6 per cent increase when the cost of living is anywhere between 11 per cent and 12 per cent.

The Conservatives, Mr. Speaker, have assisted this Government in a very hypocritical way. Those Members who have large numbers of public servants in their ridings, such as the Hon. Member for Nepean-Carleton (Mr. Baker), are standing up in this House and saying in a calm way how serious it is and how they feel for those pensioners. What I am trying to say, Mr. Speaker, is that their Party believes it is time to roll back social programs. Their Party is following the line of the Reagan administration. Make no mistake about it, every Canadian is watching what is taking place here because they know their social programs are under attack, not only by the Government but also by the Conservative Party of Canada.

Mr. Ralph Ferguson (Lambton-Middlesex): Mr. Speaker, I want to speak very briefly on this particular amendment today because the motion proposes that a sunset Clause be applied to this Bill. I should point out that, in effect, there is such a provision in the Bill and indexing is restored as of January 1, 1985. If we were, however, to allow a catch-up provision it would perhaps destroy other aspects of the six and five guidelines which appear to be working at the present time. In fact, over the last five months the rate of inflation in Canada has decreased dramatically.

Mr. Baker (Nepean-Carleton): Even before you passed the Bill. Marvellous.

Mr. Ferguson: It is down to a rate of 0.5 per cent on a monthly basis. In the U.S., of course, it is calculated on a monthly basis, but in Canada it is on an annual basis. However, if we look at it on a monthly basis in Canada we have been within the guidelines for the last several months, and if the present trend continues, those pensioners may even have a net gain in the upcoming year, although they would have had a loss in their pensions for the previous period which ended last September.

I would like to address very briefly some of the arguments advanced by critics of Bill C-133, namely the capping of the pension indexing amount and the confiscation of moneys already paid by public servants. The point is made that because the Supplementary Retirement Benefits Account requires a 1 per cent of salary contribution by the employees, it is matched by Government. Sufficient money has already been set aside to pay for full indexation. I would like to expand on the point already made in that regard.

I think it is most helpful to note that plan members only began paying extra contributions for indexing in 1970, consequently moving from 0.5 per cent of salary to 1 per cent in 1977. No pensioner who retired prior to 1970 made any additional contribution in the way of catch-up and the pensioners who retired since that time only made special contributions during the smaller portion of a 25-year career. Contributions by pensioners to date currently pay less than 10 per cent of the indexing payment being made, with over 90 per cent, that is $420 million in 1981-82, being charged against Government expenditures.

There seems as well to be a mistaken impression that there is more than enough money in the pension accounts to pay for full indexing because the accounts are growing each year and the amount of interest earnings exceeds benefit pay-outs. In response to this I would like to point out that the basic pension plan is designed to operate on a fully funded basis, so that the basic pension accounts are credited with amounts which are sufficient, taking into consideration future interest earnings, to meet the benefit payments earned by plan members to date, assuming that all actuarial and economic projections prove to be accurate. Certainly this has been very difficult to do having come through a period like the last few years.

The indexing account is, by legislation, operated on a partial pay-as-you-go basis, so there is currently not enough money in the account to meet all the future indexing benefits that will become payable in respect of benefits already accrued. For example, in the 1981-82 Public Accounts, an actuarial deficit of $5.5 billion was reported in respect of Public Service indexing benefits which become payable up to March 31, 1982. That deficit would exist if those benefits had to be fully funded. This amount did not include any liabilities for the future indexing of pensions being paid at that time, nor for the indexing of accrued pensions of current employees.

While I would suppose that the estimate of the actuarial deficit may be argued since it is very much dependent upon the actuarial assumptions used to calculate it, there is an actuarial deficit in the indexation account. Even if both accounts were combined, full indexation could not be provided without substantial Government contributions over and above its matching of employee contributions. Therefore, it cannot be said that the Government, by capping indexing, is cutting back on benefits for which sufficient funds have already been set aside.

● (1240)

Some people argue that the additional contributions paid by employees can be likened to insurance premiums where, in exchange for the premiums, employees are protected against the risk of inflation. I do not agree with the idea that the Public Service superannuation system is comparable to an insurance scheme where premiums are paid and benefits are received, no matter what the cost to the insurer, in this case the Government. As everyone knows, insurance rates are adjusted up or down depending on the experience with claims and no adjustment is applied to the payment of claims already made. If the same concept were applied to the Public Service pension plan in current economic circumstances, the contributions or premium rates for current employees could go up in relation to accruing benefits that could very well become payable in better economic times. It is seen, then, that the relationship between contributions and benefits would become somewhat fortuitous. In a sense, groups of pension winners and losers could be created.