Table 2

Fiscal Year	Actuarial Adjustments on account of general economic salary increases calculated on the assumption that there is no provision for such increases in the valuation bases		
	CFSA	PSSA (millions)	RCMPSA
1978-79	N/A	N/A	24.9
1979-80	N/A	N/A	42.3
1980-81	252.4*	799.0	66.6
1981-82	702.9	1,435.8	92.4

Table 3

Fiscal Year	Amounts by which the Actuarial Adjustments shown in Table 2 exceed those shown in Table 1		
	CFSA	PSSA (millions)	RCMPSA
1978-79	N/A	N/A	24.0
1979-80	N/A	N/A	28.7
1980-81	0	230.8	28.3
1981-82	249.3	484.4	41.1

It should be noted that the actuarial valuation assumptions upon which the 1975 CFSA, the 1977 PSSA and the 1974 RCMPSA actuarial reports are based provide for interest on the funds at the rate of 6.5 per cent per annum. The valuation reports that preceded the above mentioned reports provided for interest on the funds to be credited at the rate of 4 per cent per annum. Thus, while the actuarial liability adjustments based on the assumptions used in the most recent actuarial reports are smaller than the actuarial liability adjustments that would have been necessary had there been no change in the economic assumptions, the interest which must be credited to the accounts is higher.

ACTUARIAL REPORT ON CANADA PENSION PLAN

Question No. 4,483—**Mr. Baker (Nepean-Carleton):**

1. Does the December 31, 1977 actuarial report on the Canada Pension Plan (CPP) assume that CPP contributors will, through salary increases, promotions and other increases, experience an average long-term increase in their real earnings of 2 per cent per annum, that is two percentage points above the assumed rate of inflation?

2. Does the December 31, 1977 actuarial report on the Public Service Superannuation Account (PSSA) assume that PSSA contributors will, through salary revisions and promotions, experience an average long-term increase in their real salaries that is 75 per cent a year higher than that of Canadians contributing to the CPP and does the 1977 PSSA actuarial report assume that public servants through salary revisions and promotions will, on average, receive annual increases in their salaries of three and one-half percentage points above the implicitly assumed rate of inflation and, if not, what is the annual real rate of salary increases that the 1977 PSSA actuarial report assumes will be received by public servants though salary revisions and promotions?

3. What was the average annual percentage increase in real salaries that was received by PSSA contributors as a result of salary revisions and promotions for each of the past ten fiscal years?

4. Were representatives of PSSA contributors and pensioners consulted on the decision taken with respect to the 1977 PSSA actuarial report to base the future financing of the PSSA on the assumption that public servants in future would receive substantially higher increases in their real salaries than Canadians in general who contribute to the CPP and, if not, for what reason?

5. Does financing the PSSA on the assumption that PSSA contributors will, over the long term, receive substantially larger increases in their real salaries than CPP contributors, together with the other assumptions and experiences described in the 1977 PSSA actuarial report, create a deficit of $61.5 million in the valuation balance sheet of the PSSA as at December 31, 1977?

6. (a) What amount did the Minister of Finance determine should be credited to the PSSA pursuant to Section 34(3) of the Public Service Superannuation Act following the laying before Parliament of the December 31, 1977 actuarial report on the PSSA (b) was the amount $61.5 million and, if not, how was it determined?

7. What would be the size of the actuarial surplus of the PSSA as at December 31, 1977 if the 1977 report had assumed that public servants through salary revisions and promotions would receive the same real salary increases as Canadians contributing to the CPP, which was 2 per cent per annum, and if the 1977 report remained unchanged in all other respects?

Mr. Peter Lang (Parliamentary Secretary to President of the Treasury Board): 1. No. Earnings increases in excess of the rate of inflation might be considered to be attributable to two sources: (a) general economic increases due to increased productivity, general labour market conditions or other factors which affect all persons more or less equally; and (b) career-specific increases which depend much more heavily on individual circumstances.

In the main estimates of Canada Pension Plan Statutory Actuarial Report No. 6 as at December 31, 1977, it was assumed that economic increases in earnings would be 2 per cent per annum for 1983 and subsequent years.

It was also assumed, implicitly but not explicitly, that there would be substantial promotional increases at the young ages, diminishing and becoming negative at the older ages, but cumulatively positive over the lifetime of an individual. The increases were based on the earnings statistics of CPP contributors in 1975 which exhibited the following average earnings:

Age Group	Males	Females
18-19	3,580	2,547
20-24	6,626	4,752
25-29	10,119	5,938
30-34	12,576	5,846
35-39	13,751	5,921
40-44	14,310	6,074
45-49	14,323	6,190
50-54	13,782	6,202
55-59	12,758	6,154
60-64	10,994	5,911
65-69	7,068	4,107

In addition to the above economic and promotional increases, it was also assumed that the gap between male and female average earnings would narrow by 1 per cent each year, which implies, of course, that male earnings increases in excess of the rate of inflation were assumed to be somewhat less, and female earnings increases somewhat more, than those that would follow from the above described economic and promotional increases.

2. No, it was not assumed in the 1977 Actuarial Report on the PSSA that PSSA contributors would experience real salary increases 75 per cent higher than Canadians contributing to the CPP. The 1977 PSSA Actuarial Report does not assume real salary increases of three and one-half percentage