The Deputy Chairman: Since the minister has not completed her remarks and hon. members are questioning those remarks, perhaps it is a good time to call it ten o'clock.

Progress reported.

● (2202)

PROCEEDINGS ON ADJOURNMENT MOTION

[*Translation*]

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

PUBLIC SERVICE—INDEXING OF PENSIONS

Mr. Jean-Robert Gauthier (Ottawa-Vanier): Mr. Speaker, on March 9 last the President of the Treasury Board (Mr. Andras) announced that the government plans to introduce a bill to amend certain elements of the public service pension plan as concerns the indexation of pensions to the cost of living. A lot has been written about the special study on the provisions of public service pensions in the context of the government expenditure restraint program. In its publication *Consensus*, the National Coalition of Citizens said that it was abusive or exaggerated to index the pension plan of public servants, suggesting that federal public servants have a better pension plan than most employees in the private sector, and even saying that indexing these pensions would lead the country into bankruptcy.

● (2207)

The National Coalition of Citizens was firmly against indexing public pension plans. However, there is no need to prove that this Liberal government is aware that it must protect our retired people against the thief of inflation. Inflation takes away the assets of those who are on a fixed income. Inflation also affects the various groups of pensioners and widens the gap between the income of those who work and those who are retired. The indexing of pensions protects pensioners by readjusting their income according to the increase in the cost of living. This does not increase their purchasing power, but simply maintains it at the same level.

The financing of public service pensions is perhaps the most badly misunderstood aspect of the plan. This is not surprising since the financing of pensions is complex and very technical in nature. To better understand the present financial provisions, it should be remembered that they are governed by two separate and very different sets of rules. One applies to the financing of basic pensions and the other to the financing of indexation payments.

Basic pensions are fully funded, to use the terminology of actuaries. In other words pensions are financed in such a way that if the plan were suddenly discontinued the pension fund, without any additional contribution but with future interests, would indeed meet pensions payments to all present pensioners or their survivors as well as all pension entitlements of present employees earned before discontinuation of the plan.

Mr. Speaker, I do not have the time to explain in detail the source of funds which allow the financing of the plan. To put it briefly, funds come first from contributions of employees who pay 6.5 per cent of their salary, second from the employer contribution which is equal to that of the employee, third from an employer contribution to make up any actuarial deficit like a wage increase and so on, and fourth from the interest accumulated on amounts credited to the account.

In other words pensions are financed along the same actuarial principles as those usually used for pension plans in the private sector. So it is untrue that the whole public service pension plan is financed on a day to day basis. On the contrary, basic pensions are fully funded in a government account; both employer and employee pay enough into that account to keep it on a sound actuarial basis.

Furthermore, the pension account is increasing every year thanks to the significant accumulation of interests.

The matter with which we are dealing tonight concerns the financing of pension indexation which is based on completely different rules. Since April 1, 1970, all federal civil servants have been contributing one half of one per cent of their salary to the supplementary retirement benefit account. Honourable members will recall that in January, 1977, this contribution was raised to 1 per cent of the salary. It is the indexation issue which interested public opinion and which, we must admit, has been violently criticized by several observers. Mind you, Mr. Speaker, it is true that a real problem exists with regard to the automatic clause on pension indexation. Being aware of it the government asked that a study be made with a view to obtaining an independent opinion on the various aspects of pensions in the civil service.

The Tomenson-Alexander Associates study, tabled in the House by the minister on March 9 last, showed that if the pension plan were based on full funding, the non-capitalized actuarial debt would be very high. Bearing in mind the hypotheses formulated by the consultants, specially on interest income, full integral funding based on anticipated interest income proved to have actuarial weaknesses since the indexation was a continuous and automatic legislative commitment. In other words, doubts were expressed about the capacity of the program to generate sufficient funds to pay a continuous and automatic indexation. Last March, the President of the Treasury Board (Mr. Andras) announced that he would be tabling a new bill limiting the legislative commitment on continuous and automatic indexation. He added that the rate of indexation would be reviewed on a three-year basis and that