Mr. ROGERS: Mr. Minister, in computing this superannuation, it is not necessarily the last six years of pay, but the best six years of pay?

Mr. FLEMING (*Eglinton*): Yes, it is the best consecutive six year average.

Mr. ROGERS: Did you say consecutive six year average?

Mr. FLEMING (*Eglinton*): It is the best consecutive six year average. In the provisions of the present act the period is the 10 years in which the salary is highest.

Mr. KEAYS: What is the interest rate paid to that portion of the deficiency?

Mr. FLEMING (*Eglinton*): Four per cent.

The CHAIRMAN: Have you any further questions of Mr. Fleming, ladies and gentlemen? If not, Mr. Taylor is with us, and I understand he is an authority on the history of the superannuation legislation. Perhaps he would like to tell us something about it, because I think that would help us to understand the basis of the act.

Mr. TAYLOR: Mr. Chairman, this year is the 90th anniversary of the first superannuation act passed by parliament in 1870. The first act of 1870 required contributions from employees at four per cent of their salaries, if their salaries were over $600, and two and half per cent if it was under $600. The government made no contribution to the fund, nor did it pay any interest on the fund. There were no benefits to dependents but, if the employee retired, he got a pension of the number of years service, multiplied by 2 per cent of his average salary in the final three years.

In 1873, three years later, for some reason with which I am not acquainted, they cut the contribution rates in half, to 2 per cent and 1¼ per cent. Twenty years later, in 1892, they found the benefits being paid annually were five times the amount of contributions being paid, and in that year parliament amended the rates of contributions to 3½ per cent for the salaries over $600 and 3 per cent for those below $600, and for the first time, the government undertook to pay interest on the moneys in the fund.

A few years later, in 1898, the situation was still, financially, seriously unbalanced, and the act of 1870 was then closed to new entrants and replaced by a civil service retirement act into which contributions were paid by the employee only—but the government did pay interest into the fund. On leaving the government service, an employee received his contributions back, plus interest.

Mr. ROGERS: In a lump sum?

Mr. TAYLOR: Yes, I understand so.

Mr. MCILRAITH: There was no taxation?

Mr. TAYLOR: There was no income tax in those days.

This did not prove very satisfactory, and an interim act was passed in 1920, which was the so-called Calder Act. In 1924, a new and complete superannuation act was passed by parliament, effective on July 19, 1924. The new act called for a 5 per cent contribution, with a matching 5 per cent paid by the government—and, of course, interest paid on the total amount in the fund. The benefit formula was put on a basis of the last ten years of service—the average salary of the last ten years service, with the number of years times 2 per cent applied to that 10-year average.

The other major change in the 1924 act was that it provided for pensions to dependents. Previous acts had applied solely to the employee himself or herself.

The 1924 act remained in force for almost 30 years. A number of amendments were made from time to time. For example, in 1939, the rate of contribution was increased for males to 5½ per cent for those whose salaries were between $1,200 and $1,500, and 6 per cent if they were over $1,500. The females continued to pay at the rate of 5 per cent.