1971 or in the early 1970s who have been receiving indexation at accelerating rates over the last years do not have any balance in their accounts.

If these accounts are indeed individual and in the name of the employee or the retired person—and this is the reason given for not being able to shift funds from the contributions of those now working to those who have been retired to supplement the amount of money available to pay full indexation—then how can the funds be shifted between the accounts of retired public servants in order to give all retired public servants an equal amount of one-half of 1 per cent of their pension? If these accounts are indeed inviolable, how can they be inviolable when it comes to shifting money from working contributors to pensioners but not inviolable regarding shifts from one pensioner to another? That is a fundamental point. Either shifting can occur or it cannot occur. We will probe this matter in committee.

If funds can be shifted, what about the earnings on the main superannuation fund? Why can these funds not be shifted to fund higher indexation? The Hon. Member for Ottawa-Vanier indicated some points earlier. It is important that it be on the record what is the nature of the $15 billion or $17 billion fund. Also it is important to know why the employer, rightly so, reduces its contribution by the amount of excess earnings over and above the rate assumed actuarially.

The nature of pension plans, private or public, is such that one assumes there will be no increase in salary over the life of the pension plan or one assumes some actuarial rate of increase and then an actuarial rate of interest, usually one or two percentage points higher than that. Since the pensions are based upon the average of the last six years of earnings, and if incomes are going up and the pensions are based upon only the last six years but contributions have been made on the basis of early earnings, obviously with rising incomes there is what is called an actuarial deficit. The Public Service Pension Plan and private pension plans are set up so that employers have the right to use excess earnings over and above the actuarial rate of return to pay the actuarial deficit in order to fund fully the pensions.

That is fine, but one can get to the point where the rate of return on the assets so far exceeds the assumed actuarial rate of return that in fact the fund runs a surplus. I would contend—and I have been so informed by actuaries who do not have an axe to grind in this particular case—that while the main superannuation fund does not now run a surplus in a full actuarial sense, it is very rapidly coming to the point where it will run a surplus as a result of the very high rates of return which the fund has been able to earn in recent years.

Since the superannuation program includes an agreement indicating that the Government's contribution shall never be lower than the contributions of employees—the employer's shall not be lower than the employee's—it will mean that as soon as the employer's contribution has been reduced as far as it can, the excess earnings will simply create a surplus in the main superannuation fund. It seems to me at that point in time—and that is why an acturial assessment has to be done—those funds should be available to be used to fund other forms of retirement benefits, for example indexation.

Another point raised by officials was that this year the cost of indexation for people now retired would be somewhere in the range of $470 million. that is somewhat misleading as well, because it is the total cost of the cumulative indexation over the years which would be paid this year, as opposed to what would have been the case had there been no indexation at all. The really important figure is, how much in addition it will cost this year over what it cost last year? That figure is $139 million. This is the marginal increase in the cost of indexation this year.

Right now the increased contribution or the contribution of public servants who are working this year will be in the range of $180 million, so the contributions of working public servants this year will exceed the increase in the cost of indexation this year by some $41 million or thereabouts.

The point of all this is that we are now at the point where indeed six and five is working and inflation is coming down. If we take the last four months, for example, the annual rate of inflation has been running at around 6.5 per cent to 7 per cent; this is for the last four months, annualized. So it is coming down; we are beating inflation. That implies this year's indexation figure will probably be the highest that it will be for the next few years and hopefully for a good many years. If that is the case, if current contributions by working public servants are $180 million this year and the cost of indexing at 11.5 per cent is $139 million this year, and if indexing will be less next year but contributions of public servants will be more than $180 million next year because their salaries are going up and they pay 1 per cent, it seems to me that if it were possible to transfer funds from the accounts of working public servants to those of retired public servants, we could cover that amount this year. Also it seems to me that their accounts would continue to grow in the future as the amount of indexation went down but the amount of contribution by existing public servants went up. This is another point we will want to pursue in committee.

As I said, I opposed the Bill at the outset as tabled because it did not recognize the contributory nature of the plan. It now recognizes this and I can accept it in principle. It limits Government contributions to six and five. In other words, it is contended that it limits, as the numbers now stand, the Government's contribution from taxpayers' revenue to no more than six and five, and I agree with that principle.

Also as a result of the change brought it by the President of the Treasury Board (Mr. Gray), it recognizes that amounts reflecting contributions must be considered over and above six and five. I accept that principle. I do not necessarily agree that 6.5 and 5.5 are correct numbers to use, and I will pursue that matter vigorously in committee, as I am sure all my colleagues will. However, once these dual principles are recognized—the principle that six and five should be maintained as it applies to the amount that is taxpayer-financed, and the principle that contributory amounts should be considered over and above