**Mr. Chatterton:** Clause 110(4) says:

No payment shall be made out of the consolidated revenue fund under this section in excess of the amount of the balance to the credit of the Canada pension plan account.

I realize that under clause 110(2)(c) interest on securities purchased by the minister will be credited to this account, but what of the position of the securities themselves?

**Mr. Benson:** The securities which are purchased by the Minister of Finance will be held by him as securities of a province. The securities, when they are purchased, will consist of a payment out of the consolidated revenue fund, which will go in cash to the provinces. The payment out will be charged against the Canada pension plan investment fund and an asset will be set up with respect to the securities received from the provinces. The securities will be interest bearing, and any interest received will go into the Canada pension plan account, while the funds received when the securities are ultimately redeemed are credited to the Canada pension plan investment fund.

**Mr. Chatterton:** Subclause 4 says no payment shall be made "in excess of the amount of the balance." Therefore the value of the securities themselves does not form part of that balance.

**Mr. Benson:** It would form part of the balance because in effect you have a credit account and a liability account. To offset those there are two things; cash in bank, which would be in a general consolidated revenue account, and the other would be securities, so that when securities are purchased the Canada pension plan account is not decreased. The cash account is decreased. It is a change of one asset to another, so the amount standing in the Canada pension plan account will include the amount of securities held at cost by the Minister of Finance.

**Mr. Chatterton:** My question is not answered, because subclause 4 says no payment shall be made "in excess of the amount of the balance to the credit of the Canada pension plan account." Let us say that all the cash the minister has received has been paid out. There are still securities held by the Minister of Finance. Would you have to redeem those securities before you could make any further payments?

**Mr. Benson:** There is another step we are missing. All receipts from Canada pension plan contributions will be credited to the Canada pension plan account. All payments out will be a charge to the Canada pension plan account. This will reduce the bank balance, but when securities are purchased they simply take the place of cash. If the cash runs out the minister has the right to call the securities.

First of all, he is required to hold in reserve enough for three months' payments and administrative costs. Second, he is required to review this fund from time to time and assure it is going to be solvent, that there is going to be enough cash to make the payments out and, if not, he can give notice to a province and start drawing in the securities.

**Mr. Chatterton:** The estimates show that somewhere in the 1980's the outflow will be greater than the inflow. By that time you would have to increase the contributions or else redeem some of the securities. Is that correct?

**Mr. Benson:** Yes, that is correct.

**Mr. Chatterton:** In other words, under this bill you can make no payment out of the balance to the credit of the Canada pension plan account if there is no balance. If you have redeemed all your securities and you still have no money available, then the only course is to ask parliament at that stage to increase the contribution rate. But clause 115, which we have dealt with, says in effect that no substantial change can be made to this plan unless two thirds of the included provinces, having in the aggregate not less than two thirds of the population of the included provinces, have signified their consent.

Can the minister describe what would happen if you arrived at the position where you had exhausted this fund and had no alternative but to increase the contribution rate and, for some peculiar reason, you could not get two thirds of the provinces representing two thirds of the population to agree to such a change?

**Mr. Benson:** To me it seems inconceivable that the provinces would not agree to a change in rates before the time mentioned by my hon. friend, in that I think the provinces would be interested in seeing a reasonable amount of reserve maintained in the Canada pension plan account. It is inconceivable that at a time when it became necessary to raise contribution rates a province would say "You cannot raise contribution rates. You have got to stop paying pensions in this province because you have no money left." I do not believe this could ever happen, but if it did