

Senator HAIG: It means, Dr. Davidson, that the public service employees were paying the 6.5 and the 1.8 for six months, and you are really balancing off the excess payment made by the public service employees to these different funds.

Dr. DAVIDSON: That is correct. In essence that is it.

Senator HAIG: I followed you up until about the last three minutes; then you got me completely confused on the excess payments.

Dr. DAVIDSON: I am sorry, because in 1966 there is really no problem and, if the Canada Pension Plan legislation had not required the deduction for the Canada Pension Plan to be made in respect of previous years' income received in 1966, we would have had no problem. But because it did require us to deduct 1.8 per cent from moneys received in 1966 that were earned in 1965 and because the 6½ per cent rate rather than the 4.7 per cent rate applied in the Public Service Superannuation legislation to all of 1965, we really have no surplus in the Public Service Superannuation Account to charge that 1.8 per cent to.

Senator GROSART: Accepting the fact that the reasons are necessary and good, Dr. Davidson, the effect, as I understand it, is actually to reduce the statutory amount of contributions required under the Public Service Superannuation Act.

Dr. DAVIDSON: No, Senator Grosart, the effect of this is not to do that.

Senator GROSART: It is not to reduce it?

Dr. DAVIDSON: No. The legislation passed by Parliament last spring has already done that. The effect of this is really to wipe off the books the advances now on them that were made a year ago during that interim period when we had to make the advances on behalf of civil servants to the Quebec Pension Plan and the Canada Pension Plan. At the present time these stand as loans.

Senator GROSART: Yes, sir. I am not speaking of the over-all effect of these transfers; but this vote says that notwithstanding anything in the act certain contributions shall be reduced.

Dr. DAVIDSON: No.

Senator GROSART: That is what it says.

Dr. DAVIDSON: No, it does not.

The CHAIRMAN: It is just the repayment—

Senator GROSART: I am saying that it says notwithstanding anything in the act certain contributions shall be reduced. Now, I am merely asking, if they do not mean that, why do they say it? Or am I reading it incorrectly?

Dr. DAVIDSON: I think you are picking some of the words out but not all of them. This says that it is to authorize the charging to the Superannuation Account.

Senator GROSART: Yes?

Dr. DAVIDSON: Of the amount of all advances that were made. That is what its basic purpose is.

Senator GROSART: That is number one, and then it says, "and to provide" that there shall be reductions. One is to authorize the charging; the second is to provide that contributions shall be reduced.

Now, all I am speaking about is the one act, the one part of it. Does it or does it not amend that act by permitting a reduction that is not permitted in the act as it stands?

Dr. DAVIDSON: This last portion merely provides that the combined contribution to the Public Service Superannuation Fund and the Canada Pension Plan shall not be in excess of 6.5 per cent. The combined contribution, that is, shall not be in excess of 6.5 per cent.