Order Paper Questions

5. The real rates of interest earned by the Canadian Forces Superannuation Account (CFSA) and the RCMP Superannuation Account (RCMPSA) are the same as those shown for the PSSA in part 1 of this question.

The corresponding answers to parts 1 to 4 with respect to the CFSA and the RCMPSA are as follows:

(*a*) CFSA. The real rates of interest assumed in the actuarial reports for the CFSA since 1970 were:

1970	4.0per cent
1975	3.5 per cent

The 1970 CFSA actuarial valuation used a 4 per cent interest assumption. Rates of future salary increases and inflation were not projected.

The 1975 CFSA valuation used assumptions of 6.5 per cent for interest, 5.5 per cent for salaries and an implicit inflation rate of 3 per cent, which means the real rate of interest was assumed to be approximately 3.5 per cent. The effect of assuming a 6.5 per cent interest rate instead of a 7 per cent interest rate (which would have retained a real rate of approximately 4 per cent) was to increase actuarial liabilities by about $419 million and current service costs by 2.1 per cent of pay.

Representatives of Canadian Forces contributors and pensioners were not consulted about the change in the real interest rate assumption used to value the CFS Account. The benefits 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.

(*b*) RCMPSA. The real rates of interest assumed in the actuarial reports for the RCMPSA since 1970 were:

1974	3.5 per cent
1979	3.0 per cent

The 1969 RCNPSA actuarial valuation used a 4 per cent interest assumption. Rates of future salary increases and inflation were not projected.

The 1974 RCMPSA valuation used assumptions of 6.5 per cent for interest, 5.5 per cent for salaries and an implicit inflation rate of 3 per cent which means the real rate of interest was assumed to be approximately 3.5 per cent. The effect of assuming a 6.5 per cent interest rate instead of a 7 per cent interest rate (which would have retained a real rate of approximately 4 per cent) was to increase liabilities by about $47 million and current service costs by 2.8 per cent of pay.

The 1979 RCMPSA valuation assumed a 6.5 per cent interest rate and an implicit 3.5 per cent inflation rate (i.e., about a 3 per cent real rate of interest). The effect of assuming 6.5 per cent instead of 7 per cent for interest rates (which would have retained about a 3.5 per cent real rate of interest) was to increase liabilities by approximately $80 million and current service costs by 2.0 per cent of pay.

Representatives of RCMPSA contributors and pensioners were not consulted about the change in economic assumptions used to value the RCMPS 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.

PSSA—VALUATION ASSUMPTIONS ON REAL SALARY INCREASES

Question No. 408—**Mr. Cassidy:**

1. For each year since 1970, what was the average percentage increase in real salaries resulting from salary revisions that (*a*) Public Service Superannuation Act (PSSA) contributors received (*b*) the actuarial valuations of the PSS Account assumed would be received by PSSA contributors?

2. By what amount were the actuarial liabilities of the PSS Account for past service increased as a result of changes made in the valuation assumptions on the real salary increases that would be received by PSSA contributors from salary revisions?

3. By what percentage of contributory payroll were employer PSSA costs for future service increased as a result of changes made in the valuation assumptions on the real salary increases that would be received by PSSA contributors from salary revisions?

4. Were representatives of PSSA contributors and pensioners consulted on changes made in the valuation assumptions on the real salary increases that would be received by PSSA contributors as a result of salary revisions and, if not, for what reason?

5. What are the corresponding answers to parts 1 and 2 with respect to the Canadian Forces Superannuation Act and the Royal Canadian Mounted Police Superannuation Act?

Mr. Paul Dick (Parliamentary Secretary to President of the Treasury Board):

PSSA Contributors

1. (a) Annual increase in real salaries resulting from salary revisions.

Year	Per cent
1970	4.9
1971	0.8
1972	0.7
1973	-1.5
1974	0.6
1975	4.6
1976	5.2
1977	-4.0
1978	-1.2
1979	-0.8
1980	-0.1
1981	2.7
1982	0.8
1983	0.9
1984	0.2

(b) Actuarial valuations of the PSSA prior to 1977 assumed no real increase in salaries. The 1977 valuation assumed a 2.5 per cent real increase in salaries and the 1980 valuation was based on a 1.5 per cent real increase in salary assumption.

2 and 3. Changes in assumptions of real increases in salaries resulting from salary revisions produced the following changes in actuarial liabilities and current service costs:

	Liabilities $	Current Service Costs (% of pay)
1977 valuation	1102 million	2.8
1980 valuation	- 759 million	-1.4

4. Representatives of PSSA contributors and pensioners were not consulted about the change in real increases in salary assumptions used to value the PSS Account. The benefits 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.