Year	Employee Contributions (Percentage of Total)	Employer Contributions and other payments to finance pension benefits and indexing (Percentage of Total)	Plan Interest Earnings (Percentage of Total)
1971-72	18	51	31
1972-73	18	50	32
1973-74	19	46	35
1974-75	19	45	36
1975-76	18	45	37
1976-77	17	45	38
1977-78	17	43	40
1978-79	15	47	38
1979-80	15	40	45
1980-81	16	35	49
1981-82	16	31	53
1982-83	15	29	56
1983-84	14	28	58
1984-85	13	26	61

*In this year all outstanding deferred charges for actuarial deficiency credits were charged to bubgetary expenditures. Commencing in 1964-65, actuarial deficiency credits were paid off over five years in equal instalments.

**Indexing Benefits established effective April 1, 1970.

CANADIAN FORCES SUPERANNUATION ACCOUNT

Question No. 402—**Mr. Cassidy:**

1. With reference to the answer to question No. 4,485 of the 1st Session of the 32nd Parliament, how much of the $2,438 million decrease in liabilities that was experienced by the Canadian Forces Superannuation Account (CFSA) for past service by the decision that was taken to carry out an actuarial valuation of the RCMPSA under a 3 per cent annual inflation scenario, arose because inflationary interest earnings on CFSA assets in respect of pensioners and other beneficiaries were committed to reducing past service employer pension costs in respect of current employees?

2. How much of the decrease in employer pension costs from 19.0 per cent to 10.8 per cent of contributory payroll for future service that was experienced by the CFSA resulting from the decision that was taken to carry out an actuarial valuation of the CFSA under a 3 per cent annual inflation scenario, arose because inflationary interest earnings on CFSA assets in respect of pensioners and other beneficiaries were committed to reducing future service employer pension costs in respect of current employees?

3. Were representatives of CFS pensioners consulted on the action taken to commit inflationary interest earnings on CFSA assets in respect of pensioners and other beneficiaries towards reducing past and future service employer pension costs in respect of current employees and, if not, for what reason?

Mr. Paul Dick (Parliamentary Secretary to President of the Treasury Board): 1 and 2. Before 1975, the actuarial valuations of the CFSA were based on a 4 per cent interest assumption. Rates of future salary increases and inflation were not projected.

In the 1975 valuation, the rate of interest was assumed to be 6.5 per cent per annum. Salary increases were assumed to be 5.5 per cent annually. These rates included an implicit assumption of 3 per cent inflation.

If no implicit assumptions for inflation had been used, the other economic assumptions could be regarded as being 3.5 per cent for real interest rates and 2.5 per cent for real salary increases. The effect of using an implicit inflation assumption of 3 per cent and therefore interest and salary increase assumptions of 6.5 per cent and 5.5 per cent, respectively, instead of 3.5 per cent and 2.5 per cent was to:

(*a*) decrease the CFSA actuarial liabilities by $2,438 million. Of this amount approximately $2,090 million could be attributed to using a discount rate of 6.5 per cent during the plan members' retirement years, instead of 3.5 per cent; and

(*b*) reduce the full employer annual current service cost that would have been required from 19 per cent to 10.8 per cent of contributory payroll. Of the 8.2 per cent of pay decrease, about 6.2 per cent of pay is attributable to using a discount rate of 6.5 per cent interest rather than 3.5 per cent during the retirement period of plan members.

3. Representatives of Canadian Forces pensioners were not consulted about the change in economic assumptions used to value the CFS Account. The benefits of pensioners were not affected by the change in these assumptions. The assumptions were changed to enable realistic cost comparisons with private sector plans.

Also, pensions are not negotiable with plan members.

PUBLIC SERVICE SUPERANNUATION ACCOUNT

Question No. 404—**Mr. Cassidy:**

1. With reference to the answer to question No. 3,487 of the 1st Session of the 32nd Parliament, how much of the $3,648 million decrease in liabilities that was experienced by the Public Service Superannuation Account (PSSA) for past service by the decision that was taken to carry out an actuarial valuation of the PSSA under a 3 per cent annual inflation scenario, arose because inflationary interest earnings on PSSA assets in respect of pensioners and other beneficiaries were committed to reducing past service employer pension costs in respect of current employees?

2. How much of the decrease in employer pension costs from 11.6 per cent to 6.5 per cent of contributory payroll for future service that was experienced by the PSSA resulting from the decision that was taken to carry out an actuarial valuation of the PSSA under a 3 per cent annual inflation scenario, arose because inflationary interest earnings on PSSA assets in respect of pensioners and other beneficiaries were committed to reducing future service employer pension costs in respect of current employees?

3. Were representatives of PSSA pensioners consulted on the action taken to commit inflationary interest earnings on PSSA assets in respect of pensioners and other beneficiaries towards reducing past and future service employer pension costs in respect of current employees and, if not, for what reason?

Mr. Paul Dick (Parliamentary Secretary to President of the Treasury Board): 1 and 2. Before 1977, the actuarial valuations of the PSSA were based on a 4 per cent interest assumption. Rates of future salary increases and inflation were not projected.

In the 1977 valuation, the rate of interest was assumed to be 6.5 per cent per annum. Salary increases were assumed to be 5.5 per cent annually. These rates included an implicit assumption of 3 per cent inflation.

If not implicit assumptions for inflation had been used, the other economic assumptions could be regarded as being 3.5 per cent for real interest rates and 2.5 per cent for real salary increases. The effect of using an implicit inflation assumption of 3 per cent, and therefore interest and salary increase assumptions of 6.5 per cent and 5.5 per cent, respectively, instead of 3.5 per cent and 2.5 per cent was to:

(*a*) decrease PSSA liabilities by $3648 million, which included a decrease in pensioner liabilities of about $2850; and

(*b*) reduce the full employer annual current service cost that would have been required from 11.6 per cent to 6.5 percent of contributory payroll. Of the 5.1 per cent of pay decrease, about 3.6 per cent of pay is attributable to using a discount