

Supplementary Retirement Benefits Act (No. 2)

cent assumed, then the plan will be under-funded and chronic and rising long-term deficits will occur. Let me now turn to this subject.

Is our plan fully funded? Unfortunately, the answer to this question is no. There are two reasons for this. First, contribution rates have been too low in the past, particularly contributions to the SRBA. Second, the rate of interest paid on balances in the two accounts has been below that which was assumed, and will continue to be inadequate so long as interest is credited at the rate paid on Government of Canada Bonds. Historically, the real rate on these bonds has been from 2 to 2.5 per cent. In fact, the period from 1800 to 1977 showed that Government bonds interest rates were around 2 to 3 per cent real during that entire period. You will recall that the rate assumed by the actuary is 3.5 per cent, so there has been a 1 per cent shortfall.

These facts have been clearly established. The actuary of the plan indicated in his 1977 report that to fully fund the PSSA/SRBA as a combined entity, contributions would have to be increased from 15 per cent of salary, less CPP as the case is today, to around 18 per cent of salary, less CPP, which would be required. In other words, employee-employer contributions, or some combination of both, would have to be increased by a total of 3 per cent. This conclusion, as noted earlier, was supported by Mr. Segal of Eckler, Brown, Segal actuaries, an independent witness before the Standing Committee of Miscellaneous Estimates.

Finally, the latest report of the Auditor General indicated that the unfunded liability of the combined Public Service Superannuation Account and the Supplementary Retirement Benefits Account is currently \$7.5 billion. Mr. Thompson, Principal of Public Accounts, of the Office of the Auditor General, stated in a letter to me:

—the unrecorded part of the pension liability does represent a shortfall between pension entitlements and contributions to date.

The liability for the combined PSSA, CFSA and RCMPSPA, which are the Canadian Forces and RCMP equivalents, is in the range of \$12.5 billion, as reported by the Auditor General. In other words, these pension plans combined should have an account balance of \$40 billion, as opposed to the current \$27.5 billion which is on the account books, if all pension liabilities accrued to date were indeed fully funded. The equivalent for the PSSA/SRBA alone is around \$23 billion in the account as opposed to the current balance of \$15.5 billion. Clearly, there is no surplus in the PSSA. To claim that the \$15.5 billion itself is a surplus is absolutely incorrect and misleading.

Other claims were made during the committee hearings and the debate. First, there is the claim that there is a surplus in the PSSA in the amount of \$15.5 billion. This statement, as I have shown, is simply untrue. I stand on the reports by actuaries and by the Auditor General.

The second claim is that public servants have themselves contributed more than the total of all pensions paid to date. Whether or not this is true is irrelevant since our plan, thankfully, is not a pay-as-you-go plan. It is a funded plan. This

means that each person's pension is paid for by that person's contributions, employee plus employer plus interest.

There have been primarily two reasons for the growth of the fund over time and the fact that the fund does now stand at \$15.5 billion. First, the rapid growth in the size of the Public Service during the 1970s resulted in more people making contributions. The second, of course, is the rapid increase in the level of salaries due to inflation which greatly increased the dollar value of contributions that were paid.

• (1600)

There is another claim, Mr. Speaker, that Bill C-133 is precedent setting in that it alters an agreement which has previously been unchanged. Neither is this correct. The plan has been changed after consultation, admittedly, by the Government alone on several occasions. Initially, indexation was capped at a maximum of 2 per cent per year up until 1972. Full indexation came into effect only thereafter. During the AIB in 1976, the maximum dollar amount of indexation was capped at \$2,400. In 1977, the rate of contribution to cover indexation was raised from one half of one per cent of salary to 1 per cent of salary. In 1978-79, Bill C-12 was introduced, received second reading, and was reported unanimously by all Parties back to the House from committee. It would have provided indexation only to the extent that it could be paid for by the plan itself. There would have been no guarantees and no further claim on general revenue. For the three years from 1979 to 1981, for example, it was estimated that full indexation could have been paid only on the first \$7,000 of pension. Greater amounts would have been indexed by only about 7 per cent. And I believe the facts were that in 1979 it would be 8 per cent, in 1980 it would be 7 per cent and in 1981 it would be 6 per cent. As stated above, of course, this legislation never became law.

Another claim, Mr. Speaker, was that the six and five program will result in a permanent loss for pensioners, whereas working public servants can catch up for reductions in salary increases. This is an extremely tenuous proposition at best. It has not been supported over the period since 1975 when average Public Service salaries increased by less than did Public Service pensions, which was 96 per cent as compared to 102 per cent. Certainly, any public servant retiring in the next six or more years will suffer a lower pension as a result of the effects of the six and five program on salaries, and the consequent effect this has on the basic pension determined by the average of his or her best consecutive six years' salary. Further, the very difficult times we face now, and will probably face over the medium term in the employment area, will undoubtedly act to hold down future salary increases. It is highly unlikely, therefore, that such conditions will allow any widespread "catch up" to occur.

Another claim, Mr. Speaker, is that the Government's actions in Bill C-133 are a single-minded attack on retired public servants. I disagree. Every Government program, save those directed at people in greatest need, which would include the GIS and the Child Tax Credit, for example, is subjected to