

The total number of group certificates issued in the year 1947 to 1948 was 26,708; and in the year 1948 to 1949, 29,869. But in the last two years the figures are of the order of 15,000 odd.

Now, can you tell us, Mr. Mercer, what has been the picture in connection with private companies? Has it held level? Has it increased to take advantage of this, or has the whole question of writing group plans suffered as a result of the less advantageous picture created by the government position?

The WITNESS: I would like to point out that these figures are probably not as significant as they would appear because, you see, the number of group certificates in the last two years has been about 15,000 a year. I think probably those certificates have been issued in respect to pension plans installed prior to April 19, 1948. It is my understanding that the number of new pension plans underwritten by the annuities branch is very low since April 19, 1948, and they have only been annuities from small employers. The large employers went into government annuities before, such as International Paper and most of the large paper companies and newspaper companies and so on. I do not think there has been any of those large plans installed since April 1948. At least, that is not apparent from these figures.

Mr. KNOWLES: So the picture is worse than these figures really indicate?

The WITNESS: Well, the number of new people covered by government annuity pension plans has fallen off much more markedly. I take it your question is: has the number of people covered by pension plans in Canada fallen? Obviously, the number of people covered by government annuity pension plans has fallen. Well, the insurance industry, I think, has underwritten a lot more pension plans since 1948 than they did before. I think that is the case.

We use the insurance industry because we think it is much better as a basis for underwriting pension plans than the government is today. And, please do not forget that there are pension plans in which we do not use any underwriter at all. It is not necessary to use an insurance company or the government to set up a pension plan because we set up a trust fund with government bonds yielding around $3\frac{1}{4}$ per cent. There are many others earning over 4 per cent interest, and at least $3\frac{1}{2}$ per cent. You are not going to be satisfied with a rate of interest of less than $3\frac{1}{2}$ per cent on pension plans. So there has been a great number of company pension plans written that way. I suppose there are somewhat fewer plans in toto today as compared with 1948, but I do not think it is markedly so. I think there are other ways of underwriting pension plans which are just as good as the way the government has provided.

Mr. KNOWLES: I think it would follow that if the government rates for group plans were better, then firms like yours would be placing more of them. Insurance companies would have to offer slightly better plans in order to compete, and the result would be that the whole picture would be better from the standpoint of enabling employees to provide for their retirement security.

The WITNESS: Oh yes, that is true particularly with respect to the smaller employees, and if cash values are allowed. But if you do not allow cash values, then nothing that you do can provide a very practical method of underwriting pension plans because an employee must be allowed to have his cash if he terminates the contract. Right now I would not recommend government annuities as they were prior to 1948 for pension plans.

Mr. BRYCE: Is that simply because there is not a cash-in value?

The WITNESS: Well, it has doubled. Since 1948 we have had a general increase in interest rates. So the differential between 3 and 3.4 per cent is