

IV. Long Range Estimates

1. Principal Assumptions

- (a) Age retirement pensions, lump-sum death benefits and pensions to survivors and disabled persons will be paid in accordance with the assumptions described in Appendices 4, 5 and 6 to this report.
- (b) Average earnings will increase at an average rate of (i) 3% per annum, or (ii) 4% per annum.
- (c) For the "low cost" estimates, the Consumer Price Index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½% per annum.
- (d) For the "high cost" estimates, the Consumer Price Index and, consequently, the elements dependent for adjustment on that index, will increase at an average rate of 1½% per annum until 1975 and 2% per annum thereafter.
- (e) The contributory earnings upper and lower limits will be \$5,000 and \$600, respectively, for 1966 and 1967, will increase thereafter to 1975 at a rate of 1½% per annum and will increase after 1975 at a rate of (i) 3% per annum, or (ii) 4% per annum.
- (f) Populations, rates of participation in employment covered by the Plan and average earnings will be described in Appendices 1, 2 and 3 to this report.
- (g) The rate of contribution on self-employed earnings will be equal to the combined worker-employer rate on salary and wages.
- (h) Expenses of administration will be 0.1% of contributory earnings.
- (i) For the fund projections, interest will be earned on the balance of the Account from time to time at a rate of 5% per annum from the effective date of the Plan to the end of 1975 and at a rate of 4% per annum thereafter.

2. Required Contribution Rates and Fund Projections

In Tables 9 and 10 below are shown, for quinquennial years from 1980 to 2050, the estimated rates of contribution that would be required to provide benefits on a strictly "pay-as-you-go" basis, that is, in accordance with the assumption that there would be no fund available and therefore no interest income available to meet a part of the cost of benefits payable. The estimates in Table 9 are based on the assumption that average earnings will increase at an average rate of 3% per annum and those in Table 10 on the assumption that such rate of increase will be 4% per annum.

In Table 11 below are shown what are termed "intermediate cost" estimates, being percentages determined simply by dividing the sum of the estimated "high cost" and "low cost" benefits and expenses of administration for quinquennial years by the sum of the estimated "high cost" and "low cost" contributory earnings for the corresponding years.

In Table 12 below is shown how the fund would develop in accordance with the different sets of estimates.