The security of senior citizens has always been one of the touchstones of the Government, one of the policies of which it could be proud. Part of what it meant to be a Liberal was to uphold this principle. It is no wonder, then, that the back-benchers opposite are in revolt as this principle goes down the drain in the name of restraint.

If this Bill is passed without amendment, 190,000 retired public servants, RCMP and military personnel will lose 5.5 per cent of the indexing to which they are entitled in 1983 under the established terms, and probably more than that in 1984, when indexing is to be limited to 5 per cent. The former contributor who earned about $16,000 on average in his or her last six years of employment and worked for 25 years in the public sector received $8,100 in pension annuities last year. He or she will lose $1,409 over the two years while six and five is in effect. Surviving spouses and dependants who received an average payment of $3,200 in 1981-82 will sacrifice $557 during the two-year restraint period, a sacrifice of which this Government should not be proud.

Therefore, the average recipient of a Public Service pension who received $6,900 last year will lose $1,200 in purchasing power over the next two years. This is quite a blow in itself, but the sacrifice does not end in 1984. These decreased pensions will form a lower base for any future indexation. Public sector pensioners will find their pensions and their standard of living are reduced forever. The Government points to the $1.06 billion paid out of the Consolidated Revenue Fund from 1974 to 1982 for indexation of Civil Service pensions alone and states that it cannot afford to increase future liabilities for indexing. However, there was a fat balance of $1,215,769,000 in the supplementary retirement benefits account at the end of the fiscal year, 1981-82, of which $880 million was credited to public servants.

The reason that the Government must draw from the Consolidated Revenue Fund is simply to satisfy one of its more puzzling accounting practices. Since January of 1974, supplementary benefits paid to a former contributor are charged to the supplementary retirement benefits account only until the accumulated total of such payments equals the aggregate of all the amounts credited to that person under the account. Indexing paid in excess of that aggregate amount is then charged to the Consolidated Revenue Fund. If the Government persists with this practice, the burden on the Consolidated Revenue Fund will still diminish as time goes on because future pensioners will have more and more equity in the supplementary retirement benefits account to pay for the indexing of their pensions.

The pension plan itself is not and has not been funded. There are two thoughts on this matter. The first approach would be to consider that the amount would be used by the Government to create wealth in the country, which would be reflected over time in increases in the general revenue of the nation. This, in turn, would enable the Government to meet pension obligations as they became due. The other approach, and one which I am inclined to prefer, would be to fund the pension plan by lending the money out in mortgages or other securities at current interest rates, allowing the interest to be compounded over a period of time in order to meet the obligations owing to pensioners as they became due. I feel that this latter approach would enable us to make the plan more accountable to pensioners, those paying into the pension accounts and the taxpayers.

Many pensioners point to the rate of interest which has been attributed to contributions over the years and make the claim that they have paid in far more than they will ever receive because of the inadequate interest rates applied to their contributions and matching contributions by their employer. With a fund in existence, bearing in mind that the fact that interest rates have always outstripped the consumer price index, it would be quite possible to adjust contributions to meet expectations with greater certainty and to remove the doubts and charges that are made from time to time. Clearly, a unilateral change in the rate of benefit imposed by the employer without consultation or agreement with the employee is a violation of trust and a violation of a contract which exists between the workers and the Government.

The breach of trust is possible in the present instance because the Government is not only the employer but also the trustee of the fund, which puts it in a conflict of interest position. It is this breach of trust which is unacceptable to me. I would urge the Government to reconsider its decision. I would also urge it, even at this late date, to commence the funding of pensions such as this by using a corporate trustee to ensure that the rights of all parties are protected and to ensure that the money will in fact exist to pay the pensions when they become due and to provide for the efficient operation of the program.

I think the Government should do everything it possibly can in both the public and private sectors to ensure that senior citizens who, in more difficult times than these, created for us one of the highest standards of living in the world, will be rewarded for their hard work and self-sacrifice with pension plans which will see that they enjoy a reasonable measure of happiness in their golden years, without the constant fear that their buying power will steadily erode and that next week and the week after they may have to get by with one less egg or one less orange.

I support the concept of indexed pensions and I believe that when people pay for an indexed pension, it should not be unilaterally taken from them.

Some Hon. Members: Hear, hear!

Mr. Bill Blaikie (Winnipeg-Birds Hill): Mr. Speaker, on October 28 the Government introduced Bill C-133, a Bill which, if passed, will have the effect of reducing the indexing of pensions paid to retired federal public sector workers to 6 per cent in 1983 and 5 per cent in 1984. If passed, Bill C-133 would roll back pension indexing to 6 per cent, effective January 1, 1983, in spite of the fact that under current legislation, public sector pensioners should receive 11.5 per cent in view of actual increases in the cost of living. The Bill sets the