

Adjournment Debate

of perhaps 20 years of diligent toil have been so decimated by the ravages of inflation as to render them useless in coping with today's prices for the necessities of life. The government simply sits back and mutters about a contract being a contract.

When the facts are that a perpetual bond issued in 1936 at \$500 is now marketable at a paltry \$150, the government says, "We can do nothing," and nothing is exactly what the government has done to arrest the growth of the inflationary disease that is the cause of the worthlessness of these investments.

That was the government's side of the contract, to ensure that the Canadian dollar the annuitants gave to the government for its use would still be worth something when the annuity matured, but through irresponsibility, ineptitude, or both, the government has not fulfilled its half of the agreement, letting inflation stampede ahead unchecked. Therefore the government has an immense moral responsibility to find a fair and just solution for the holders of annuities.

● (2210)

Since the government has these people locked into an annuity plan and there is no chance for them to opt out, it must either bring the annuity interest and payout rates into line with today's prices, or allow the annuitants the opportunity to regain their invested capital so they may reinvest in a program which could contribute some kind of fair return toward their retirement financing. I am quite sure that almost all the people in question would welcome the chance to recover these funds which the government has sequestered and is now making use of at interest rates of more than twice what is being paid the annuitants.

But the government takes no action. As further evidence of the unfairness of this situation I cite the fact that other countries such as the United States and Great Britain have annuity programs with flexible interest rates which are responsive to the current rates in the market place, to ensure a fair return from the program.

At least one private company in Canada offers a tax deductible annuity plan which guarantees 4 per cent compound interest, plus an additional yearly adjusted interest rate determined by the earning record of investments in the previous year. A recent example is an additional payment of 3 per cent, for an actual interest rate of 7 per cent. Not only is there a much more realistic interest rate, but in this plan the principle and the acquired interest can be made liquid at any time by the investor. This is but one example of a private company turning a profit while offering annuity terms which make the government's terms seem criminal by comparison.

But over on this side of Wellington Street it seems that the government's terms cannot be brought up to a humane standard without large subsidies by way of tax dollars. This becomes difficult to believe when one considers the amounts of capital and the interest rates involved. In ball park figures, the government is paying out about \$52 million in interest for the use of \$1.3 billion. This compares a little too favourably to the \$117 million the savings bond plan would have to pay for a similar amount of capital at present interest rates. Moreover, the annuity plan does not ensure return of the principal; this depends wholly on how

[Mr. McKenzie.]

long the annuitant can survive on his meagre pension and annuity payout, and in practice we find there is no guarantee he will hold out long enough.

An example is the case of contracts Nos. 160,193 and 429,625 which were combined to produce a monthly return of \$100 commencing at age 50, with a 20-year minimum guarantee. At maturity in July, 1973, the annuitant had paid \$14,956 in premiums, and interest amounted to \$6,227, for an annuity total of \$21,183 when the payout began. But after the 20-year period had elapsed, the account would still show \$10,683 remaining of the amount of the matured annuity. And if the annuitant were to die, that \$10,683 belongs to the government—not a penny to his widow or to his estate. To get his original principal back, the annuitant would have to exceed his normal life expectancy and live to be at least 82 years old. Is this the equitable solution the Minister of Finance (Mr. Turner) claims to be seeking? Does not the gravity of the situation demand that it be more than "kept under consideration"?

The 300,000 unfortunate Canadians locked into this situation need more than feeble excuses to finance their retirement. Rhetoric will not pay their heating bills or their grocery bills. They desperately need responsible government action to improve their plight, and some forward thinking from the other side of the House in order to prevent another investment plan giving cause for honest people to call their government a bunch of swindlers, guilty of fraud and gross negligence, as many people have had cause to do in the recent past when commenting on the present plan.

I would submit that the Canadian government is putting its credibility in serious danger when hard-working Canadians invest in their own government only to find it has been a bad investment.

The Acting Speaker (Mrs. Morin): Order. I regret to interrupt the hon. member but his time has expired.

Mr. Jack Cullen (Parliamentary Secretary to the Minister of Finance): Thank you, Madam Speaker. As the hon. member knows, my time is more limited even than his, and consequently I am not able to respond to all the charges and allegations he has made. However, I know from my own experience that this question has been given very careful consideration by the Department of Finance and by succeeding ministers of finance.

What we have endeavoured to do is resolve the matter, but as the hon. member, I hope, appreciates when he looks at the over-all picture, it is not a simple matter to resolve equitably. That is one of the problems faced by the government in hoping to cope with this kind of situation, perhaps not so much as it affects these particular annuitants, but as it affects others with whom the government enters into contract.

The hon. member may scoff and say that the government falls back on that phrase, that it has entered into a contract, but in point of fact that is precisely what was done. Government annuities have always been sold on a fixed premium basis, with the government guaranteeing, through times of depression or inflation, payment of the contracted amount of the annuity.