension under the Canada pension plan at age 65 or on subsequent retirement will be determined by a formula which I shall shortly attempt to explain to the house. I apologize for resorting to a tedious formula method of explanation but I find myself unable to deal adequately with the matter in any other way. The formula divides itself into two parts:

(a) A portion of the public service superannuation pension would be calculated at the rate of 1.3 per cent instead of 2 per cent on the average salary for the best six years up to the earnings ceiling of the Canada pension plan for each year of service after the Canada pension plan commences, while

(b) the portion of the superannuation pension benefit based on that part of the salary above the earnings ceiling of the Canada pension plan would be calculated at 2 per cent for each year of service as is presently determined under the Public Service Superannuation Act. It would be entirely wrong to suppose that the formula I have outlined to the house for the co-ordination of the Public Service Superannuation Act and the Canada pension plan could be applied without alteration or refinement to other existing pension