the Minister determined that no amount needed to be credited to the account pursuant to Section 34(3).

(b) As described in (a) above, the deficit referred to in the actuarial report on the Public Service Superannuation Account as at December 31, 1977 was estimated to no longer exist when the report was tabled. Consequently, no credit was made to the account with respect to the deficit that existed on December 31, 1977.

The financial position of the Public Service Superannuation Account as at September 30, 1980 was determined by projecting the results of the December 31, 1977 valuation to September 30, 1980 together with the actual income and outgo of the fund. On the basis of this calculation, the fund was estimated to be in a slight surplus position on September 30, 1980.

7. The premise of the question that the real salary increases assumed for purposes of the 1977 CPP Report were 2 per cent per annum is incorrect as noted in the reply to Part 1. Implicit career-specific salary increases assumed for purposes of the CPP Report are not readily available and in any event would be quite inappropriate for use in connection with PSSA estimates.

RCMP SUPERANNUATION ACCOUNT

Question No. 4,484—**Mr. Baker (Nepean-Carleton):**

1. Did the actuarial reports on the Royal Canadian Mounted Police Superannuation Account (RCMPSA) prior to December 31, 1974 examine the RCMPSA using economic assumptions that reflected a zero inflation scenario?

2. Did the actuarial report on the RCMPSA as at December 31, 1974 examine the RCMPSA using economic assumptions that reflected a 3 per cent annual inflation scenario and, if so, what windfall gains were realized by the RCMPSA with respect to (a) the amount required to finance RCMPSA benefits earned to December 31, 1974 (b) the employer contribution rate required to finance all RCMPSA benefits in respect of current service after December 31, 1974 solely because the 1974 RCMPSA valuation was carried out in a 3 per cent annual inflation scenario?

3. To what extent would the windfall gains realized by the RCMPSA through the move to a 3 per cent annual inflation scenario in the 1974 RCMPSA actuarial report have been reduced if the calculation of RCMPSA benefits after December 31, 1974 were made on the basis of a RCMPSA contributor's (a) best consecutive (i) five (ii) four (iii) three (iv) two (b) best single year annual salary?

4. What windfall gains would have been realized by the RCMPSA with respect to the amount required to finance RCMPSA benefits earned to December 31, 1974 and the employer contribution rate required to finance RCMPSA benefits on account of current service after December 31, 1974 if the 1974 RCMPSA actuarial report had moved to economic assumptions reflecting annual inflation scenarios of 6 per cent and 9 per cent respectively and if the calculation of RCMPSA benefits after December 31, 1974 were made on the basis of a RCMPSA contributor's (a) best consecutive (i) six (ii) five (iii) four (iv) three (v) two (b) best single year annual salary?

5. Does the December 31, 1974 actuarial report on the Royal Canadian Mounted Police Superannuation Account (RCMPSA) assume that RCMPSA contributors will, through salary revisions and promotions, experience an average long-term increase in their real salaries of more than 2 per cent per annum, that is more than two percentage points above the implicitly assumed rate of annual inflation and, if so, what is the annual real rate of salary increases that the 1974 RCMPSA actuarial report assumes will be received by RCMP personnel through salary revisions and promotions?

6. What was the average annual percentage increase in real salaries that was received by RCMPSA contributors as a result of salary revisions and promotions for each of the past ten fiscal years?

7. If the 1974 RCMPSA actuarial report assumes that RCMP personnel will, through salary revisions and promotions, receive real salary increases of more than the annual 2 per cent real earnings increase assumed for Canadians contributing to the Canada Pension Plan (CPP) in the 1977 actuarial report, have representatives of RCMPSA contributors and pensioners been consulted on continuing the future financing of the RCMPSA on the assumption that RCMP personnel in future will receive larger annual increases in their real salaries than Canadians in general who contribute to the CPP and, if not, for what reason?

8. What would be the size of the actuarial surplus of the RCMPSA as at December 31, 1974 if the 1974 RCMPSA actuarial report had assumed that RCMP personnel through salary revisions and promotions would receive the same real salary increases as Canadians contributing to the CPP, which was 2 per cent per annum, and if the 1974 report remained unchanged in all other respects?

Mr. Peter Lang (Parliamentary Secretary to President of the Treasury Board): 1. Yes.

2. The actuarial report on the RCMPSA as at December 31, 1974 used economic assumptions of 6.5 per cent annual interest and 5.5 per cent annual salary increases. While no explicit assumption was made with regard to inflation, an implicit assumption of 3 per cent annual inflation was included in the two economic assumptions used.

Previous reports were based on assumptions of 4 per cent interest rates, zero per cent for salary increases and no inflation assumption. In the most recent report (as at December 31, 1974), the real interest rate could be said to have changed from 4 per cent to 3.5 per cent and salary increases related to productivity were assumed to be 2.5per cent.

The effects of using an implicit inflation assumption of 3per cent, and therefore raising the interest and salary increase rate assumptions from 3.5 per cent and 2.5 per cent to 6.5 per cent and 5.5 per cent respectively were as follows: (a) with respect to benefits earned to December 31, 1974 a decrease in liabilities of $209.3 million; (b) with respect to the employer current service cost for service after December 31, 1974 a decrease of 8.6 per cent of contributory payroll from 19.8 per cent to 11.2per cent.

3. The effect on the amounts shown in question 2 of lowering the number of years over which RCMP salaries are averaged for benefit calculation purposes would be as follows:

Table 1

	Salary Averaging Period				
	5 years	4 years	3 years	2 years	1 year
			(000,000's)		
Reduction of the $209 million decrease in liabilities shown in question 2	12	25	38	52	66
			(per cent)		
Reduction of current service cost difference of 8.6 per cent of contributory payroll, as a per cent of contributory payroll	0.55	1.12	1.7	2.3	2.93