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Superannuation Act, 1960.

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HOUSE OF COMMONS

Third Session—Twenty-fourth Parliament

1960

SPECIAL COMMITTEE ON

Public Service Superannuation Act

Chairman: Mr. R. S. MacLellan

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

THURSDAY, JUNE 30, 1960

MONDAY, JULY 4, 1960

Bill C-76, An Act to amend the Public Service Superannuation Act.

WITNESSES:

From the Department of Finance: Honourable Donald M. Fleming, Minister; Mr. Kenneth W. Taylor, Deputy Minister; Mr. Hart D. Clark, Director, Pension and Social Insurance Section. *And also* Mr. E. E. Clarke, Chief Actuary, *Department of Insurance.*

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

23446-8—1

SPECIAL COMMITTEE ON
PUBLIC SERVICE SUPERANNUATION ACT

Chairman: Mr. R. S. MacLellan

and Messrs.

Bell (*Carleton*),
Campeau,
Caron,
Casselman (Mrs.),
Hicks,
Keays,
MacRae,
McIlraith,
More,
Peters,
Richard (*Ottawa-East*),
Rogers,
Smith (*Winnipeg-North*),
Tardif.

(Quorum 8)

E. W. Innes,
Clerk of the Committee.

ORDERS OF REFERENCE

MONDAY, June 27, 1960.

Resolved,—That a Special Committee be appointed to consider Bill C-76, An Act to amend the Public Service Superannuation Act, with power to send for persons, papers and records and to report from time to time;

That the Committee have power to print such papers and evidence from day to day as may be deemed advisable or necessary;

That the Committee shall consist of fifteen Members to be designated by the House;

That the Committee be empowered to sit during the sittings of the House; and

That Standing Order 66 be suspended in relation thereto.

Ordered,—That the Special Committee on the Public Service Superannuation Act be composed of Mrs. Casselman and Messrs. Bell (*Carleton*), Campeau, Caron, Hicks, Keays, MacLellan, MacRae, McIlraith, More, Peters, Richard (*Ottawa East*), Rogers, Smith (*Winnipeg North*), and Tardif.

Ordered,—That Bill C-76, An Act to amend the Public Service Superannuation Act, be referred to the Special Committee established to consider the said Bill.

Attest.

L.-J. RAYMOND,
Clerk of the House.

23446-8—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 30, 1960.
(1)

The Special Committee on the Public Service Superannuation Act met at 12.00 noon for organization purposes.

Members present: Messrs. Bell (*Carleton*), Caron, Keays, MacLellan, MacRae, McIlraith, More, Richard (*Ottawa East*), Rogers, Smith (*Winnipeg North*) and Tardif.—11

There being a quorum, it was moved by Mr. Bell (*Carleton*), seconded by Mr. Keays,

That Mr. R. S. MacLellan, do take the Chair of this Committee as Chairman.

On motion of Mr. MacRae, seconded by Mr. Keays,

Resolved,—That nominations do now cease.

Mr. MacLellan took the Chair, and thanked the Committee for the honour conferred on him.

The Clerk of the Committee read the Orders of Reference.

On motion of Mr. Bell (*Carleton*), seconded by Mr. Caron,

Resolved,—That, pursuant to its Order of Reference of June 27th, the Committee print 750 copies in English and 300 copies in French of its Minutes of Proceedings and Evidence.

On motion of Mr. More, seconded by Mr. Smith (*Winnipeg North*),

Resolved,—That a subcommittee on Agenda and Procedure, comprising the Chairman and 4 members to be named by him, be appointed.

The Chairman indicated that the subcommittee on Agenda and Procedure would meet later this day, at which time consideration would be given to the hearing of representations from certain organizations respecting Bill C-76.

The Committee adjourned to the call of the Chair.

MONDAY, July 4, 1960.
(2)

The Special Committee on the Public Service Superannuation Act met at 8.00 p.m. this day. The Chairman, Mr. R. S. MacLellan, presided.

Members present: Mrs. Casselman and Messrs. Bell (*Carleton*), Caron, Hicks, Keays, MacLellan, MacRea, McIlraith, More, Richard (*Ottawa East*), Rogers and Smith (*Winnipeg North*)—12.

In attendance: From the Department of Finance: Honourable Donald M. Fleming, Minister; Mr. Kenneth W. Taylor, Deputy Minister; Mr. Hart D. Clark, Director, Pension and Social Insurance Section. *And also:* Mr. E. E. Clarke, Chief Actuary, *Department of Insurance.*

The Committee proceeded to consider Bill No. 76, An Act to amend the Public Service Superannuation Act.

The Chairman announced that the following members have been appointed to act with him on the Sub-committee on Agenda and Procedure: Messrs. Bell (*Carleton*), McIlraith, Peters and Rogers.

Mr. MacLellan, on behalf of the Sub-committee on Agenda and Procedure recommended that the Committee hear the views of Staff Organizations on Friday, July 8, 1960.

Following discussion the Committee agreed to meet again on Thursday, July 7th at 2.30 p.m. and on Friday, July 8th at 9.30 a.m.

Mr. Fleming was welcomed to the Committee and he in turn introduced the departmental officials.

The Minister outlined the purposes of Bill No. 76.

The following documents were distributed to the Committee:

1. Report on Actuarial Examination of the Superannuation Account in the Consolidated Revenue Fund as at December 31, 1957.
2. Report on Actuarial Examination of the Regular Forces Death Benefit Account in the Consolidated Revenue Fund as at December 31, 1955.
3. Report on Actuarial Examination of the Public Service Death Benefit Account in the Consolidated Revenue Fund as at December 31, 1957.

The Minister and his officials were questioned on the general provisions of the Bill.

Mr. Taylor gave the historical background of the Superannuation Act.

The witnesses were further questioned.

At 9.50 p.m. the Committee adjourned until 2.30 p.m., Thursday, July 7, 1960.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

MONDAY, July 4, 1960.
8:00 p.m.

The CHAIRMAN: Mrs. Casselman, and gentlemen: I see a quorum, so let us come to order and proceed.

Since our last meeting we held a meeting of the Subcommittee on Agenda and Procedure and I am happy to say that Messrs. Bell (*Carleton*), McIlraith, Peters and Rogers have agreed to act on that Subcommittee.

At our meeting we agreed on this meeting this evening, and we also felt we should pick a time as soon as possible this week to allow representations to be received from staff organizations and from other interested people who wished to appear before the committee.

The steering subcommittee recommended that we might find a day towards the latter part of the week. Therefore, perhaps Friday would be satisfactory to the committee; and I understand from talking to Mr. Best, Mr. Whitehouse, Mr. McFarlane, and Mr. Marshall that they would probably be ready by Friday to make their representations to the committee.

I wonder if I might have your views on this? Is it satisfactory to accept the recommendation of the steering subcommittee that we meet on Friday to hear representations from the different staff organizations and from other interested groups?

Mr. MCILRAITH: Does that mean that you would not meet between now and Friday to deal with other matters?

The CHAIRMAN: I would like to hear some discussion. It seems to me that we cannot do very much until we do.

Mr. CARON: Are you pretty sure that the session will not be over by Friday?

Mr. MCILRAITH: I am very anxious for us to get over as much as we can and as quickly as we can. I take it that the reason you suggest a meeting for Friday is that the staff organizations would not be ready before that date?

The CHAIRMAN: They would like as much time as possible, but I understand now that they might be ready perhaps on Thursday, if that is suitable to the committee.

Mr. HICKS: I would agree; and if we could have them on a day before Friday, then so much the better.

The CHAIRMAN: Would Thursday afternoon be satisfactory to the committee? That would give us adequate time to hear all the representations and listen to all the briefs. It seems to me that Friday might not give us enough time.

Mr. BELL (*Carleton*): I take it that Mr. McIlraith was of the view that we might make some progress with other matters before the staff representations were heard, and to have those representations on Friday.

Mr. CARON: I am of the impression that if we hear the staff representations first, it would simplify matters very much and we could get through with it much quicker.

Mr. BELL (*Carleton*): I think we should decide on whatever day we should hear the staff organizations, and go through and take as long as it may be necessary to get the whole story out. Then, as soon as possible thereafter, we

should meet and consider other representations and finish our consideration of the bill, because I think all of us wish to see this bill receive royal assent at this session.

Mr. McILRAITH: It would appear that the research committee will be finished tomorrow morning. I do not know about the combines committee, but it will not be sitting on Wednesday, and I do not know about Thursday. I should have said the banking and commerce committee dealing with combines.

The bill of rights committee will not be set up in time to be sitting on Wednesday or Thursday, I would imagine, so I think that those days are likely to be available from the point of view of members, if there is material ready to be presented to the committee.

The CHAIRMAN: I would imagine that, as far as statements on the act and a chance to get information is concerned, it would all be available to us on Wednesday or Thursday. I wonder if we might settle for a meeting on Wednesday to hear evidence from the officials of the department, and then agree to fix Friday as the day on which we shall hear representations from the staff associations?

I learn now that Mr. Taylor will be out of town on Wednesday.

Mr. McILRAITH: What about Thursday?

The CHAIRMAN: Would Thursday be satisfactory to the committee? What about Thursday afternoon? Mr. Taylor and Mr. Clark will be available on Thursday afternoon, but the minister will not be able to be here at that time.

Mr. CARON: Let us hear from him tonight.

The CHAIRMAN: Is it agreed then that we meet at 2:30 on Thursday afternoon, and that we meet again on Friday, for the purpose of hearing representations?

Mr. BELL (*Carleton*): Friday at 9:30 a.m.?

The CHAIRMAN: Yes, Friday at 9.30 a.m.

Mr. BELL (*Carleton*): Might we not carry on throughout the whole day, rising only for the orders of the day? Is that the intention?

Mr. McILRAITH: Let us not tie it too tightly now until we see what is assigned for Friday in the House. If we meet at 9:30, surely we can fix the hours for Friday.

The CHAIRMAN: We shall hear from the organizations on Friday. The difficulty is that I would like to be able to tell the representatives of the various associations when they may be heard.

Mr. ROGERS: Why not meet at 9:00 o'clock on Friday morning?

Mr. CARON: Do you not go to bed?

Mr. ROGERS: Surely.

The CHAIRMAN: Would you agree to meeting at 9:30 on Friday?

Agreed.

Well, ladies and gentlemen, the business before the committee is the consideration of Bill C-76, "An Act to Amend the Public Service Superannuation Act". Our first witness this evening is the Hon. Donald Fleming, Minister of Finance. I shall ask the minister to introduce the members of his department who are present with him tonight, that is, his senior officials, and then I shall ask him to address the committee.

Hon. DONALD M. FLEMING (*Minister of Finance*): Mr. Chairman, thank you very much for the privilege of appearing before this very important committee, and for the opportunity of tendering my congratulations to you upon your election as chairman of the committee.

The CHAIRMAN: Thank you.

Mr. FLEMING: When it was first proposed that such a committee as this be set up, it was thought that there would be referred to the committee for consideration at this session not only bill C-76 An Act to Amend the Public Service Superannuation Act, but also a kindred measure, the new Civil Service Act.

But later it was decided that that act should not be proceeded with at the present session. However, it may well be that this committee will so much enjoy its work on bill C-76 that it will be ready to be re-appointed at the 1961 session of parliament, DV, to consider the other measure, should it be referred to the committee by the House of Commons in its wisdom at that time.

After giving the matter some further consideration, Mr. Chairman, it did seem to me that there is little of a general nature that I could add to what I said in the house at the resolution stage, and on the motion for second reading, that might be of any assistance to the committee.

So this evening I thought I would just deal with several points, and then you might wish to hear Mr. Kenneth Taylor, deputy minister of finance, who has had a long association with superannuation and who, I think, could give the committee a very interesting account of the history of superannuation legislation of the Canadian parliament.

We have with us also Mr. Hart Clark of the Department of Finance, who has had a great deal to do with the preparation of this measure, and with the actuarial questions which have risen for decision prior to the actual formulation of the legislative proposals.

I should say at the outset that it has been government policy to seek to bring superannuation legislation up to date and to make more equitable provisions through our superannuation legislation for the Civil Service of Canada.

In the last three years we have had legislation pertaining to superannuation before parliament, that is, at the 1958, the 1959, and now the 1960 session. The legislation at the 1958 and 1959 sessions was designed for the benefit of the civil servants who had already retired, and who were already superannuated; but this present measure, of course, is much more far reaching, and applies to those who are now employed on the staff and classified as public servants. It was necessary, before any such measure as this could be introduced, that the actuarial studies and reports which are provided for under the present legislation at five-year intervals should have been completed; and you will recall that, in introducing this measure at the resolution stage, I tabled three reports—which I believe are available to all hon. members of the committee, Mr. Chairman.

These reports—one of them in particular—constitute the actuarial background for the proposals that are embodied in the present bill C-76. I think all hon. members are aware, from the discussion on second reading, that the new scheme pertaining to contributions and benefits has been the outcome of actuarial study. It is considered that to maintain the contributions of female public servants at the existing five per cent, and to increase the existing rate of contributions of male public servants from six to six and a half per cent of salary, will balance the cost of the benefits as they are proposed to be increased by the present measure.

This increase, as hon. members are aware, consists of calculating the superannuation benefit on the basis, not of the average salary over the best 10 years, as provided in the existing act, but now on the basis of the best six years as provided in clause 7 of the bill. This is, I think I may fairly say, a major change in the benefit provided. It has been a matter of discussion in the house from time to time over a period of years, whether it might not be possible to reduce the existing 10-year period.

There has been, throughout the various branches of the public service—using that expression in its widest sense—quite a hodge podge of bases in terms of calculation of the selected period of years. This provision now, by taking these best six years instead of the previous 10, does represent a substantial increase in the benefits.

The increase in contribution, it is estimated, will simply meet the cost of the benefits as now proposed. On second reading, Mr. McIlraith asked me if there was any provision here for doing anything more than that; whether there might not be anything left over from these increased contributions, after meeting the increased benefits, to apply on account of the deficit in the fund. The answer was no. It is estimated that the increased contributions will, as nearly as one can estimate, with the best available actuarial advice, approximately equal the cost of the benefits. That is the purpose, and that is the only purpose that has led to the proposed increase of one-half of 1 per cent in the contribution by male persons in the public service.

There is one other question that has arisen, upon which I might usefully say a brief word. Naturally, with the increase in benefits, it is a matter of disappointment to those who do not qualify under the bill by reason of earlier retirement that they will not receive the benefit of the increased benefits. Mr. Chairman, one can sympathize with cases of that kind; but one must accept the fact that it is inevitable. Whenever this bill takes effect, whether it is on the date of the royal assent, or some special date that might be chosen, either in the future or in the past—whatever date is chosen, there will be some persons who will fall just outside the scope of the bill: there will be some who will come just inside it. That, Mr. Chairman, is inevitable.

It must be remembered, in approaching this question, that this is a contributory scheme. The scheme has contemplated equal contributions on the part of the government and the public service, and those who have retired prior to the coming into effect of the new measure, with the increased benefits it provides, at least have not been called upon to pay contributions at the increased rate provided by this present bill. But it is a situation which we considered very carefully, and regretfully came to the conclusion that there is really nothing we can do about it, because if you were to date this measure back, and in that way depart from the contributory principle to that extent—then you would still find some people just outside the scope of the benefit of the bill, no matter what date you chose.

You will remember what we did, two years ago—and it was difficult. Those who have studied this question, I think, will be the first to admit the difficulty with which we were confronted; it was something that had engaged the attention of my predecessors and had baffled a good many good intentions, because of the complexity of the whole question. It concerned a great variety of classes of public servants, according to the rules applicable to them with respect to the period of years which was the base for calculating superannuation benefits.

We had the situation, too, where those whom we were considering—namely, the superannuated public servants—had retired over a period of years. Some of them had not had the benefit of the post-war increases in salaries. You will remember that the scheme that was introduced by an item in the estimates in the 1958 session contemplated that with respect to certain persons who had retired prior to 1953 we could apply a sliding scale of increases in their superannuation benefit.

It was calculated that over the period in question the cost of living had increased by approximately—the figure we took was two-thirds, and we estimated that had the contributory principle been applied, the civil servant

would have contributed one-half of the cost of providing for that increase in the superannuation benefit. Therefore, we provided a maximum increase in the superannuation benefit of approximately one-third; and this was graduated by quarter years down to 1953.

I may say that that system was carried into the Public Service Pension Adjustment Act one year later, in the 1959 session. It received the unanimous support of the house on both occasions. It is now statute law; and I think it not unfair to say that it has worked very satisfactorily. Perhaps it is unusual to receive many letters of commendation; but I can tell the committee, Mr. Chairman, that we have received many letters of commendation from retired civil servants who received benefits under that measure.

In case anyone is asking, "Well, what about the cost of living since?"; the fact is that we have enjoyed a period of relative stability in the cost of living since this legislation came into effect on the statutory basis a year ago. The cost of living has risen, by just a fraction over one per cent; so I think it may be fair to say that the benefits conferred by that legislation in the item in the estimates of 1958 and under statute commencing in 1959 have been enjoyed without impairment.

So now we have a new measure which will not apply to those members of the public service who have retired prior to the date on which this measure comes into effect. Those who will qualify under this measure are those who will be in the public service as of the date it comes into effect and, of course, the increased charge for the benefits will be applied as soon after the bill comes into effect as it is possible to make the regulations and to have the required machinery set up.

These, Mr. Chairman, are the basic elements in the bill. They are certainly the most striking elements in the bill—the increase in benefits and the corresponding increase in the payments shared jointly by the government and the individual male member of the public service, to meet the cost.

As well there are a number of individual amendments in the bill. In many cases these are individual amendments, each of which has a particular reason for it, arising out of problems which have been encountered in the course of administration of the legislation. On these questions Mr. Taylor and Mr. Hart Clark will be here to answer questions and to deal with any matters which may arise. I may say as well that with us is Mr. E. E. Clarke the Chief Actuary from the Department of Insurance who will be available in relation to any questions which may arise out of the reports on the actuarial examinations of the various accounts under the act.

As you know the Minister of Finance has two departments, finance and insurance. I may say that the insurance department operates with a minimum of difficulty. I only wish sometimes that the Department of Finance gave me as little difficulty as the department of insurance.

Thank you very much.

The CHAIRMAN: Thank you very much, Mr. Fleming.

Are there any questions anyone would like to ask the minister now?

Mr. MCILRAITH: Perhaps I might clear up a question I raised on second reading about the deficit. Turning to page 24 of the report on actuarial examination of the superannuation account in the consolidated revenue fund as at December 31, 1957, the subject is dealt with there under the heading Summary and Recommendations. It says:

> The estimated deficit in the superannuation account as at December 31, 1957, was $137.7 million. It is recommended that this deficit, together with the "unamortized portion of actuarial deficiency in the Superannuation Account," amounting to $139 million, be liquidated as soon as may reasonably be possible.

What I am coming at is, I am not clear on this point at all and I would like your clarification of it. Does this mean a recommendation that the government, or some other force other than the contributions of the superannuation under the statute, namely the 6½ per cent or the 5 per cent are required to take care of these two deficits.

Mr. FLEMING: As to any terms in the report, we have Mr. E. E. Clarke, the chief actuary who actually wrote the report. I interpret the recommendation in this respect to this effect, that in the interest of complete actuarial soundness it is recommended that a sum of $139 million be added to the fund to meet what is found to be an actuarial deficiency in the superannuation account.

Mr. MCILRAITH: Then there is a separate reference to $137.7 million. Are there two?

Mr. FLEMING: Excuse me a moment. Let us keep these two separate. When I used the figure $139 million I was speaking of the unamortized portion. There also is the actual deficit in the amount of $137.7 million. If you turn back to the previous page 23, in paragraph 6, you will see in the fiscal year 1956-57, the government made a special contribution of $50 million towards the deferred charge, reducing it to $139 million. It still stands at this amount. That is a carry-over of an earlier deficiency. You will see in paragraph 1 that as of December 31, 1947, the deficit shown in the valuation summary was $252 million. There were several reductions; there were some increases in it, and finally with the last credit toward the deferred charge it was reduced to $139 million four years ago and has remained at that figure since. That is the $139 million which is the unamortized portion. The actual deficiency in the superannuation account, as estimated as at December 31, 1957, was $137.7 million.

Mr. BELL (*Carleton*): Those figures should be added together to make the total deficit of $276 million.

Mr. FLEMING: They are slightly different in nature, the way they have arisen. Mr. Clarke could explain it to you. However, they are different figures and they arise in different ways. At an earlier point the report indicates how the so-called unamortized portion of the actuarial deficiency in the account arose. You will see that on page 22.

Mr. MCILRAITH: The $139 million, as I understand it, is subject to the same variation as the other. The other might vary more from year to year.

Mr. E. E. CLARKE (*Chief Actuary, Department of Insurance*): The $139 million, or the prior amount, added to the balance in the account would be the government's interest year by year. So the $139 million is an inadequate figure. The $137.7 million—I am thinking of this as an ordinary pension fund—would increase if it were left with the interest being credited towards it; it would increase with the valuation of interest which the government ordinarily contributes towards the balance of the account.

Mr. MCILRAITH: How much was contributed to these two deficits in the period from the end of the war up until the time of this actuarial summary? Was it $250 million?

Mr. K. W. TAYLOR (*Deputy Minister, Department of Finance*): Yes, in respect of the first deficit since the second was not known to exist until later.

When the last preceding actuarial valuation was tabled in March 1952 an overall deficit of $387 million arising out of the normal contribution procedure previously in force was revealed. Over the years in question, special non-statutory contributions amounting to $248 million were authorized by Parliament and applied to reduce this deficit to the figure of $139 million previously described as the unamortized portion of the actuarial deficiency in the Superannuation account.

Mr. McILRAITH: Coming back to these two figures, is it the government's intention to contribute directly towards this deficit now?

Mr. FLEMING: I would have to say that that would be a matter of government policy.

Mr. McILRAITH: Yes. Now then, I want to get one further matter clear. I take it it is not expected that the increase in rates being charged to civil servants and the corresponding contribution from the government will reduce in any way the deficit about which you are speaking.

Mr. FLEMING: That is my understanding.

Mr. CARON: The present rates will cover the whole deficit.

Mr. McILRAITH: No.

Mr. FLEMING: No. If you look in the report at page 24, paragraph 2, you will notice it reads:

> The average contribution rate estimated to be required to pay for the benefits provided under the act is 12.4 per cent of salary for male contributors and 9.7 per cent of salary for female contributors.

So you will see the male contributions, which amounted to 12 per cent, were falling slightly short of meeting the cost of the benefits provided for males. In the case of females you had a 10 per cent contribution, whereas only 9.7 per cent was required to pay benefits.

Under this bill we are dealing with increases in benefits. As nearly as can be estimated—and, of course, it must be a matter of estimate—the 13 per cent of salary which will be the contribution in respect of male contributors will approximately balance the benefits to male contributors. The 10 per cent, which will continue unchanged to be contributed in respect of salary for female contributors, will approximately balance the cost of the benefits and the increase under this bill in respect of females qualifying under the bill.

Mr. RICHARD (*Ottawa East*): Mr. Minister, I think some people would be anxious to have a fixed date in their mind as to when the act would come into force. For example, this committee might sit for some time, it might take some more time to pass it through the house, and the proclamation might be delayed. Would it not be proper in the case of this type of bill to have the date, say, of introduction of the bill as the effective date?

Mr. FLEMING (*Eglinton*): I think that would be a quite unusual provision in a bill. It is not like a taxing act as applied to commodities—such as the Excise Tax Act or the Customs Tariff Act—where the increased levy in respect of a commodity is made effective from the date of introduction of the bill or resolution, which is usually budget night.

It would be quite unusual—I will not say "unique,"—but it would be unusual to provide in a measure of this kind that the bill should become effective as from the date of its introduction in the house.

As I have indicated, it does not meet the problem. Under the act, the problem of those who are going to fall just inside and those falling just outside, is inescapable, no matter what date you choose. If you move the date back a little you are going to take in a few more people. We had no thought of making contributions retroactive. Therefore, if you are going to preserve, in broad essentials, the contributory feature, which does distinguish the present Public Service Superannuation Act and its predecessors, then the benefits must be made reasonably co-terminous or coincident with the increased contributions. Here the measure will come into effect in the usual way, as happens with nearly all our legislation, on the date of receiving royal assent.

The increase in the contributions will be brought into effect, naturally, as soon after that date as possible. Of course, it involves—as no one will appreciate better than Mr. Richard, Mr. Chairman—the promulgation of certain

regulations under the bill; but it will be intended to bring those into effect as soon as possible, in order that the increased contributions will begin as soon as possible after the bill for the increased benefits becomes effective.

Mr. RICHARD (*Ottawa East*): The contributions could have been made effective at an earlier date. But I only want to say this to the minister: This is a good bill, and I do not think we must give the impression the pensioners are made to suffer by the fact of the delay after the bill has been introduced; though I quite appreciate there is no delay desired on the part of anybody. But I think it would make the bill—in the sense the minister made it just now—much stronger if it could be made effective as of the date of introduction, and the contributions as of that date too.

Mr. MCILRAITH: On July 1.

Mr. FLEMING (*Eglinton*): This bill was given first reading on June 20. You are still going to have the problem of the person who retired on June 19. As I say, no matter what date you choose, you are going to have somebody who falls just outside. It is inevitable. It is very attractive to think about dating it back but, again, you are up against the same problem: that is, no matter to what date you date it back, you are going to disappoint somebody who has retired the day before the date you choose. So we came to the conclusion, Mr. Chairman, the fair and proper rule to follow was the ordinary rule, namely that the legislation becomes effective as of the date of royal assent; and that is buttressed in this case by the contributory aspect.

Mr. MCILRAITH: Mr. Fleming, those remarks you made apply to the general applicability of the bill. We come to a point—and I think there has been some correspondence on this—that arises through one of the changes having to do with administrative experience rather than changes in principle and basic change.

Take section 26, where they are changing the benefits and are having them paid, in those circumstances, to a person's estate rather than a participant spouse. I think it is a beneficial change. Undoubtedly, that arises through administrative experience in individual cases. Does your argument against a fixed date apply with equal validity to a section like that? You have cases where there is a controversy now as to the person to whom the benefit will be paid. The controversy does not turn on how much will be paid; but it is, to whom it will be paid.

Mr. BELL (*Carleton*): I venture to suggest, with respect, we should really leave that until we come to the section which is involved. As Mr. McIlraith has indicated, there have been representations in relation to it which I know are being analysed, and I would not like to see a situation develop where we take one general principle and then foreclose the possibility of dealing with those individual circumstances.

Mr. MCILRAITH: I did not desire to discuss the particular section now, but the point I was getting at was that I wanted to suggest to the minister the general principle which he asserted did not cover all provisions of the bill. That is as far as I wished to go at this stage.

Mr. FLEMING (*Eglinton*): I think Mr. McIlraith has in mind, Mr. Chairman, the principle that in the case of remedial provisions in a bill there is not the same objection to retroactivity as in the case of a charging provision in the bill. The clause to which he has referred, No. 26, is a relieving, beneficial provision; and sub-clause (2) of that section provides that:

> This section is applicable in respect of any participant whose death occurred after the coming into force of this section.

But in the broad principle we could not bring into effect the remedial portion —namely, the increased benefit—without, at the same time, invoking the charging provision in the form of the increased contribution.

Of course, there is objection to making charging legislation retroactive. But that probably is not the most serious question of all here. I have no doubt that those who would have been brought in by some retroactive provision would be quite happy to pay the modest increased contribution that would be involved. But, again I come back to it: no matter what date you choose, you are going to be up against the same problem. It is regrettable, but it is just inescapable.

Mr. HICKS: When this parliament is adjourned, will royal assent be given to it before the House adjourns?

Mr. FLEMING (*Eglinton*): Yes, it could be expected that royal assent would be given to this bill, if it was passed in both houses, not later than the time of prorogation. Whether there will be occasion for royal assent of other bills in the meantime, I do not yet know; but, in any event, I should say that if this bill commends itself to both houses of parliament, we may expect royal assent will be given not later than the date of prorogation of the session.

Mr. MCILRAITH: There is one other general matter I might raise. Without stating a case in detail, because it has been brought up before, many times—in fact, each time the Superannuation Act has been amended since 1944—there are certain of these old retirement act cases in which it was claimed by individuals that they were entitled to retire under provisions that would take into account a 5-year term in computing their superannuation benefit. But it was held that they were only entitled to come under the 10-year provision.

Now, there are very few persons involved, but there has been a lot of argument about the fact that the benefit itself was an *ex gratia* payment. In any event there was no way of ever getting the matter before the courts. There have been long exchanges of technical arguments about it. I understand that some of these individuals have submitted briefs raising this question again as to why they cannot now come under the six-year rule, since they feel that they were always entitled to it,—and indeed had a case prepared that looked very strong, and indicated that they were entitled to come under the five year rule.

Has that situation been looked at by the officials?

Mr. FLEMING (*Eglinton*): Yes, it has, Mr. Chairman. If those persons are still employed in the public service they will receive the benefit of this legislation and the six year best average rule. Of course, if they had retired prior to this date, then they will not receive the benefit of this new rule.

Mr. CARON: With no retroactive contribution?

Mr. FLEMING (*Eglinton*): Yes.

Mr. HICKS: Some forty years ago the basis was 5 years, and that was changed to 10 years.

Mr. FLEMING (*Eglinton*): That applied to certain persons in the year 1924.

Mr. MORE: Was the deficit of the fund the responsibility of the government?

Mr. FLEMING (*Eglinton*): I suppose in an ultimate sense, yes. In the sense that the government recommends legislation to parliament it is a public responsibility, because parliament has decreed that benefits at these rates shall

be paid out of it. The contributions that have been made by members of the public service, or by the treasury, have not hitherto been quite adequate to meet the charges on the fund, but these charges were decreed by parliament.

Mr. MORE: Is it considered that the scheme should be funded completely? It is not necessary to fund that completely, is it?

Mr. FLEMING (*Eglinton*): No, if you are thinking in terms of the assurance of the annual provision of these benefits, it is not necessarily in the strict sense of the word. On the other hand, if you are to adhere strictly to the principles of actuarial sufficiency, then your fund is lacking these two sums that were referred to earlier. But, as long as the country is solvent, and as long as parliament is well disposed in respect to superannuation, as I am sure it always will, then any deficiency is not going to be reflected in any reduction in the benefits paid made year by year.

Since this legislation became effective parliament has always attached very high importance to the superannuation principle for members of the public service. I think hon. members will agree, Mr. Chairman, that this has been one of the major elements in making a career in public service attractive and challenging. In my experience I have found that very great importance is attached to superannuation by those individuals who choose to make a career in the public service. This is a very important element in assuring continuity of service in the public service, and assuring to the government and the public the benefit of the experience that is gathered over long years by those who make a career of public service.

Mr. BELL (*Carleton*): Mr. Chairman, the new proposal, as I understand, for the formula based on the best six years average salary will bring this basic formula in line with the Canadian Forces Superannuation Act and the Royal Canadian Mounted Police Superannuation Act. Would the Minister like to say whether he thinks there is advantage in the achievement of that uniformity?

Mr. FLEMING (*Eglinton*): Undoubtedly, Mr. Chairman, there is advantage in the uniformity that has been achieved in this respect because, as long as the basis of calculation of benefits has differed, there has, I think, been a sense of injustice on the part of the civil service. They had not been as generously dealt with as the armed forces and the Royal Canadian Mounted Police.

Parliament did deal with the pensions of the armed forces and the Royal Canadian Mounted Police last year, and now we are, I think, equating the position of the civil service, with their brothers in the armed forces and the Royal Canadian Mounted Police.

Mr. BELL (*Carleton*): This will avoid the hodge podge of which the minister spoke earlier?

Mr. FLEMING (*Eglinton*): It will go a long way toward doing that. There are some elements in the former hodge podge that will continue during the lifetime of some of the persons who were affected by it, but this present measure will have a major effect in eliminating the hodge podge that has been, I think, a besetting difficulity in this whole area of public responsibility.

Mr. BELL (*Carleton*): Ultimately that hodge podge will disappear?

Mr. FLEMING (*Eglinton*): Yes.

Mr. RICHARD (*Ottawa East*): Could the minister tell us, for the record, how many civil servants are contributors to this fund at the present time?

Mr. TAYLOR: About 165,000.

Mr. RICHARD (*Ottawa East*): 165,000 persons?

Mr. FLEMING (*Eglinton*): The number is about 165,000.

Mr. ROGERS: Mr. Minister, in computing this superannuation, it is not necessarily the last six years of pay, but the best six years of pay?

Mr. FLEMING (*Eglinton*): Yes, it is the best consecutive six year average.

Mr. ROGERS: Did you say consecutive six year average?

Mr. FLEMING (*Eglinton*): It is the best consecutive six year average. In the provisions of the present act the period is the 10 years in which the salary is highest.

Mr. KEAYS: What is the interest rate paid to that portion of the deficiency?

Mr. FLEMING (*Eglinton*): Four per cent.

The CHAIRMAN: Have you any further questions of Mr. Fleming, ladies and gentlemen? If not, Mr. Taylor is with us, and I understand he is an authority on the history of the superannuation legislation. Perhaps he would like to tell us something about it, because I think that would help us to understand the basis of the act.

Mr. TAYLOR: Mr. Chairman, this year is the 90th anniversary of the first superannuation act passed by parliament in 1870. The first act of 1870 required contributions from employees at four per cent of their salaries, if their salaries were over $600, and two and half per cent if it was under $600. The government made no contribution to the fund, nor did it pay any interest on the fund. There were no benefits to dependents but, if the employee retired, he got a pension of the number of years service, multiplied by 2 per cent of his average salary in the final three years.

In 1873, three years later, for some reason with which I am not acquainted, they cut the contribution rates in half, to 2 per cent and 1¼ per cent. Twenty years later, in 1892, they found the benefits being paid annually were five times the amount of contributions being paid, and in that year parliament amended the rates of contributions to 3½ per cent for the salaries over $600 and 3 per cent for those below $600, and for the first time, the government undertook to pay interest on the moneys in the fund.

A few years later, in 1898, the situation was still, financially, seriously unbalanced, and the act of 1870 was then closed to new entrants and replaced by a civil service retirement act into which contributions were paid by the employee only—but the government did pay interest into the fund. On leaving the government service, an employee received his contributions back, plus interest.

Mr. ROGERS: In a lump sum?

Mr. TAYLOR: Yes, I understand so.

Mr. MCILRAITH: There was no taxation?

Mr. TAYLOR: There was no income tax in those days.

This did not prove very satisfactory, and an interim act was passed in 1920, which was the so-called Calder Act. In 1924, a new and complete superannuation act was passed by parliament, effective on July 19, 1924. The new act called for a 5 per cent contribution, with a matching 5 per cent paid by the government—and, of course, interest paid on the total amount in the fund. The benefit formula was put on a basis of the last ten years of service—the average salary of the last ten years service, with the number of years times 2 per cent applied to that 10-year average.

The other major change in the 1924 act was that it provided for pensions to dependents. Previous acts had applied solely to the employee himself or herself.

The 1924 act remained in force for almost 30 years. A number of amendments were made from time to time. For example, in 1939, the rate of contribution was increased for males to 5½ per cent for those whose salaries were between $1,200 and $1,500, and 6 per cent if they were over $1,500. The females continued to pay at the rate of 5 per cent.

There were a number of other amendments made in other years but it was in 1953 that the act was completely revised and rewritten.

The major changes in 1953 were, first that the superannuation—the pension—was made a matter of right. Prior to that time, the pensions by statute were *ex gratia* payments. They were an act of grace and not a matter of right.

The second major change in 1953 was to bring under the act all the so-called temporary employees. Prior to that time the act only applied to permanent employees, and I think the number of permanent employees frequently was not much more than one-half the total number of actual employees.

Also, under the act in 1953, the rate of contribution was made a flat 6 per cent for males and 5 per cent for females and the pension, and instead of being based on the last 10 years of service, the benefit was based on the best consecutive 10 years of service. That was to meet the problem of certain employees who, perhaps, through partial disability, had been transferred to less onerous positions at a lower salary, and their pension was based on their best consecutive 10 years rather than the last 10 years.

The other major change, which came almost at the same time, was to introduce part II into the act, which provided for the payment of death benefits—the death benefit being approximately one year's salary, but not exceeding $5,000 up to age 60, and it declines by 10 per cent each year after age 60, and disappears at age 70. The contribution is 40 cents per thousand per month, and the government makes a contribution of $\frac{1}{6}$ of the out-payments under this section of the act. That $\frac{1}{6}$ was based upon the principle that prior to that time, on the death of a civil servant, his widow, or his estate, received a gratuity of two months' salary. In other words, the government's contribution was not significantly increased. It pays $\frac{1}{6}$ of the totals, which is equivalent to the two months salary.

That covers very briefly, Mr. Chairman, the history of the retirement and superannuation acts over the period of the past 90 years.

Mr. BELL (*Carleton*): What Mr. Taylor has said in connection with the retirement fund raises, of course, an issue with which the committee will be faced immediately and, perhaps, Mr. Taylor, you would care to comment on it—and that is the occasions upon which persons who are contributors to the retirement fund have had the opportunity of electing, and whether such an election ought again to be granted to them.

Mr. TAYLOR: At the time the 1924 act came in, they were given three years, originally one year, but extended on two further occasions, and finally cut off on July 19, 1927, three years after the act came into effect.

About 21 years later the option to transfer was reopened for one year in 1944-45.

Mr. MCILRAITH: The difficulty arose through the fact that the 1924 act required that they must be permanent employees and paid a stated annual salary, while the department of soldiers civil re-establishment employees were found to be temporary employees. That is, the predecessor of the present veterans affairs department was found not to be staffed by permanent employees, but by temporary employees. That is where the difficulty arose.

Mr. BELL (*Carleton*): I think that was a different matter.

Mr. MCILRAITH: They were held not to be eligible under the act, because they were temporary and not permanent. The ones who were civil servants had plenty of opportunity to elect; I mean permanent civil servants within the meaning of that word; they had plenty of opportunity to elect on these occasions. But it was just this little group of DSCR—and there was a forestry branch in the old department of the interior too.

Mr. TAYLOR: And surveyors.

Mr. McILRAITH: Surveyors, yes, and a forestry branch. Was that not the difficulty?

Mr. TAYLOR: That would be between the five and ten year term.

Mr. McILRAITH: That is right.

Mr. ROGERS: Will they have to sign another election form now?

Mr. TAYLOR: You mean being regular civil servants?

Mr. ROGERS: Yes.

Mr. TAYLOR: No, the six year average rule will apply to all persons who are contributing now under the act and who retire after the coming into force of the amendment.

Mr. McILRAITH: In your history you omitted the 1944 act. I do not know whether that was a conscious omission or not, but I had always understood that it let a great number become eligible to come under the act, because of the changed basis of the rate to contribute on the basis of stated annual salary,—that is, the ones with that qualification; so that when they were paid a stated annual salary they could become eligible to contribute. That was particularly important for employees in the printing bureau where they were paid a stated weekly or hourly salary.

Mr. H. D. CLARK (*Director of Pensions and Social Insurance Section*):— In the review which Mr. Taylor gave he was stressing changes in contribution rates and benefit formulæ. There were quite a number of other amendments in 1927 and in 1940, and in 1947 as well. It is perfectly true that the amendment in 1944 permitted the broadening of the act to include permanent employees in the category which you mention, to permit them to come under the act. But in the interest of brevity I think Mr. Taylor did not mention it.

Mr. McILRAITH: I understood it was one of the amendments which enlarged the area of coverage more than probably any of the other amendments.

Mr. TAYLOR: I did say there were numerous other technical amendments.

Mr. McILRAITH: It covered several hundred employees in the printing bureau at the time, as well as many others.

Mr. RICHARD (*Ottawa East*): How many civil servants now are receiving pensions under the plan?

Mr. H. D. CLARK: It is close to 30,000 now, including widows, orphans, and children.

Mr. TAYLOR: There are about 30,000 persons who are getting some benefits; that includes children, widows, and retired civil servants.

Mr. RICHARD (*Ottawa East*): But as to source you could not break it down?

Mr. TAYLOR: It would be in the annual report which was tabled. I do not have a copy with me.

Mr. RICHARD (*Ottawa East*): Thank you. I can get one.

Mr. McILRAITH: If there are no other questions, I have a small point, an individual case, and perhaps this would be as good a place as any to deal with it. But I do not want to interrupt the line of questioning which has been going on, unless all the other members are finished.

The CHAIRMAN: Are there any other questions of a general nature, on the act or on the amendments in the bill? Are there any further questions of Mr. Taylor?

Mr. HICKS: What is the definition at the moment of temporary employees?

Mr. FLEMING: It is to be found in the present act in section 2(n) which states:

2 (n) Temporary employee means
(i) an employee who is engaged for a term of 12 months or less, or
(ii) a part-time employee.

Mr. CARON: Was it not six months before?

Mr. MCILRAITH: That is a different definition from the one that existed years ago.

Mr. FLEMING: This one dates from 1955.

Mr. MCILRAITH: Yes.

Mr. TAYLOR: In the older days, prior to 1953, there was a very sharp distinction between the so-called permanent and temporary employee. We had employees working for 18 to 20 years, but they were still temporary.

Mr. MCILRAITH: There was one in the printing bureau who worked for 48 years.

Mr. HICKS: Then there were the inside and the outside services. What was the distinction there?

Mr. TAYLOR: That goes back to before my time in the public service. The outside service included the customs people.

Mr. BELL (*Carleton*): And directors of experimental farms.

Mr. TAYLOR: Were they outside service too?

Mr. HICKS: What about the widow's benefit? What is it?

Mr. TAYLOR: The widow's benefit is 50 per cent of her husband's pension. If she remarries, the pension is suspended. However, should she become a widow again, her pension is resumed.

Mr. ROGERS: This has nothing to do with this act, but it concerns a group of people who were retired after the war, prior to 1954, I would say, where their wages were frozen during the war. They were given the cost of living bonus, which was not included in their superannuation.

Mr. TAYLOR: There were a number of permanent employees who, during the war, took on major added responsibilities, and who were given what were called terminable allowances of $500, or $1,000, or, in some circumstances, $2,000 a year. But that was never regarded as part of their salary, and they paid no contributions on the terminable allowances, and they were not included in the estimate of their average salary for pension purposes.

Mr. ROGERS: That is quite correct. But there was such a group who worked all during the war, when their wages were definitely frozen; whereas under ordinary conditions they would have had increases. As a consequence their superannuation was quite small. It was not just a little group; there were quite a number of them.

Mr. TAYLOR: That was unfortunate.

Mr. ROGERS: Yes, they were unfortunate, and I do not think they were played with quite squarely.

Mr. TAYLOR: Those in the civil service of course were covered by the act, to which Mr. Fleming referred in his remarks.

Mr. ROGERS: This was prior to 1954.

Mr. FLEMING (*Eglinton*): The people who received the benefit from that were those who retired in 1953, or in earlier years; and those who derived the maximum benefit under that act were those who had retired prior to

a succession of salary increases which occurred after the war. Those are the ones who got the maximum benefit out of the legislation to which Mr. Rogers referred, Mr. Chairman.

Mr. CHAIRMAN: In looking over the act I notice section 12-(2) provides that in the case of a widow who remarries, her pension would be suspended. That seems like a rather strange clause to have there. What is the purpose of it?

Mr. TAYLOR: Under the act prior to this, when a widow remarried, her pension ceased, and it was never resumed. She lost it in perpetuity. In 1953 the act was amended so that her pension was merely suspended on remarriage and could be resumed if she once more became a widow.

Mr. FLEMING (*Eglinton*): The effect of this, Mr. Chairman, is to make persons in the public service desirable spouses.

Mr. BELL (*Carleton*): Are we sure that is the case; or is it the promotion of living in sin?

Mr. MCILRAITH: There is a curious provision in 12 (2), that the pension is suspended in the event of remarriage, and then it is resumed in the event of the death of her husband by that marriage. It is not resumed, in the act, as I read it, in the event of the second husband moving out and failing to pay maintenance: it is only in the case of death that it is resumed. There is a very practical difficulty.

Mr. BELL (*Carleton*): That is a very practical matter.

Mr. MCILRAITH: It is one that arises from time to time.

Mr. FLEMING (*Eglinton*): Parliament, when it so legislated, intended, I suppose, that widows of deceased civil servants should be very careful in remarrying.

Mr. MCILRAITH: No; I think it was pure oversight. I am not aware of its being raised in the committee when the change was made. The point was not thought about. There have been some cases, regrettably, where the problem has arisen since.

I would ask the minister if he would have the officials take a look at the case, as it were. There is abandonment of the widow—and there have been some real hardships.

Mr. ROGERS: That might make them too independent, Mr. Chairman.

Mr. MCILRAITH: Well, there is a problem there.

Mr. TAYLOR: I can see a problem in the case of divorce, if there is no alimony.

Mr. MCILRAITH: Desertion of the wife by the husband, and no way of recovering alimony.

The CHAIRMAN: Are there any other questions?

Mr. RICHARD (*Ottawa East*): What is the rate fixed for children now, Mr. Taylor?

Mr. TAYLOR: It is one-fifth of the widow's pension per child.

Mr. RICHARD (*Ottawa East*): With a maximum of?

Mr. TAYLOR: With a maximum of four; so that if she has more than four children, she still gets only 90 per cent of what she would have been paid had the father remained living.

The CHAIRMAN: It is double that in the case of orphans, is it not?

Mr. TAYLOR: In the case of orphans, it is doubled if both father and mother are dead.

Mr. MORE: Is there any change in this act with regard to the earnings a pensioner can make if he does temporary work for the government?

Mr. TAYLOR: Yes. Under the present act, if a retired employee works for the government his pension is reduced, or suspended on the grounds that his earnings plus his pension cannot exceed his terminal pay; and that is worked out on a daily rate.

Mr. MORE: I know all about that. I want to know if there is any change.

Mr. TAYLOR: Under the amendment here, it will be put on a quarterly basis.

Mr. FLEMING (*Eglinton*): The change that Mr. Taylor is describing is made in the Civil Service Act, and in the Public Service Superannuation Amendment Act. I touched on that in introducing the Civil Service Act.

There is one provision that bears on it in this bill; but the principal provision to which Mr. More is directing his thought, Mr. Chairman, may be in the other bill, the new Civil Service Act. That has become a quite complicated and difficult situation, and I think that on analysis you may come to the conclusion that we come up with a quite workable provision there.

The provision under this act is in section 11, page 11. I think this is the principal provision that you had in mind about reemployment for these temporary periods. We had a number of cases, as you know, of persons whose service was very valuable: for instance, in the post office, in the Christmas rush period.

Mr. BELL (*Carleton*): I confess that I am a little confused at the moment by the situation, having had some knowledge of both acts. My understanding was that section 11 of this bill did, in effect, succeed, without the Civil Service Act, in doing what Mr. More had in mind. I may be wrong in that; but certainly it goes a long distance, does it not?

The CHAIRMAN: Section 11 of the bill?

Mr. BELL (*Carleton*): Section 11 of the present public service superannuation bill.

Mr. TAYLOR: The new bill, yes.

Mr. BELL (*Carleton*): I was under the impression that section 11 did succeed in dealing with these seasonal and, generally speaking, short-term reemployment people, even without the intervention of the provisions of the Civil Service Act itself.

Mr. FLEMING (*Eglinton*): This provision in section 11, the one to which I referred, puts this situation on the three-months basis.

Mr. BELL (*Carleton*): Yes.

Mr. FLEMING (*Eglinton*): At present a calculation is required in the case of each day of reemployment of an annuitant and his pension is suspended or reduced for the day if the corresponding rates of reemployed pay plus pension is greater than his final rate of pay before going on pension. The sum of the first two cannot exceed the third if he is to receive any pension while reemployed.

This provision has created considerable hardship in the case of comparatively short-term reemployment such as in the postal services at Christmas. The new provision will eliminate cases of this type by making a comparison of the same three factors but related to the amount earned through reemployment in each quarter of the year and the pension and final salary before retirement for the same length of time.

To give a practical example: a person who from October 1 to December 31 received $150 for some work and had retired from a position with a salary of $3,600 per annum—which would be $900 for those three months—on a pension of $1,800—which would be $450 for three months—would have no

reduction in his pension since the $150 plus $450 was less than $900. He could, in fact, earn up to $450 in that three-month period before his pension would be reduced.

Mr. MORE: Just to clear one point in my mind: I have a very pertinent case in mind, and I do not know of anybody more valuable at Christmastime to the post office than a retired post office clerk who takes the job. They work night and day to get the Christmas rush out. This man earned about $84, and had to refund $26; and he ended up making about 62 cents an hour for his work in those rush times. To me, it was absolutely ridiculous, although it was under the terms of the act.

What is the basic reason? They can take employment outside the government service full time and still get their pension, can they not?

Mr. FLEMING (*Eglinton*): That will be corrected, I think you will agree, by this measure. I presume the theory of the present legislation is that a man should not have the benefit of superannuation, the assumption being that he is retired, and at the same time enjoy a substantial salary for service rendered, if he goes on working in a different capacity from that in which he was working prior to retirement.

Mr. TAYLOR: I think this applies in all pension funds. If you are working for a steel company and retire on pension and come back to work your pension ceases so long as you are working for the steel company. If you are retired from the steel company and want to work for somebody else it is all right.

Mr. BELL (*Carleton*): Am I not correct in stating that section 11 commends itself to the Postmaster General in relation to the particular matter, and that he now believes this will remedy the rather difficult situation of which Mr. More speaks at the Christmas rush season.

Mr. FLEMING (*Eglinton*): Not only the Postmaster General but all members of the government entertain that view.

Mr. MORE: I am very happy to know that.

Mr. MCILRAITH: I have another problem concerning the contribution made by veterans of the second war and what seems to be a discrimination between one group and another. I am somewhat perplexed as to how to state the case. I find it rather complicated. Perhaps it would take less time in the end if I read the particular case I have in mind. I will leave out the names, of course.

We have the case of a civil servant employed as a clerk with the national harbours board during 1940 up until enlistment in the active force in 1942. He served in the active force and then came back into a regular civil service department. He came back into the Auditor General's department; I imagine he would a regular civil servant. So that it was continuous service of employment from before the second war except for the break for war service. The problem arises in this way: the certificate of permanent employment would come after the re-employment in the Auditor General's department. At that time the opportunity was given to elect for the war service. However, because he was not a civil servant under the act as it was set up, since he was employed in the national harbours board he would have had to pay the double contribution for the war service for the war period, that is 11 per cent instead of 5½ per cent as was the case with veterans who were regular civil servants in regular departments. Naturally, he could not pay that. The case as I have stated it so far would mean he would have had to pay $1,380 as a lump sum contribution in order to pay up that war service period. It would have been just half that if he had paid the single rate. It would have been less than that, because it would have been on the rate prior to enlistment—5 per cent of $720, because he was a clerk grade 1.

Mr. FLEMING (*Eglinton*): I think the answer really is very simple. The difficulty obviously is that at the time he was serving with the national harbours board, employees of that board did not fall within the scope of the provisions of this act. I think they were brought in in 1956.

Mr. MCILRAITH: 1953.

Mr. FLEMING (*Eglinton*): Yes, 1953, and the legislation was not retroactive. Consequently, he did not acquire status under the act in respect of his service with the harbours board prior to enlistment.

Mr. MCILRAITH: It is not quite as simple as that. In 1953, the national harbours board was brought under the superannuation act in the same way as other civil servants, and the civil servants then were given a right to elect to count their war service. It was opened up again. Although this election took place while he was a regular civil servant he was barred from electing to pay on a single rate basis even though it was his first opportunity to pay at the less costly computation, and those who had elected to pay double were able to do so and were refunded their portion. This man—and there were others—was not. It seems like an anomalous situation. I am convinced it is not quite as simple as the answer of the minister indicates. I would like permission from the committee to turn the actual case over to the officials so that they could have a look at it. It seems to me there is a complication in this which should be looked at. We could have the answer at a later date.

The CHAIRMAN: I think that would be the best idea.

Mr. MCILRAITH: I am told there are a few other veterans who are in the same situation.

The CHAIRMAN: Is it agreed that Mr. Taylor or Mr. Clark look into the problem.

Agreed.

The CHAIRMAN: There is also a problem here raised by Mr. Eric Nielsen, M.P., from the Yukon on second reading of the bill. It regards the injustice—if I may use that word—to civil servants as a result of administrative or clerical errors. He cites a couple of instances in which applications were made for election and the forms were lost in the mail, or something of that nature. I wonder also if you would look into this.

Mr. TAYLOR: If Mr. McIlraith will give us the information, and also Mr. Nielsen, we will be glad to look into the details of each case.

The CHAIRMAN: Mr. Nielsen's case is set forth in *Hansard* of June 27, at page 5439. I do think it is something which should be looked into carefully.

Mr. FLEMING (*Eglinton*): There is a provision in this bill which deals with the manner of making an election. It is clause 5. In this respect it is intended to give those in charge of the administration of the act more scope than exists under the present statute for dealing with some of these cases where the election was made quite informally. Without recalling specifically the case to which Mr. Nielsen made reference in the house, I think the type of case he had in mind is one which clause 5 is designed to give power to deal with. In other words, it is a power to overlook some of the informalities or shortcomings in the form of the election which have defeated claims under the old legislation.

The CHAIRMAN: I think the case cited by Mr. Nielsen is a matter of time. Apparently in one situation the civil servant had made his election, completed the form, mailed it in, and it was lost in some way and did not reach the department in time. As a result the man lost his right to elect. The suggestion is that it was just a matter of a clerical error and that it is a shame some relief could not be found for a case of that nature.

Anything else?

Mr. RICHARD (*Ottawa East*): Mr. Chairman, my only plea—and I suppose it is not good actuarially, or whatever you call it—is this: I have always felt that notwithstanding anything in the act, we should have some provision that no civil servant should be retired without a minimum pension. Now, I suppose that would require to find out what is the minimum pension at which a civil servant can retire now. But until he could have the benefit of the old age pension, no civil servant should be retired without receiving at least a minimum pension, whatever that amount may be, whether it is $100 or $150.

I think it is a blight on the government, generally—it has been and it could be in a future—when civil servants find themselves retired with a pension which is too small to see the individual through until he reaches the age where he can be a beneficiary under the Old Age Pensions Act. I have often wondered whether that matter has been considered along with the rest of the more sound provisions of the act—whether this country should not see to it that its employees should have a minimum benefit under the act, notwithstanding any provisions of calculation that we have in it.

Mr. FLEMING (*Eglinton*): Of course, Mr. Chairman, that would have to be related to the period of service. Five years' service is required now under the act for this purpose, but whether there would be a case for a minimum pension, some arbitrary sum named as a minimum, I think it would have to be related to the period of service. You might find someone entering the public service at a relatively advanced age, by comparison with civil service standards. I think it would be very difficult to lay down a firm rule applicable to all cases, regardless of length of service.

I must say, when we studied the situation three years ago, and up to two years ago, in relation to the civil servants who had retired, we found that a great many of those who had retired on what looked like the most shockingly small pensions were persons whose period of service in the public service had been very brief. For that reason, it is very hard to draw firm conclusions, unless you have a complete record of service in the type of case in question.

Mr. RICHARD (*Ottawa East*): Is there any age limit that a civil servant can be taken on?

Mr. TAYLOR: No, there is no legal limit. The normal retiring age is 65, of course. A civil servant may, at his own option, retire on immediate pension after age 60, provided he has five years' service. If he only has five years' service he receives a pension at 10 per cent of his salary received over three years.

Mr. RICHARD (*Ottawa East*): You do not usually hire people over, say, 45 years of age?

Mr. BELL (*Carleton*): Quite frequently.

Mr. TAYLOR: Yes, for instance, we have taken on messengers up in their middle fifties, and they have put in ten or twelve years.

Mr. MCILRAITH: The Auditor General.

Mr. TAYLOR: There is quite a large number of civil servants who are taken on at 50, or 55 years of age.

Mr. MCILRAITH: Some of these very low pensions arise from the abolition of the posts, and some very young persons were entitled to superannuation by reason of the abolition of the position. That affected many in the Department of the Interior.

These returns that were tabled—giving the amount of the superannuation, where they were small amounts shown—might include two groups of people: some very young persons who were drawing that small amount of superannuation and worked at other occupations outside the public service for a

great part of their life; and also people who retired at an advanced age and suffered real hardship and had a very genuine claim of the government. They were all mixed up together in the table of statistics.

Mr. TAYLOR: A fairly important change in the 1947 act was to provide for deferred pensions at age 60. If a person has had more than five years' service, say, 15 years' service, and at age 40 retires from the public service to take a job elsewhere, he gets a deferred pension at age 60, in the amount earned up to his date of resignation. It is not payable until he reaches his 60th birthday, but if he dies in the meantime his widow gets half.

Mr. MORE: Is that by election?

Mr. TAYLOR: It is by election. If he wants to he can take cash. A large number of the younger ladies who have had six or seven years' service and leave to get married almost invariably—though it might be sensible to take the deferred pension—prefer cash, and they take their money back when they leave.

Mr. BELL (*Carleton*): Mr. Chairman, we have not really mentioned tonight the improvements in the supplementary death benefits, and I think while the minister is here we should have just a word about those improvements. At the present time I think a large number of civil servants receive no benefit from the supplementary pension benefit plan. Under this new provision there will always be available a wind-up fund which will be of very considerable advantage to all civil servants. I wonder if the minister would like to say a word on that?

Mr. FLEMING (*Eglinton*): I really should have mentioned this feature of the bill when I spoke earlier, Mr. Chairman, because I think it is a noteworthy element in the bill. Mr. Taylor has referred to this diminishing death benefit that became available, for the first time, in 1955. It disappears at age 70. It begins to reduce at the rate of 10 per cent per annum after age 60, and at age 70 it has disappeared entirely. This can conceivably result in inequities and in hardship in the case of some persons who may have nothing left to them by way of capital to take care of the expense of serious illness or to make any provision for burial after they have departed this life.

This provision that is made in the bill will provide a credit for a paid-up $500 death benefit as part of the overall benefit protection. That will become available on the 65th birthday of those who qualify, whether the individual concerned is an employee or a pensioner at that time. The cost of this benefit will be borne entirely by the government. It is estimated the change will involve an additional expenditure of about $1½ million in the first full year, and approximately $500,000 annually thereafter, and that sum will increase with the growth in the number of participants.

Mr. RICHARD (*Ottawa East*): Mr. Fleming, has any further consideration been given to allowing civil servants to withdraw their pensions after 35 years service regardless of age?

Mr. FLEMING (*Eglinton*): No, I cannot say that any further consideration has been given to that matter.

Mr. RICHARD (*Ottawa East*): Is there any objection to that?

Mr. FLEMING (*Eglinton*): I think you will see that if you examine it very carefully in relation to its effect upon the actuarial elements of the fund.

Mr. TAYLOR: I should say, Mr. Richard, that after 35 years a participant pays no more pension contributions. If a participant has 35 years service he ceases to pay the 6½ per cent, but he will still receive the benefit of the best six years rule, which is substantial benefit if his salary continues to increase after his 35th year.

Mr. FLEMING (*Eglinton*): In other words you cannot lose at that point. You will gain with the increase in salary and the benefits of this act result in reducing the basis of calculation from ten years to the best six consecutive years.

Mr. ROGERS: An individual could lose if he died. His wife would only get half of it.

Mr. TAYLOR: She does not have to feed him!

Mr. ROGERS: No.

The CHAIRMAN: At the moment, though, a civil servant with 35 years service can retire at age 60?

Mr. TAYLOR: Yes: Any civil servant can retire, at his own option, with immediate pension at 60 years of age.

Mr. CARON: Does this apply only after 35 years service?

Mr. TAYLOR: No, if the civil servant has 20 years service and is aged 60, he can retire with a pension of 40 percent of the relevant average salary.

The CHAIRMAN: He must have 35 years in order to receive his full pension?

Mr. FLEMING (*Eglinton*): He must have 35 years service in order to receive the maximum pension.

Mr. MORE: Does that apply even if he is not 65?

Mr. TAYLOR: He must be 60 years of age.

Mr. MORE: But he would receive full pension if he had 35 years service?

Mr. TAYLOR: If the civil servant had 35 years service and had reached age 60 he could retire with the maximum pension of 70 per cent of his average salary.

Mr. MORE: But that is not his full pension?

Mr. FLEMING (*Eglinton*): Perhaps we should say his "maximum" pension. Full pension does not mean full pay, but 70 per cent, which is the maximum.

Mr. MORE: I misunderstood you. I thought you were referring to the best six years average salary.

Mr. FLEMING (*Eglinton*): You take the maximum years service at 35 and multiply that by two, and apply that now to the best consecutive six year average salary.

Mr. MORE: Mr. Chairman, just for information, perhaps Mr. Taylor could tell me if there are many pension plans where the eligibility is 5 years and the pension is based on the six best consecutive years of salary?

Mr. TAYLOR: Pension plans vary tremendously from corporation to corporation. I think all that I can say is that the public service superannuation pattern, taken as a whole, is one of the best and most generous pension plans for the rank and file of employees that there is in this country.

Mr. MORE: I was of the opinion that most pension plans, after 10 years service, make pensions eligible on the basis of 10 consecutive years. That was the basis I understood was used. It seemed to me that was the pattern.

The CHAIRMAN: Mr. Taylor, I was interested in the price of 40 cents a thousand. That seems very cheap. How would that compare with the price of insurance policies?

Mr. TAYLOR: At the time when this was worked out we had figures based on the Department of Insurance surveys. This is a little like fire insurance. It was pure insurance up to a certain age, and with the present expectation of life, as somebody remarked a minute ago, a fairly high proportion of civil servants would get nothing out of it.

The CHAIRMAN: It is the same as term insurance?

Mr. TAYLOR: Yes. When I appeared before the committee that considered that bill six years ago this point was raised. The point raised then was that this insurance is insurance against what you might call premature death. If you never collect anything I would say you are very lucky.

Mr. BELL (*Carleton*): That, of course, raises a question, Mr. Chairman, that perhaps Mr. E. E. Clarke would like to comment on. I am wondering if the development of present-day antibiotics will wreck the whole superannuation fund.

Mr. E. E. CLARKE: The improvement in mortality is looked into as time goes on. When we made our calculations we allowed some margin for the improved mortality over the last 10 or 20 years. Mortality among civil servants has improved tremendously in respect of both those who retired on disability and otherwise.

Mr. BELL (*Carleton*): As a result of improved mortality, in your actuarial calculations, you have allowed a margin?

Mr. E. E. CLARKE: We have taken into account that there will be some improvement in mortality, yes.

Mr. TAYLOR: That is one reason why we provided in the last act for quinquennial actuarial surveys. Prior to that time actuarial surveys were made spasmodically. There were no regular surveys. In the present act we are required by law to submit actuarial reports every five years.

As Mr. Clarke says, in making the actuarial appraisal in the past five years the actuaries have taken into consideration a reasonable extension of life expectancy in the light of experience over the past 15 or 20 years.

Mr. MCILRAITH: The actuarial report, as I recall it, was made a year ago. Was there any reason why it was not tabled, or is it required to be tabled?

Mr. FLEMING (*Eglinton*): This present report was dated August 21, 1959. I will just check to see what date it was received, but it was considerably later than that. It was received some time during the present session. That is when it reached my hands.

The CHAIRMAN: Perhaps we could have this report printed as an appendix to our evidence, because it gives a very good summary of the provisions of the act. Would that be agreed?

Some HON. MEMBERS: Agreed.

Mr. BELL (*Carleton*): I do not want to be too treasury minded, but do we need to have this printed, in view of the number of copies which are available, Mr. Chairman?

The CHAIRMAN: That is a good point, Mr. Bell.

Mr. FLEMING (*Eglinton*): There are 40 pages to it, Mr. Chairman.

Mr. RICHARD (*Ottawa East*): I do feel it is important to distribute this report to the different associations who are interested in it.

Mr. FLEMING (*Eglinton*): There are mimeographed copies available now to anyone who wants it. It will be quite a printing job in view of there being 40 pages.

Mr. MCILRAITH: The Minister of Finance will be familiar with the changes in the orders of the day, and I think that will take care of this pretty well.

The CHAIRMAN: The cost of printing will be high, in view of the fact that there are 40 pages.

Mr. MCILRAITH: I hope the Minister of Finance has noted that change in the new orders of the day. Are you not aware of any change in them?

The CHAIRMAN: Mrs. Casselman and gentlemen, before we adjourn, may I say that we will be meeting again at 2.30 on Thursday afternoon, and if anyone has any special points he would like to have Mr. Taylor or Mr. Clark deal with, it might help if you raise them now so they will be ready to deal with them.

The other thing I wanted to do at this time is to compliment the members of the committee on their turnout. We are only two or three short in our total number and this, to me, shows the interest that everyone is taking in this act and the amendments to it.

Mr. BELL (*Carleton*): Do not mention to any Irishman the number we now have here.

Mr. FLEMING (*Eglinton*): Mr. Chairman, this is a very special committee.

Mr. CARON: Mr. Chairman, will we hear the representatives of the different associations, starting on Thursday?

The CHAIRMAN: Starting Friday morning, at 9.30.

We are meeting again at 2.30 on Thursday, and we hope to have Mr. Taylor, Mr. Clark and some other officials of the department with us to answer any questions on the act or the amendments set forth in the bill.

Mr. MCILRAITH: If any of the associations happen to be ready on Thursday, it might be possible to have them at that time.

The CHAIRMAN: That sounds like a good idea to me.

Mr. CARON: Because our other work may be very short on Thursday.

The CHAIRMAN: If it is agreed, I will contact the presidents of the different associations, and we could hear those that are ready on Thursday afternoon.

Mr. CARON: I think we would be able to proceed much faster with the bill if we heard them first. I think we could close it within one meeting.

Mr. FLEMING (*Eglinton*): Mr. Chairman, I think it has been found to be better to hear representations of that kind before the committee addresses itself to the clauses of the bill.

Mr. CARON: And, in that way, we could proceed much faster.

The CHAIRMAN: Would you like us to start on Thursday?

Mr. MCILRAITH: Well, perhaps, we better stick to Friday.

Mr. HICKS: Another point, Mr. Chairman, is that the faster we get through with this and it gets Royal Assent, the sooner some of the civil servants will start getting the increases in pensions.

The CHAIRMAN: Have you any objection to that, Mr. McIlraith? If not, and if any of the staff associations have their briefs ready, we will meet for that purpose on Thursday.

HOUSE OF COMMONS

Third Session—Twenty-fourth Parliament

1960

SPECIAL COMMITTEE ON

Public Service Superannuation Act

Chairman: Mr. R. S. MacLellan

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, JULY 7, 1960

Bill C-76, An Act to amend the Public Service Superannuation Act.

WITNESSES:

Representing the Professional Institute of the Public Service of Canada: Mr. W. H. Marshall, President; and Mr. J. G. Fletcher, Member of the Superannuation Committee.

Representing the Civil Service Federation of Canada: Mr. Fred W. Whitehouse, President; and Mr. L. E. Wismer, Finance and Research Adviser.

Representing the Civil Service Association of Canada: Mr. J. C. Best, National President; and Mr. T. F. Gough, National Secretary-Treasurer.

From the Department of Finance: Honourable Donald M. Fleming, Minister; and Mr. Hart D. Clark, Director, Pension and Social Insurance Section.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

23452-6—1

SPECIAL COMMITTEE ON
PUBLIC SERVICE SUPERANNUATION ACT

Chairman: Mr. R. S. MacLellan

and Messrs.

Bell (*Carleton*),
Campeau,
Caron,
Casselman (Mrs.),
Hicks,
Keays,
MacRae,
McIlraith,
More,
Peters,
Richard (*Ottawa-East*),
Rogers,
Smith (*Winnipeg-North*),
Tardif.

(Quorum 8)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, July 7, 1960.
(3)

The Special Committee on the Public Service Superannuation Act met at 2.30 p.m. this day. The Chairman, Mr. R. S. MacLellan, presided.

Members present: Mrs. Casselman and Messrs. Bell (*Carleton*), Caron, Hicks, Keays, MacLellan, MacRae, McIlraith, More, Richard (*Ottawa East*) and Rogers.—11.

In attendance: From the Department of Finance: Honourable Donald M. Fleming, Minister; Mr. Kenneth W. Taylor, Deputy Minister; Mr. H. D. Clark, Director, Pension and Social Insurance Section. *And also:* Mr. E. E. Clarke, Chief Actuary, *Department of Insurance. Representing the Professional Institute of the Public Service of Canada:* Mr. W. M. Marshall, President; Mr. H. Schwartz, Director; and Mr. J. G. Fletcher, Member of Superannuation Committee. *Representing the Civil Service Federation of Canada:* Mr. Fred W. Whitehouse, President; Mr. L. E. Wismer, Mr. E. Keir Easter; Mr. W. Girey; Mr. D. Patterson; and also the following delegates: Mr. M. J. Fitzpatrick, NUICA; Miss E. Rintoul, NUICA; Mr. W. Hewitt-White, DVAENA; Mr. G. Côté, CPE; Mr. R. Otto, CPE; Mr. J. M. Roney, TSA; Mr. J. Mercier, FPWEA; Mr. K. Green, NDEA; Mr. J. A. Mayer, NRCEA. *Representing Civil Service Association of Canada:* Mr. J. C. Best, National President; Mr. T. F. Gough, National Secretary-Treasurer; Mr. Victor Johnston, Adviser.

The Committee resumed consideration of Bill No. C-76, An Act to amend the Public Service Superannuation Act.

Mr. Marshall was called; he introduced his associates and then made a brief opening statement. Mr. Fletcher read the brief of the Professional Institute and then made a supplementary statement. He was questioned on the various paragraphs of the brief. Messrs. Marshall, Schwartz and Fletcher were thanked and permitted to retire.

Mr. Whitehouse was called; he introduced Mr. Wismer and then read the brief of the Civil Service Federation of Canada. Mr. Wismer and Mr. Whitehouse were questioned on the brief and other related matters. The witnesses were thanked and permitted to retire.

Mr. Best was called; he introduced Messrs. Gough and Johnston. The brief of the Civil Service Association was then read by the President. The representatives of the Association were questioned on the contents of the brief. The witnesses were thanked and permitted to retire.

At 5.00 p.m. the Committee adjourned until 9.30 a.m., Friday, July 8, 1960.

E. W. Innes,
Clerk of the Committee.

23452-6—1½

EVIDENCE

THURSDAY, July 7, 1960.

The CHAIRMAN: Ladies and gentlemen I see a quorum.

I think we can get under way. We are still considering C-76, an act to amend the Public Service Superannuation Act.

We have briefs from the professional institute of the public service of Canada, the civil service association of Canada, and the civil service federation of Canada. This afternoon we expect representatives from these organizations to appear before us.

I am going to ask the representatives of the associations to come forward in the order in which arrangements were made with me for their appearance here this afternoon. I would like to thank them very much for the extra work they have done in order to have their briefs ready for this afternoon, in order to expedite the work of the committee because we all are hoping to have this bill reported to the House as soon as possible.

This afternoon our first witness will be from the professional institute of the public service of Canada. He is Mr. W. M. Marshall, president. He has a few opening remarks, and he will be assisted by Mr. Fletcher, who will present the brief on behalf of the institute.

Mr. Marshall, please.

Mr. MCILRAITH: Before you call Mr. Marshall, Mr. Chairman, members of this committee I think all have copies of the brief, but the members of the press do not. Are there enough copies conveniently available so that the members of the press may have them, or could they be made available?

The CHAIRMAN: The clerk will make copies of the briefs available to anyone who does not have one now.

Mr. W. M. MARSHALL (*President of the Professional Institute of the Public Service of Canada*): Mr. Chairman, Mr. Minister, hon. gentlemen, I am not here as an expert. I am not an actuary; I am an engineer; so I am afraid some of the figures that will be presented to you are beyond my comprehension. I am going to leave this to the experts from my organization, and principally Mr. Fletcher, who will carry the ball for me.

Our institute has been fortunate in having continuous study of superannuation and retirement matters over a long period of time, so that we were not completely unprepared, when the bill was introduced, to give it a fast scan and to come up with some suggestions that we believe will be useful. We know that the members of this committee are too busy to give a careful and detailed study of all the background that is tied in with a bill of this nature. We believe that those of us who are so close to this matter can give you gentlemen a great deal of useful information, and perhaps a new slant here and there.

After a long study we have concluded that, in general, we like the bill, but we have exceptions which will be brought to your attention by Mr. Fletcher.

There are one or two items, which I am not going into at any length, that we find a little bit repugnant to the civil service commission, which determines the entrance and retention of civil servants, but does not give the power to determine retirement, under the act, to the superannuation people; and this I do not think, sir, belongs there. We find certain inequities in

the case of female employees as opposed to male employees. We do feel the need of a little closer liaison with the advisory committee, and we do feel that under our modern society this bill is going to go a long way to help the government to recruit and retain its employees.

Under modern conditions other good employers have schemes with which we will and do compare ours. We do hope that the government scheme will be as good as that of a good employer. This can be a powerful tool in the hands of the government, and it is far more than a beneficient fringe benefit. This is vital in the fight to develop esprit de corps in the civil service.

Thank you Mr. Chairman. I would like to introduce Mr. Fletcher to carry the ball from here.

Mr. J. G. FLETCHER (*Member of Superannuation Committee, Professional Institute of the Public Service of Canada*): Mr. Chairman, Mr. Minister and hon. members, I would like to reiterate a couple of remarks our president Mr. Marshall has made. The first is that this bill marks another step along the path the government has been following in improving the superannuation benefits for public servants. The professional institute feels that employees are in a position to see some practical matters with respect to superannuation that our employers may not. In that respect we are anxious to cooperate so that the superannuation act will be as acceptable as it may be to both parties.

In speaking on behalf of the professional institute I perhaps should say only a few things in amplification of one or two points. You have the written brief and I hope, despite your busy lives these days, you have had time to read it.

Mr. RICHARD (*Ottawa East*): I hope Mr. Fletcher intends to read the brief.

Mr. MCILRAITH: I think he should read it into the record and then he can make his remarks as he goes along.

Mr. FLETCHER: I will do that if it is the committee's wish.

The CHAIRMAN: It would seem to me that we have all had an opportunity to read this brief.

Mr. CARON: We have not had that opportunity, because other committees have been meeting.

Mr. RICHARD (*Ottawa East*): The normal course would be to have Mr. Fletcher read the brief into the record.

Mr. FLETCHER: That procedure is perfectly agreeable to me.

May I at the outset then call your attention to the fact that gremlins have been at work. I would refer you to paragraph 4 on the first page, the third line "—represented on the council". That should read "—represented on the committee".

Similarly in the first line of the next paragraph it should read "the advisory committee—".

I apologize for using the word "council" incorrectly.

At page 2, line 4—there are two additions to this brief, and one has been corrected—this should read: "this would require a contribution of 6.05 per cent—". The figure 6.5 per cent which appears there destroys the whole point of the paragraph. It should continue to read: "—matched by 6.05 per cent".

Paragraph 1 of the brief contains a kind word because the professional institute appreciates the improvements that have been introduced by bill C-76, some of which we, in concert with other associations, have recommended, and on that score the government has our appreciation. Paragraph 2 deals with the matter of who decides when an employee retires.

Mr. RICHARD (*Ottawa East*): Mr. Chairman, I think Mr. Fletcher should read the brief.

Mr. BELL (*Carleton*): I think we should have a decision as to the technique that is going to be followed. Either this brief should be read fully, or it should be made part of our record and commented upon. My own reaction is that it would be sufficient if it were made part of our record at this stage, and Mr. Fletcher could comment upon the highlights of it; but there is no use having a brief in front of us and Mr. Fletcher departing entirely from the actual document.

The CHAIRMAN: What is your wish in that regard?

Mr. MCILRAITH: I think we will make better progress if we have the brief read right into the record. We then have it on the record for discussion and for reference in the future. Mr. Fletcher could either make his comments when he finishes reading this brief, or as he goes along. It does not matter much which way he does it, but I think he should read this brief into the record.

The CHAIRMAN: I think it might be better if he read it into the record.

Mr. HICKS: I would think that is the best scheme in regard to this brief, but when I look at the other two that are coming, if we read them both into the record it is going to be quite a large record.

The CHAIRMAN: All the briefs are relatively short. I think they should be read into the record, and then comments on the highlights can follow that.

Mr. FLETCHER: As you wish, certainly.

These are comments by the professional institute to the parliamentary select committee on bill C-76.

1. The institute is gratified that progress is being made toward improving the Superannuation Act and implementing some of the institute's recommendations. The six year average, the removal of the $15,000 salary ceiling, and the provision for rectifying administrative errors are commendable.

2. The bill has ignored an important matter of principle. The decision to retire an employee is a personnel function, just as hiring, firing, and rates of pay are personnel functions. Hence the decision to retire an employee should be made by the Civil Service Commission rather than by another department of government. (Section 30-1-ad)

3. The institute considers, as previously stated to the government, that the pension plan for public servants should be amended with respect to the following matters:

(a) Female employees with dependents should be able to elect to have the same benefits for dependents as men have, subject to paying the appropriate contribution rate. The concept of equal pay for equal work is not fulfilled for women supporting dependents.

(b) For men there should be an option at retirement to take a smaller pension for himself in return for the continuation of more than 50 per cent to his widow. Such option being the actuarial equivalent of the standard pension, the cost of the option is nil.

(c) The pension to widows should not cease at remarriage. The present provision makes a widow's pension subject to a specific means test. Any other benefit left to her by her husband does not cease on remarriage.

(d) The reduction or loss of pension on conviction of an indictable offence means that the employer is imposing a penalty in addition to the penality imposed by the courts of law. Such should not be the prerogative of an employer. (Sections 30(i)(u), 2(g) and Regulation 29)

(e) Dismissal for misconduct results in loss of some or all pension earned. It does not seem proper that pension earned during good conduct should be forfeited. There is one penalty in loss of employment. There should not be two penalties.

4. The institute considers that improvements could be made with respect to the advisory committee (Section 29) so as to ensure that employee associations are represented on the committee. Each staff association should have the privilege of submitting a nomination for consideration by the national joint council.

Mr. CARON: When you speak of section 29, do you mean the old act, or the proposed act?

Mr. FLETCHER: I mean the old act, sir.

The advisory committee might well act as an appeal board in matters of superannuation. In this respect members representing staff associations should be allowed to consult with their respective associations, and the proceedings should be public.

5. The Institute does not object to an increase in contribution commensurate with an increase in benefits. Although the government has stated that the increase in contributions is solely for the purpose of covering the increased benefits, the Institute is not satisfied that the proposed increase in benefits justifies an increase of 8⅓ per cent in the rate of contribution, from 6 per cent to 6½ per cent.

The salary pattern disclosed by the last quinquennial valuation December 31, 1957 indicates that the change to six-year average for computing pension will, in general, mean an increase in pension of 0.9 per cent for a man retiring at age sixty-five. This would require a contribution of 6.05 per cent matched by 6.05 per cent from the government. However, there are retirements younger than sixty-five for which the pension increase is proportionately larger, and there are benefits to some widows whose husbands died young which are increased more than 0.9 per cent by the six year average. Over the entire range of actual benefits, the total cost of changing the average is probably not more than 0.2 per cent, or 0.1 per cent from contributors and 0.1 per cent from the government. No doubt the government could tell the committee the figure they have calculated.

The institute observes further that the armed services contribute 6 per cent for superannuation that begins in most instances at ages substantially younger than for public servants. It costs a lot more to retire a person at age 50 or 55 than at 60 or 65. If public servants are required to contribute 6½ per cent, the disparity will be widened between their benefits and those of the armed services, who, incidentally, have been on a six-year average for some years.

6. With respect to part II of the act, the death benefit, the bill is a disappointment. This part, which provides group life insurance, provides benefits much below the level of "good employer" practice in industry because of the $5,000 limit. The common criterion for group insurance is one year's salary. In 1960, the $5,000 limit is considerably below one year's salary for a substantial number of public servants. The recent valuation report shows that the employees' contribution rate of 40 cents a month per thousand insurance covers the claims. Consequently, the government contribution is building up a contingency fund as the valuation report advises should be done. If the limit of insurance is raised, it is true that the claims will be larger and that the government will have to contribute one-sixth of the larger claim amount.

However, this increase in contribution by the government will, for at least the near future, not be needed to pay claims but will remain to build up the contingency fund.

It should be noted also, that "good employers" in business and industry pay about half the cost of group life insurance.

The Institute feels that it is important to provide life insurance during the early working years. While his family is young and he is getting established, a man's need for life insurance is greatest and the means of providing the insurance are the least. Thus group life insurance is a valuable and inexpensive insurance to have. It would be a decided benefit to public servants to have insurance of one year's salary without limit, and the benefit would cost the government very little.

With respect to the deficiencies of part II, the evidence of the Superintendent of Insurance, Mr. K. R. MacGregor, before the Standing Committee on Banking and Commerce in 1954, is still valid. In answer to the question "You might just point out the chief ways in which this differs from the typical group insurance plan", he said—

> The amount of insurance, more particularly in the highter salary brackets, is lower in this case. The usual rule is to restrict the amount of group insurance to about one year's salary, but usually there is a higher upper limit, perhaps $15,000;.....

In a group as large as the public service, a commercial group life insurance plan would have a much higher ceiling than $15,000. Some crown corporations have such higher limits.

7. Referring to section 26 of the bill: This states to whom the death benefit will be paid. The institute feels that the employee should have the right to name a beneficiary, as he would under a commercial group life insurance plan. After all, the employee is paying most of the premium for the insurance, so it is inequitable that the employer should limit the payee. There can be instances where the spouse is separated or has deserted and has no just claim to the insurance proceeds. (If a "common law" wife can benefit over a lawful wife under Part I, why not under Part II?) Provincial law requires that the insured have the right to name a beneficiary. The institute considers that this right should be granted by Part II.

8. Referring to section 20, subsection (3) of the bill, (page 17): This is an amendment of an existing provision by which death duties may be paid out of the superannuation account. It is expensive to the "successor" to make use of this provision, because under the Income Tax Act the sum used to pay death duties is regarded as a payment out of a pension plan and subject to income tax. What is needed is some means whereby the amount can be legally treated as a loan. A loan would not be subject to income tax.

With specific reference to the wording of the bill:

9. On page 9, line 2, "recipient" does not seem to be the precise word required, as the subject matter refers to calculation that must be made before any benefit is received. Perhaps "person" should be substituted.

10. Page 10, section 9: Is this intended to prevent a person from entering the service, paying for prior pensionable service, and then promptly retiring? The institute feels that the wording should be modified so as not to abrogate the employee's right to go on a pension at 60 where he entered the service after age fifty-five. As it stands, the new subsection provides more severe treatment to employees who commence government employment at an advanced age and probably have very limited resources.

11. Page 12, section 14: There may be a danger of a certificate issued by the minister becoming confused with an official statement of presumption of death issued by the courts. It seems necessary only that the minister declare that death can be presumed for the purpose of the act, as the whole matter is internal. Alternatively, the words "for all purposes of this act" in line 45 could be moved to the beginning of line 42.

12. Page 17, subsection (4): The institute feels that this valuable provision should be extended to cover cases of bad advice as to prior service for which the employee could pay and was willing to pay, and to cover possible cases of bad advice or administrative error that might arise under the Public Service Superannuation Act. Human error is still possible.

The report is dated July 6, 1960, and signed by W. M. Marshall, president.

Mr. BELL (*Carleton*): Mr. Chairman, is Mr. Fletcher going to make some additional comments at this time?

The CHAIRMAN: The brief is very lucid, and easy to read.

Are there one or two things, in particular, Mr. Fletcher, you would like to deal with more particularly?

Mr. CARON: Maybe we could go over it paragraph by paragraph, and ask him if he has any comment.

Mr. FLETCHER: There is one point not in that brief. Might I mention it in half a minute.

The CHAIRMAN: Proceed.

Mr. FLETCHER: If you refer to the first page, paragraph 3(*a*) of the brief, where it is stated we feel that female employees who are supporting dependents should have the privilege of paying an extra contribution and getting dependent benefits under their superannuation. There is a body of opinion among the married women that they should have the same continuation of pensions to their husbands as a husband has for his wife, regardless of the husband's state of health and finances.

The institute has not stressed that point in the brief, but there is a body of opinion building up among the public servants.

Mr. BELL (*Carleton*): Does the institute support that point of view?

Mr. FLETCHER: We have not put it in the brief.

Mr. BELL (*Carleton*): But, does the institute support it?

Mr. FLETCHER: Frankly, I cannot give you a direct yes or no answer. I mention the point, to bring it to the attention of the committee, because this is going to come up some time in relationships between the government and staff.

The CHAIRMAN: It might be better if, at the moment, we tried to confine ourselves to the bill, and move on.

Mr. CARON: To the brief.

The CHAIRMAN: Yes, as it affects the bill.

Mr. MCILRAITH: The point he is raising is one that should be added to the bill. It should be considered by the committee and, possibly, added to the bill, if they see fit.

The CHAIRMAN: Are there any other particular points you want to mention?

Mr. FLETCHER: I would be willing to answer questions.

I had some remarks stressing this question of the one-half per cent increase.

Mr. BELL (*Carleton*): Let us hear that. May we?

Mr. FLETCHER: That, I think, is the main item on which the staff are not quite happy or, at least, satisfied.

In casting about for what might be said on the subject, I drafted a few remarks along this line—that the institute hopes the committee will come out with a clear statement concerning the increase in contributions. We feel that the proposed increase, as stated here, is larger than accounted for by the change to a six-year average. If that is so, what does the remainder of the increase cover?

Mr. KEAYS: Have you papers to substantiate that?

Mr. FLETCHER: Absolutely. I have done some calculations on my own from the last valuation report.

Mr. BELL (*Carleton*): Might we have those figures?

Mr. FLETCHER: If you wish.

We have to speak here in terms of averages. I believe hon. members have the report of the valuation of the Public Service Superannuation Act, and on appendix 2 is set forth the general pattern of the proportion in which the salary increases by age.

Mr. MCILRAITH: What is the page number?

Mr. FLETCHER: It is not numbered; it is appendix 2 of the evaluation report. This is the pattern of salary progression that has been brought out for the public service. Keep in mind its proportions; it is not absolute salary.

Take the first column: they claim that if a young chap comes into the service at $1,000 a year, and works to 65, he will be getting $2,378, which is substantial increase over his working life. But look at the increase from age 55 to age 65, $68 on $2,300, spread over 10 years. That is not going to improve your average very much, whether you take the average between $2,309 and $2,378, or the average between $2,352 and $2,378. If you care to work it out, you will find that the increase in the average is nine-tenths of 1 per cent.

Speaking in general terms right across the board of the public service, we are being asked to pay an increased contribution of one-twelfth for a benefit which is in the order, perhaps, of one-fiftieth. Some people are going to retire younger. Take this same chap: suppose he retires at 60. In his last 10 years, which are presumably his best years, he has raised his salary from $2,234 to $2,352—$116, around 5 per cent. The 6-year average is a little better for him. If he died young and left a widow, if he died in an era where his salary is rising very rapidly in proportion, the 6-year average could be as good as 9 per cent for his widow. But there are not so many claims where you benefit 9 per cent. There are a great many where you benefit nine-tenths of 1 per cent—and somewhere in between is the average for the whole service.

Mr. BELL (*Carleton*): Where do you think that average is?

Mr. FLETCHER: I think the cost is around two-tenths of 1 per cent, in total. But I have had to work on my own. I am sure that what staff associations would like to see is a statement of the calculation on which the contribution rate is increased a total of 1 per cent, one-half from the staff and one-half from the government; and until there is a clear statement on that, I do not think the staff are going to feel satisfied. Does that answer the question?

Mr. BELL (*Carleton*): I would like to be clear on this, Mr. Fletcher. If this is a clear statement on behalf of the professional institute, that you think that for a benefit of one-fiftieth you are having to pay one-twelth—if that is a clear-cut statement on behalf of the professional institute, it is a very interesting one for the committee, I know—and it is very easily remedied.

Mr. FLETCHER: That is our opinion, sir.

Mr. McILRAITH: Would it be a fair deduction from your remarks on this that you fear, then, that the public servants may be in process of being charged for more than the benefits they will receive, and the surplus used to liquidate the deficiency, which has formerly been liquidated by contributions from the consolidated revenue fund; is that the nub of the problem we are facing?

Mr. FLETCHER: That is so.

Mr. McILRAITH: I suppose, then, that what it comes to is that we would want to hear evidence from the actuarial or other departments who deal with this, on that point. I take it that is what is involved.

Mr. ROGERS: Mr. Chairman, what has the minister to say on this?

The CHAIRMAN: I wonder if it might be better if Mr. Fletcher continued with his remarks, and at a subsequent meeting, after we have had a chance to hear from the other associations, we will have evidence then from the minister or Mr. Taylor. Whatever you wish, gentlemen. Is that satisfactory?

Agreed.

The CHAIRMAN: Perhaps you would move on to your next point, Mr. Fletcher.

Mr. FLETCHER: Might I say another brief word on the contribution rate?

The CHAIRMAN: Of course.

Mr. FLETCHER: We feel, too, gentlemen, that it may not be entirely fair to raise this contribution rate to 6½ per cent, when you compare what other government pension plans are doing.

The armed services pay 6 per cent, and they retire much younger.

To give you a brief example: if you have two chaps, one is a soldier, and he is aged 55, they retire him. His neighbour is also aged 55; he is a public servant; he has six years to go. At that point they both have earned the same pension. If there is $1,000 in the fund for the public servant, there will have to be $1,350 in the fund for the soldier—and he gets his $1,350 for 6 per cent. The public servant is being asked to pay 6½ per cent to get $1,000. We are not satisfied that it is equitable.

Mr. CARON: What is the main objection which you have to the bill as it is?

Mr. FLETCHER: There are two objections. The main one is the contribution rate, because we are not satisfied that it is all that it appears to be; and second is the insurance.

Mr. BELL (*Carleton*): On the male contribution at the present time, under the present actuarial report, there is a four-tenths of 1 per cent deficiency, is there not, Mr. Fletcher? In other words, the present cost to the male contributor is 12.4?

Mr. FLETCHER: Yes, the statement says that the fund requires 12.4; but it does not necessarily follow that the employees have to pay 6.2.

Here is a pension plan that has been going for a good many years. The women pay 5 per cent; the men pay 6 per cent.

Mr. BELL (*Carleton*): You are suggesting, then, that the women ought to subsidize the men in this, are you?

Mr. FLETCHER: No; but there is nothing that I know in black and white that says it must be shared 50-50 between the employees and the government.

Mr. BELL (*Carleton*): Well, are you seeking to import a new principle into the act, that the government will contribute more than the 50 per cent?

Mr. FLETCHER: We think the government is perhaps introducing a new principle; that whereas at present the employees pay a fixed rate and the government pays the balance, the government may be proposing to say, "We

will see what the thing costs, and then we will bill you for it"—which is contrary to general practice in the pension field.

Mr. CARON: Suppose that the study as you presented it delayed passage of the bill for a year; do you think it would be better to delay the passage of the bill as it is, and bring up the amendments you are suggesting, or pass the bill as it is and try to ameliorate it in later years?

Mr. FLETCHER: Mr. Chairman, that is a leading question.

Mr. CARON: I think it is the main question that we have to look at.

Mr. FLETCHER: I think it could be answered in five minutes by the officials of the Department of Finance. They must have had something on which to base that.

Mr. CARON: I am asking a question of opinion from the institute. Suppose the amendments, which are really serious, you are suggesting, were to delay the passage of the bill for a year; do you think that it would be better to pass it with its defects and try to ameliorate it in future years, than to wait for a year? Really, I do not like it any better than you do for those reasons; but should we delay it or pass it as it is?

Mr. FLETCHER: It would be better to wait, if necessary; but I doubt it is necessary.

Mr. CARON: Suppose it is necessary, it would be bad for those retiring at this time. They would suffer. What I am trying to get at is this; I do not want anybody to suffer, because if we have to take all these changes and some of the changes which may come forward from some of the other associations it may delay the bill for a year or more. Those retiring from today on up until the time we come forward with the new bill would suffer. I admit you have good points; but should we delay it in respect of those who will be retiring from now until the bill is passed.

Mr. FLETCHER: That is a question for the government to decide.

Mr. BELL (*Carleton*): Oh, no.

Mr. FLETCHER: As I said, I think that is a leading and unnecessary question, because I am sure the answer is available.

Mr. BELL (*Carleton*): But surely it is a very fair question.

Mr. MCILRAITH: I think the question turns on the language used in it. The question is put on the assumption that consideration of any of these points raised involves a delay of a year. The witness does not admit that. I think what my colleague is seeking to ask is this: if you had a choice between the two alternatives—pass the bill now as it is or delay it for a year in the hope of having these amendments—which would you take? I think that is the point.

Mr. CARON: Yes. Perhaps I will have to call for an interpreter.

Mr. BELL (*Carleton*): That was the way I understood it.

Mr. FLETCHER: I understood the question.

Mr. HICKS: I think the answer is that it probably depends on the age of the party you are asking.

Mr. BELL (*Carleton*): I think the witness should answer the question.

Mr. CARON: I am not pressing for an answer. If he thinks he would rather not answer, it is all right.

Mr. RICHARD (*Ottawa East*): We have just started on the first item. We want to know everything these gentlemen have to say, and then it is up to us to ask the department to give us any information. Then the committee will make its decision later. I think it would be best to let the witness go ahead. I believe it would be a good thing to ask the committee if they wish to ask

any questions in respect of paragraphs 2, 3 and 4, and go ahead with the brief, and make our own decisions afterwards.

The CHAIRMAN: Gentlemen, would you like to proceed on that basis? Are there any questions on paragraph 1 of the brief?

Mr. ROGERS: To develop the point you made a moment ago about the contribution, you are not very definite on this, are you?

Mr. FLETCHER: In respect of what?

Mr. ROGERS: That you think the present contribution is too large?

Mr. FLETCHER: No. The institute thinks the present contribution is reasonable. We are willing to pay for a reasonable increase in benefits; but we feel that the increase which this bill would bring in does not demand one-half of one per cent increased contribution.

Mr. ROGERS: It has not paid its way up until now, has it?

Mr. FLETCHER: I might put it this way: is the superannuation plan to be on the basis that the employees will contribute so much and the government will pay the rest, or is it to be on the basis that we will see what it costs and then the government will send a bill to the staff and this year we will contribute six per cent and next year perhaps seven per cent. If my premise is wrong—and I do not think it is—and the pensions cost one-half of one per cent, then of course my argument collapses; but frankly I think my argument is sound—otherwise I would not have brought it here.

The CHAIRMAN: I think the whole thing will depend on the evidence we have from Mr. Taylor.

Mr. MCILRAITH: From the actuarial people.

The CHAIRMAN: Yes.

Are there any questions on paragraph 1?

Are there any questions on paragraph 2?

Mr. MCILRAITH: Do you mean here that the civil service commission should be given control over the time of superannuation, rather than the Minister of Finance, as now is the case under section 30(1)(*ad*) in the Superannuation Act.

Mr. FLETCHER: Yes.

The CHAIRMAN: Are there any further questions on paragraph 2?

Mr. MCILRAITH: Do you happen to know when the provision was put in the Superannuation Act? Was it always there? Is it a new provision?

Mr. FLETCHER: It certainly goes back to 1954. I cannot say beyond that.

The CHAIRMAN: Paragraph 3(*a*).

Mr. CARON: You speak of the elections for benefits for female dependents. Would you give a further explanation on this? In (*a*) you say "female employees with dependents should be able to elect to have the same benefits for dependents as men have—".

Mr. FLETCHER: There are a great many more women working in the civil service today—a great many more married women—and a number of these are supporting dependents. There may be widows who are supporting children in rare cases, or there may be women supporting invalid husbands. These women would like very much to have some protection, in the event of their untimely death, that the Superannuation Act would pay an allowance to their children until they reach age 18, just as though their father had died, and would continue part of the pension to the invalid husband.

Mr. CARON: So far as the rates are concerned they should be transferred into the male rates instead of staying in the female rates.

Mr. FLETCHER: Yes.

The CHAIRMAN: Are you suggesting that the female members should pay the same contribution?

Mr. MARSHALL: Yes.

Mr. MCILRAITH: Only those with dependents.

Mr. MARSHALL: The head of the family.

The CHAIRMAN: Section 3(*b*).

Mr. CARON: Would you elaborate on this.

Mr. FLETCHER: Roughly it is a question that there may be instances where a husband prefers, due to various circumstances, that his pension should not reduce when he dies. Suppose his pension is $100 and there would be $50 to his widow. He might be given the choice: you may have $75 while you live and $75 to your widow. That probably is not the precise figure, but it would be whatever is the equivalent value.

Mr. CARON: You say that the cost of the option is nil. Have you any calculation to establish it is nil—or practically nil; I know that the word "nil" does not mean nil completely, but practically nil. Have you any calculations on this?

Mr. FLETCHER: No. It is common practice. The thing would be governed by the computation of what that adjusted pension should be. The government has the right to say that this man's pension, on that standard basis of $100 while he lives and $50 if he dies, is worth so much. Now we have got that much money. What will it provide on a last survival annuity that stays constant in amount? It is a simple and every day actuarial calculation. You take the safeguard of using mortality tables suitable to the condition.

Mr. MCILRAITH: Do you know if this particular point has been placed before the superannuation authorities for consideration in the past?

Mr. FLETCHER: It has. That is to say, the professional institute has raised the question in recent briefs presented to the government on the subject of superannuation.

The CHAIRMAN: Mr. Fletcher, could I take you back to clause 3(*a*) for a moment? It seems to me the act already provides a benefit for children of widows, does it not?

Mr. FLETCHER: Yes.

Mr. MCILRAITH: Widows of pensioners.

Mr. CARON: It is for the women working.

The CHAIRMAN: I see.

Mr. MARSHALL: When the woman is the pensioner it does not carry.

The CHAIRMAN: There is no benefit for children of a woman if the woman herself was a contributer?

Mr. MCILRAITH: That is right.

Hon. DONALD M. FLEMING (*Minister of Finance*): I do not wish to interrupt, but the committee has been given the wrong information about this. The children of widows employed in the civil service are covered by a provision of the act today.

Mr. MCILRAITH: On the 5 per cent basis?

Mr. FLEMING: In the act today. It has nothing to do with the amending bill.

Mr. MCILRAITH: In the act, if a widow is an employee of the civil service contributing for this 5 per cent, are her children given cover?

Mr. FLEMING: Yes. That is perfectly definite, and this part takes nothing away from that. I am quite sure it was not intended, but the committee has just been given completely wrong information on that point.

The CHAIRMAN: That is the question I intended to ask.

Mr. FLETCHER: I am sorry if I was off the beam there, but the invalid husband is still not covered.

Mr. MCILRAITH: Dependents other than children, is that what you mean?

Mr. RICHARD (*Ottawa East*): That is the way the brief should have read.

Mr. BELL (*Carleton*): That is a different impression than that which was left with the committee.

The CHAIRMAN: What of clause 3(c); are there any questions in particular on that?

Mr. CARON: Are they moral objections on the part of the service—
the pension to widows should not cease at remarriage?

Mr. FLETCHER: It seems to me a matter of equity. Any estate that a man leaves to his widow is hers, except an interest in his pension, and where she loses that on remarriage it does not seem quite fair.

Mr. ROGERS: She can be reinstated if she becomes a widow again?

Mr. FLETCHER: Yes.

Mr. MCILRAITH: Does it not raise the cost of the benefit through paying that?

Mr. FLETCHER: Yes, it would.

The CHAIRMAN: It would increase the cost of your contribution.

Mr. FLETCHER: Yes.

Mr. MORE: It is a fact that surviving dependents is, perhaps, one of the most costly features of the act or any act that provides a benefit?

Mr. FLETCHER: Yes, the evaluation report puts the cost at close to 3 per cent, does it not, compared to 9 per cent for the other benefits?

Mr. MARSHALL: I do not think we have the percentage of widows who remarry, which would be necessary in order to decide how much it is going to increase the cost.

Mr. MCILRAITH: I notice you have limited paragraph 3(c) to 1 point, and that you say nothing about circumstances in which the pensions is reinstated for those widows who remarry. That point was raised the other day, and perhaps we could leave it at that for now.

Mr. RICHARD (*Ottawa East*): Have you canvassed the men in the civil service to see if they would like to see their pension go to their widow if they remarry?

Mr. FLETCHER: Yes.

Mr. RICHARD (*Ottawa East*): I know an awful lot of wills in which the benefit is left to the widow until she remarries.

Mr. MCILRAITH: The clause "until she remarries" is a very onerous one.

Mr. BELL (*Carleton*): Have you calculated the additional cost of paragraph 3(c)?

Mr. MCILRAITH: I think it is death or re-marriage, whichever should first happen.

Mr. BELL (*Carleton*): Have you concluded, Mr. Fletcher, the additional cost involved in regard to the suggestion in paragraph 3 sub-paragraph C?

Mr. FLETCHER: No, I have not. This could be done from the data contained here in the actuary's report.

Mr. BELL (*Carleton*): But you have not done so?

Mr. FLETCHER: No.

Mr. HICKS: I do not know why she would marry if she did not feel that her second husband was going to keep her.

The CHAIRMAN: Gentlemen, it seems to me that this is definitely a question of cost to the fund.

Perhaps we could move on now and at a later date you could obtain this information from other witnesses in respect of the cost.

Mr. ROGERS: I do not think this is too serious.

The CHAIRMAN: Are there any further questions in regard to paragraph 3, sub-paragraph (d)?

Mr. CARON: I think there is some merit in this suggestion. There are two convictions involved for the same offence. I think there is something wrong with that idea.

Mr. MCILRAITH: That principle was introduced at the time by legislation when it was an ex gratia payment, and now it becomes a matter of right; so there is a strong argument for the removal or change of that provision in the act.

The CHAIRMAN: Are there any further questions on this sub-paragraph (d)?

Mr. CARON: Sub-paragraph (e) is the same principle.

The CHAIRMAN: Sub-paragraph (e) is the same. Perhaps we can move on then to paragraph 4.

Mr. RICHARD (*Ottawa East*): Have you any comments to make in this regard, Mr. Fletcher?

Mr. FLETCHER: I think it speaks for itself.

The CHAIRMAN: Are there any questions in regard to paragraph 5? We have already dealt pretty well with paragraph 5, or at least the first part of it. Are there any questions in regard to paragraph 5?

Have you any questions in regard to paragraph 6 then?

Mr. CARON: There is a question of life insurance involved there.

Mr. FLETCHER: Yes.

Mr. CARON: I believe that this would increase the rates. The rates would have to be increased according to the full face of the policy. I do not think $15,000 could be given at the same price as $5,000.

Mr. FLETCHER: No, but it could probably be given at the same price per thousand.

Mr. CARON: The same price per thousand?

Mr. FLETCHER: Oh, yes.

Mr. CARON: You would be willing to accept that?

Mr. FLETCHER: Oh yes, one would expect that, yes.

Mr. MARSHALL: Oh, yes.

The CHAIRMAN: Any further questions in regard to paragraph 6?

Are there any questions on paragraph 7?

Mr. CARON: Yes, I think naming the beneficiary is exactly the same as in respect of other policies with any insurance company.

Mr. MCILRAITH: That point was raised the other night.

Mr. BELL (*Carleton*): We will require departmental evidence in this regard.

Mr. MCILRAITH: Yes, but this is before the department now.

Mr. RICHARD (*Ottawa East*): It should be pointed out that, according to provincial law as well, once an individual names the beneficiary in a preferred class he cannot change it without consent.

Mr. FLETCHER: Our objection is that we have no say in the matter, and yet we are paying the lion's share of the cost.

The CHAIRMAN: I think that point is clear. Are there any questions in regard to paragraph 8?

Are there any questions in regard to paragraph 9?

The point made is also quite clear in paragraph 9, I believe.

Are there any questions in regard to paragraph 10?

Mr. MORE: I would like some explanation in this regard. I wonder if Mr. Fletcher's presentation means that a man is entitled to retire at age 60 after four years of service and be entitled to pension rights, or what does he mean by this paragraph?

Mr. FLETCHER: Well, what is meant in that is that you have to work for five years before you can retire. This pension plan is generous—I think everyone admits that—because a new person coming into the public service may pay for prior service that he had with his previous employer, under certain conditions. A new man or woman might join the service and elect to pay for ten years of service before he entered the public service. So, then right at that point he has ten years of what is called "pensionable service"; service for which pension will be paid. Then his pensionable service increases by the time he spends in the public service. Now, there is no problem in most instances, but if the employer says you must work for me for five years before you can go on pension, no one could really object, but here is a chap who enters public service at age 56 and he pays for some prior service. Then he would like to retire at age 60, which ordinarily would be his right, but this clause says that he cannot retire until he is 61 because he has to have five years service.

The CHAIRMAN: What period do you think this should be, Mr. Fletcher?

Mr. FLETCHER: I think there should be a slight modification to say that he must have worked five years, or attained age 60.

Mr. MCILRAITH: Or that he had five years pensionable service, is that your idea?

Mr. MARSHALL: That is it, pretty much.

Mr. FLETCHER: Yes.

Mr. MCILRAITH: There might be a possible case of hardship which is a little different from yours if a man entered public service at 56 intending to work until he was 65, and having some pensionable service that he could count before starting to work again—army service, for instance—and then he is forced unexpectedly to retire against his will at age 60. Is that not where your case of hardship is likely to come in, if there is one?

Mr. HART D. CLARK (*Director of Pension and Social Insurance, Department of Finance*): This applies only if he goes out voluntarily.

The CHAIRMAN: Yes, this would apply to voluntary retirements.

Mr. FLETCHER: Yes.

The CHAIRMAN: Are there any other questions in regard to this point?

Paragraph 11 involves just a suggestion to make this clear. Are there any questions in regard to that?

Are there any questions in regard to paragraph 12?

Mr. MCILRAITH: I have one very brief question I would like to ask, but I would be reverting to a previous paragraph. I will ask it now if you have finished with paragraph 12.

The CHAIRMAN: Perhaps we should finish with paragraph 12, and if you have a question we will go back. Are there any questions in regard to paragraph 12? I think that point is well explained also.

All right, Mr. McIlraith, you may ask your question now.

Mr. McILRAITH: In paragraph 3 sub-paragraph D there is a reference to section 30 (i) (u), but what is the reference in regard to 2 (g)? I do not see the reference to 2 (g).

Mr. MORE: That appears on page 3.

The CHAIRMAN: Are you speaking of the act?

Mr. FLETCHER: Yes, of the act.

Mr. MORE: I think it is at the top of page 3 of the act.

Mr. McILRAITH: Yes, I see it. I am sorry, I have it here now.

Mr. MORE: Yes, it is at page 3.

The CHAIRMAN: Mr. Bell, do you have a question?

Mr. BELL (*Carleton*): I have one question I would like to put to Mr. Marshall before we finish with the professional institute's brief, Mr. Chairman. I would like to ask him as president and official spokesman of the professional institute the question which I thought was fairly put by Mr. Caron, as to whether he, speaking for the professional institute, wishes parliament to enact this bill in its present form at this session of parliament?

Mr. MARSHALL: If I had one assurance there would be no possible doubt what my answer would be. If I was assured that the bill could be opened up next year in order to finsh up these items that were not cleared up this year, then I would without doubt say let us have it now.

Mr. BELL (*Carleton*): Which items of business would you like opened up?

Mr. MARSHALL: If the bill is not to be opened up again for five years, I would hesitate to say put it through now and by doing so give up our possible benefits for another year; but on the other hand three to five per cent of the civil servants would suffer if I said that. They would not come under the new bill. I would hesitate to do this, but if I had the assurance that the bill would be opened up next year in an attempt to try to smooth out one or two items that are in doubt today, then I would without doubt say, put the bill in today and open it up next year. Without any such assurance my personal view would be to put it in now anyhow; but I cannot answer for the institute.

Mr. CARON: That is clear enough. That does not prevent our considering your brief, which has been presented at the last minute; but if we cannot do any better than what we have done, instead of failing to pass any bill at all, we might as well accept this as it is and try to go after the minister next year.

Mr. MARSHALL: Personally I would say yes.

Mr. McILRAITH: We could consider these matters this year.

Mr. RICHARD (*Ottawa East*): Mr. Minister, I would not be a party to giving an impression that we want to hurry this as quickly as possible and that it had to be rushed through in exactly the form it is, or we cannot have it at all. I do not think the minister has that in mind, either, or intends to push the bill through, but will give consideration if he can find good reason for an amendment; is that so?

Mr. FLEMING: Mr. Chairman, naturally this bill has been brought in by the government with the belief—a very deep-seated belief—that it brings a very great benefit to the public service. If it is found in the course of presentations by these representatives of the associations in public service, that they do not hold that belief, and if they spoke to that effect for their members then, of course, the government would have to reconsider its position in relation to the bill. We have brought forward a bill which we consider is of very great benefit to the public service.

Mr. McILRAITH: Mr. Minister, I take it also that your position is not closed in respect of any possible amendments or recommendations made by this committee?

Mr. FLEMING: Of course, I take it that the committee is here to consider all of the clauses of the bill.

Now, as to things that lie outside the bill, and particularly proposals that would involve more charges upon the treasury then I, of course, would have to say that such must remain matters of government policy. In the committee, no more than in the house, can recommendations be made that would involve further charges on the treasury.

Mr. MCILRAITH: The government always has to decide what it will do with the committee's recommendations in respect of any bill. You have not taken any different stand from the ordinary stand in that respect. You have not told the committee that the bill must go through exactly as it is.

Mr. FLEMING: No. I take it, Mr. Chairman, that a line may have to be drawn between consideration of clauses that do not involve direct charges, and proposals or suggestions which involve a charge on the treasury.

Mr. MCILRAITH: Yes, but that is a hypothetical point at this stage of the proceedings, because the committee may not recommend any such things for consideration.

Mr. FLEMING: I am quite sure the committee is well advised on the subject of the respective responsibilities of the ministry on the one hand and the House of Commons; and its committees on the other. I would have to draw to the attention of the committee as well that a good deal of what it has heard this afternoon takes the committee outside the scope of the bill and would also involve charges on the treasury that the bill does not contemplate.

Mr. MCILRAITH: That situation will appear when we receive the evidence of the actuaries or the departmental officials.

What portions of these representations take us outside of that field, and what portions do not; I think that is the point.

Mr. CARON: There are certain recommendations there that will not constitute any charge on the treasury.

Mr. MCILRAITH: We should not pre-judge this until we have heard all the evidence.

Mr. CARON: We will study these recommendations in any event.

The CHAIRMAN: I would like to express our thanks to Mr. Marshall and Mr. Fletcher for appearing here this afternoon and giving us their help.

Mr. MARSHALL: Mr. Chairman, Mr. Fetcher asked me to express his thanks to you for a very nice hearing.

The CHAIRMAN: Mrs. Casselman and gentlemen: as I mentioned at the opening of the meeting, we are calling the staff organizations in line with the order of their arrangement to come before the committee, and the next group we would like to hear from would be the Civil Service Federation of Canada.

I see Mr. Whitehouse, the president, here. I wonder if he, or whoever will act for him, would come forward.

Mr. Whitehouse will proceed to reading his brief, and if there are questions after he has finished, he will certainly be glad to hear them.

Mr. F. W. WHITEHOUSE (*President, Civil Service Federation of Canada*): Mr. Chairman, Mr. Minister, Mr. Deputy Minister, hon. members of the house, ladies and gentlemen: First of all, on behalf of the federation, I would like to express our appreciation for having the opportunity to come before this committee and listen to the first brief presented. I am sure you will find that some of the things we have in our brief are a duplication, so perhaps that will obviate some of the questions that were asked in connection with the first brief.

We are following the opposite procedure to the professional institute, in that the president is reading the brief, and our finance and research adviser is going to answer the question, if that is in order, Mr. Chairman.

The CHAIRMAN: Certainly.

Mr. MCILRAITH: Will you put his name on the record.

Mr. WHITEHOUSE: Mr. Leslie Wismer. I would like to say at the outset that the federation is very anxious to have these amendments put through as fast as possible. We appreciate what the government is trying to do. We have been, perhaps, the first to criticize the government in some ways, and we would like to be one of the first to compliment it on an effort to improve the Superannuation Act. While we have certain arguments to advance with regard to these amendments, we would hope that this committee will be fair minded—I am sure they will be—and, shall I say, honest in making what we think would be the right recommendations to government if a further amendment to an amendment is necessary to implement what we think should be done.

I would like to emphasize that we would like to see these amendments put through during the present session of parliament, if at all possible. Mr. Chairman, and members of the special committee:

The civil service federation of Canada wishes to thank you and your committee, sir, for the opportunity of appearing before you to discuss the proposed amendments to the Public Service Superannuation Act and to give you our views with respect to some additional matters we feel should be taken into consideration.

We are grateful that parliament is taking action at this time to amend the act in certain important respects and we hope that these amendments will be implemented without delay. However, we feel that we should bring to your attention the views and the feelings of our eighty-five thousand members as expressed in some of the resolutions dealing with the Public Service Superannuation Act, which were passed at our convention held in Halifax the latter part of 1959, and which have been under continuous study for many years. Certain of these resolutions deal with matters which are covered in the proposed amendments.

However, we wish to bring to your attention some further amendments, which we hope your committee will consider favourably in order that they too may be included in this current revision of the act. The order in which these requests are set out in this submission, should not be taken as suggesting any priority. They are all important.

DEATH BENEFITS—The first of these concerns the ceiling on the amount of insurance obtainable under part II of the act. At the present time, a public servant may buy coverage not exceeding the amount of his salary up to $5,000.00. On the surface, this may seem satisfactory. However, in the light of rising costs which confront all civil service families, it would seem reasonable to allow them to make more adequate provision to offset these. We strongly recommend that a participant under part II of the Superannuation Act be permitted to purchase insurance up to five thousand dollars, regardless of salary.

Your committee is no doubt aware that such insurance could be purchased in larger amounts, by individual civil servants, under the Civil Service Insurance Act, which, Mr. Chairman, was discontinued at the introduction of the death benefit; and you could obtain up to $10,000.

Another matter which we feel should be considered by your committee is that of the participants who elect to retain death benefits after separation from the service. At present, benefits and premiums commence reducing at age 60 at the rate of 10 per cent per annum, expiring completely at age 70.

We urge that the present provisions be amended to provide for graduated reduction of benefits and premiums from age 65 to age 70 when 50 per cent of the original protection may be retained until the death of the contributor. In any case the residual amount of coverage should be no less than $1,000.00 of which $500.00 will be paid up in accordance with the amendment now before your committee.

Also dealing with the death benefit plan there are certain employees who were not fully coversant with the provisions of the plan, and did not understand its implications at the time they exercised their option not to participate. We urge that a further opportunity be granted to non-participants to elect to become participants.

EQUAL CONTRIBUTIONS AND BENEFITS—Under part I—We have been requested to ask you to provide for equal benefits for all contributors, both male and female, to the superannuation fund. At first glance this might suggest the need to increase the rate of contributions of female contributors, but a study of the actuary's report indicates that this may not be necessary.

BENEFIT TO WIDOWS—The matter of benefits to the widow of a contributor is also one upon which we have been asked to make representation, on the basis that the fifty per cent allowance to a widow of a contributor is not sufficient, and should be increased to seventy-five per cent.

RE-ENGAGEMENT IN PUBLIC SERVICE—We note that one of the amendments concerns the reduction of benefit to retired civil servants who are re-employed in the public service. Under the existing regulations, such persons are not permitted to earn an amount greater than their monthly salary when last employed, that is to say, taking into consideration the salary upon re-engagement plus his annuity. We are quite in accord with the proposed revision to this section of the act, and we urge that this change be made retroactive to January 1, 1954, the date on which the Public Service Superannuation Act become effective.

RETIREMENT—Resolutions recommending that the Superannuation Act be amended to permit public servants to retire on full pension after completing thirty-five years of contributory service, regardless of age, if they so desire, have also been received and this matter is therefore being brought to your attention.

ADMINISTRATIVE AND CLERICAL ERRORS—Since the inception of the Public Service Superannuation Act, numerous instances have arisen whereby contributors have been provided with erroneous information concerning their benefits under, or contributions to, the superannuation account. In far too many cases contributors have been penalized or have completely lost the advantage of certain benefits under the act because of these administrative or clerical errors. It would appear that the question of erroneous advice is now being considered under the proposed amendments to the act and we urgently request that provision be made at this time to protect the contributor from administrative error.

Supplementary Allowances

However advantageous the benefits under this act may be or become, there is always overhanging the head of the retiring public servant the possibility that rising price levels will seriously affect the value of his pension. This federation was greatly pleased when the government agreed to grant allowances for this purpose to superannuated employees who retired prior to the inception of the Act.

Today your committee is considering amendments to the act which will, on the one hand, improve the benefits by reducing the salary years to be used

for establishing the pension level from the best ten to six; and on the other hand, raise the contribution rate for male contributors from 6 to 6½ per cent.

The federation is in full agreement with these proposed changes. However, they should be considered in relation to the actuary's report. In his 'summary and recommendations' on page 24 of his report he states:

> 2. The average contribution rate estimated to be required to pay for the benefits provided under the act is 12.4 per cent of salary for male contributors and 9.7 per cent of salary for female contributors. A change in the age distribution of new contributors, in the pattern of increase in salaries from age to age or in one of many other elements would have the effect of increasing or decreasing the estimated required rates of contribution to some degree. It is recommended, therefore, that no change be made in the contribution rates at this time.

He goes on to say that contribution rate changes should be considered if the benefits are liberalized. The question which we think your committee should raise is whether the reduction from 10 to 6 years is sufficient of a 'liberalization' to justify a full addition of ½ of one per cent of the male contribution rate.

Our study of the actuary's report suggests that this change will not place sufficient obligation on the fund to require so large an increase in the contribution rate for males.

We therefore recommend that the act be further amended to provide for the automatic application of supplementary allowances to retired public servants when the purchasing power of their pensions is impaired.

Since the new rate of contribution for males is to be raised more than necessary to equate it with the proposed change to the new 6-year pension rate establishment base, we strongly recommend that provision be made for the payment of these supplementary allowances without further upward adjustment in the contribution rates.

Our study of the actuary's report has also pointed up the deficiencies in the fund and we have noted his recommendation that these be liquidated. We would like to suggest to you that the Act be suitably amended to require annual payments into the fund which would amortize these deficiencies over a reasonable period of years.

Conclusion

In closing, we again wish to thank your committee for giving us this opportunity to bring before you our views with respect to these most important matters, and we know that the items set forth by this federation will be given every consideration.

All of which is respectfully submitted, Mr. Chairman.

The CHAIRMAN: Thank you very much, Mr. Whitehouse. Now, Mrs. Casselman and gentlemen, if you have questions which you would like to ask of Mr. Wismer, perhaps we could begin on page 1, the section on death benefits. Are there any questions on that section?

Mr. CARON: This is about the same as was requested by the professional institute; it does not vary very much.

Mr. LESLIE WISMER (*Finance and Research Adviser, Civil Service Federation of Canada*): We are not suggesting an increase in the maximum. What we want is to let everybody buy the maximum, if he wants to.

Mr. CARON: If he wants to?

Mr. WISMER: If he wants to.

Mr. ROGERS: Up to $5,000?

Mr. WISMER: Up to $5,000. We do not suggest any increase in the maximum.

Mr. CARON: Up to $5,000, as it is now?

Mr. WISMER: Yes.

Mr. CARON: For everybody?

Mr. WISMER: A person with a $2,500 salary could still—

Mr. CARON: You have heard the brief of the professional institute. They wanted to go according to the salary—being permitted to buy insurance according to their salary. Would you think this would be a suitable arrangement for the rest of the employees of the civil service?

Mr. WISMER: We will certainly not make an argument before you to queer the other fellow's pitch; but our concern is that, costs today being what they are, and the fact that this type of insurance is a diminishing thing towards the end of your employment, the individual civil servant, regardless of his salary, ought to have the opportunity to buy up to 5,000 if he wishes.

Mr. CARON: The main point you want to stress here is that those who have less salary than $5,000 could buy up to $5,000?

Mr. WISMER: That is correct.

Mr. CARON: If they wish to?

Mr. WISMER: That is correct.

The CHAIRMAN: Are there any other questions on this death benefit submission?

Mr. CARON: There is a question on the third paragraph of the section on death benefits. Would you explain a little more what you are suggesting there—the reduction of 10 per cent per annum? You want to have a reduction from 65 to 70 so that 50 per cent of the benefits should stay for later on?

Mr. WISMER: That is correct.

Mr. CARON: After death?

Mr. WISMER: That is correct.

Mr. CARON: Have you considered the question of the increase that may bring to the insurance rates? Have you had occasion to consider that? I do not know personally, but that is why I ask the question.

Mr. WISMER: Along with others, we have taken a good look at the report which you have as to the actual experience of the fund up to 1957. It does appear there is some growing cost. However, it seems to us that with the liberalization—if I may use that word—

Mr. CARON: We like it.

Mr. WISMER: And I thought I was talking to a Conservative!

Mr. HICKS: Lord forbid!

Mr. BELL (*Carleton*): We do not adopt him!

Mr. RICHARD (*Ottawa-East*): Let us get on with the business now.

Mr. WISMER: It would appear from our reading of the report, as to the experience and present condition of the fund, that those who are now participating beyond employment are those who, in a sense, work against the fund. If more people were encouraged to have some of this insurance after they left the service the actual effect against the fund should reduce, since you would have better risks in these elective participants. The total effect of it then really ought to be not necessarily to reduce costs, but would have no effect of increasing costs by allowing people to carry this insurance on a little longer.

Mr. CARON: The reason I ask that is because we know perfectly well an increase to the treasury would not be permissible by the committee, and it has to come from the minister. I want to be sure of everything before we go back to the discussion of those points.

Mr. WISMER: May I say this to you, Mr. Chairman: the actual experience which you will look at with regard to pensions and their costs is the very thing that has the tendency to reduce the cost of insurance to the treasury. They are complementary to each other in that respect.

The CHAIRMAN: Any other questions on this, or shall we move on to this paragraph, "Equal contributions and benefits"? Have you any questions, gentlemen, for Mr. Wismer on that?

Mr. ROGERS: That was covered in the other brief.

The CHAIRMAN: "Benefit to widows." Have you any questions, gentlemen, for Mr. Wismer on that?

Mr. WISMER: Before you leave this question of your requesting the same benefits be given to all contributors: That means allowing the woman employee to pass on her pension to her living spouse, in the same way as you do for the male. That is not only here, because we would like to see this done for pensions but, as you know, the government of the day was kind enough to subscribe to the medical-surgical insurance plan. We are very happy about this, and this plan is carried over in a modified form to the superannuated employee. I may say I think that we would like to see a better plan for the superannuated employee and, in making that,—since this will really add some tiny fraction, maybe, to the cost of the superannuation account, but certainly not enough to increase the contributions required from the female employee—it will make it easier to attach to the superannuation account a good G.M.S.I.P. for all of the employees on superannuation.

The CHAIRMAN: "Benefit to widows," gentlemen? "Re-engagement in public service"?

Mr. CARON: What is the reason it is asked to make it retroactive to January 1, 1954?

Mr. WISMER: This is the resolution which passed our federation convention last summer in Halifax, and I think I could say to you the thinking of that convention was that this act has been in effect that long and many people have suffered this, in their opinion, for that long. That is the whole period of suffering that should be cleared up.

The CHAIRMAN: Any other questions on this? On "Retirement" then?

Mr. CARON: Are there many retiring after 35 years? Are there many who would be in a position to retire after 35 years, and before they had reached age 60?

Mr. WISMER: Mr. Chairman, in answer to the member, I spent a good deal of time trying to find whether this figure could be extracted from the actuary's report, and I could not find it, so I just do not know. There may be in a service as large as the public service an intake of people at early ages. 35 years' service may be completed by quite a number of people. But remember, as I think was suggested to you earlier this afternoon, there is quite a discrepancy against the public servant, as between the pension plans of the armed forces and ourselves. We are not here to suggest you change the other one.

Mr. CARON: No.

Mr. WISMER: But, as I say, we could not find in the actuary's figures anything you could extract which would enable me to say to you whether it would cost a lot of money or not. There must be a fair number of people having completed 35 years' service, who would retire from the service if they could take their pension with them, and perhaps become a useful employee elsewhere.

Mr. CARON: I am asking the question because I know Mr. Bell is always objecting to increasing the expenses to the treasury and is always very careful on that.

Mr. BELL (*Carleton*): Not when it applies to the civil service!

Mr. RICHARD (*Ottawa East*): I am glad to know that.

Mr. BELL (*Carleton*): In that respect he is always an advocate.

Mr. ROGERS: I think the services are a bit different. I mean, in the services it is a bit different from the civil service.

Mr. WISMER: You are correct: the services are different. But, on the other hand, there are many jobs within the public service that are very arduous and hazardous jobs.

The CHAIRMAN: I think the point being made there is quite clear. Shall we go on to the matter of "Administrative and clerical errors"? We have already discussed this at some length in the other brief. Are there any questions on that paragraph?

On this matter of "Supplementary allowances", it seems to me—

Mr. WISMER: May we say one thing about "Administrative and clerical errors"?

I think, on behalf of the federation, that you do provide in this bill, on page 17, in subsection (4), beginning at line 20, for some ability on the part of those engaged in the administering of the act to look after a contributor who has obtained erroneous advice. But there is nothing here to look after a contributor who is unable to participate in the way he should be able to participate, merely because of an administrative error.

One of the members of parliament talked about a couple of these situations, which are very real. I may say to you that we, as a federation, have in these cases gone to those who administer the act and the fund, and they are very cooperative and look and look to try to find some way to straighten this out. I can assure you that in those two cases a great deal of work was done by them to find out whether there was any chance of straightening it out under the present legislation. This section you are looking at was drawn to their attention, to see whether or not it could be done under this act, and they still say it could not be done. We do not think this would cost a cent if it could be included in the bill in some way. This would deal with the sort of thing Mr. Neilson pointed out, just a misdirected letter. Everything was right on the letter, except the post office.

Mr. CARON: This is in regard to erroneous advice received by anybody, one or more persons. I think it should be clear that it is an official who is entitled to discuss the matters of insurance and superannuation, and not by anybody.

Mr. WISMER: What we are talking about is, that some departmental person whose job it is not to advise but to get the piece of paper to a person and who fails. There should be some way in which representations could be made, on the contributor's behalf to those administering superannuation, that this is all that did happen, so that some extension of the time is made possible for him to make an election and get the paper in.

Mr. RICHARD (*Ottawa East*): An administrative or clerical error?

Mr. WISMER: Yes.

The CHAIRMAN: That is the point that we discussed the other night. "Supplementary allowances," page 3.

Mr. CARON: You stated the increase should not go as high as 6½ per cent. The recommendation from the report of the actuary seemed to state the cost would be 12.4. That is a small increase though. You still believe it should stay at 6 per cent?

Mr. WISMER: No, Mr. Whitehouse said here, I think:

The federation is in full agreement with these proposed changes.

We are quite prepared to pay the 6½ per cent. But what we wish to draw to your attention is the fact that the change from the best ten to the best six years does not cost the full half of one per cent. Since it does not, we are quite prepared to shoulder another part of the load when we think it is time to, but not to let the treasury off the hook, in order that they do not pick up the tab. Where we are picking up the tab now, let them pick up the tab for the automatic supplementary allowance, to keep the pensions in line, regardless of what fiscal policy they decide on in the future.

Mr. RICHARD (*Ottawa East*): Have you any figures to show it costs less than half of one per cent?

Mr. WISMER: I can draw your attention to the actuary's report. Perhaps if you look at page 14 of the actual report, the first full paragraph on that page says:

> The rates of increase from age to age of the aggregate salary scales developed for this valuation were much sharper for the greater part of the age range 20 to 60 than those of the salary scales developed for the last valuation of the superannuation plan, made as at December 31, 1947.

What he is doing there is indicating to you and the rest of us that inferences which created that, and so he is saying that he took into consideration the more rapid promotions, the raising of the level of salaries in most classes, and the amount of increases in both amount and frequency in the new salary scales which have been introduced into the service salary structure.

If you look at that and then look at the three appendices—Nos. 1, 2 and 3—in which he shows the actual results of the compilation from actual experience, as he says he did, you see there what is apparent from other official government publications; and that is the increased rates take place faster in the earlier period of employment than in the later period. There is a long series of figures on pages 1, 2 and 3, which all show the same thing; and that actually some people get promoted and some people get salary increases, but for the great mass of the service the end of the service life is one in which there is not much room for promotion. And only the general increase that comes along will lift the salary level. That is what these figures show. So the fund already absorbs the difference between the contribution on actual salary and the pension which is paid on the best ten year period. Somebody picks up the tab for that already. You do not need to look at that, but at how much more of a tab there is to be picked up if you reduce it from ten years to six years. There is no doubt that everybody will benefit from this, but the percentage cost to the fund is smaller. That being the case, we are not objecting to adding one half of one per cent. Anyone can look at the valuation table and see what it really costs to have a pension fund. Parliament having for years agreed that some split of this sort is reasonable, rather than simply leaving the treasurer without the half of one per cent to pay, they should now get into the business of providing for an automatic adjustment if the price levels destroy the fixed pension rates.

The CHAIRMAN: Are there any more questions in regard to this, gentlemen?

Mr. CARON: I think the statement is very clear, and we can work very well with the report, and the explanation which we have now.

Mr. WISMER: Thank you very much.

The CHAIRMAN: If there are no further questions I would like to thank Mr. Whitehouse and Mr. Wismer for giving us their time, and for presenting their brief.

Mr. WHITEHOUSE: Thank you very much.

The CHAIRMAN: Gentlemen, the third brief that has been filed with us is one which is presented by the Civil Service Association of Canada. Mr. J. C. Best, the national president and Mr. T. F. Gough, the secretary treasurer, are here today to present this brief to us. In addition to Mr. Best and Mr. Gough, we have Mr. Victor Johnston, who is here as an adviser.

I would suggest we follow the same formula, Mr. Best, and ask you to read your brief, following which the members of the committee will have questions to ask.

Mr. J. C. BEST (*National President, Civil Service Association of Canada*): Thank you, Mr. Chairman.

Mr. Chairman, Members of the Committee:

As president of the civil service association of Canada I would first like to record the Association's appreciation at being afforded the opportunity to present to your committee its views on the proposed amendments to the Public Service Superannuation Act as proposed in bill C-76 now before you for study. Such legislation is, as you know, of vital interest to every public service employee coming under the provisions of the act.

In our view there are three basic requirements for a successful and happy career in the public service. First, there must be adequate salaries and working conditions; second, there must be ample opportunity for those with ability and ambition to progress in their chosen career; and lastly, there must be the knowledge that the end of their careers public servants will be able to maintain their standard of living as the result of participation in and contribution to the superannuation fund. The first two of these requirements are not the concern of this committee and our remarks will, of course, be confined to the third.

Speaking generally, I can say without reservation that we strongly support the principle of the proposed amendments and we would like to commend the government for introducing them. Those improvements that will provide more adequate pensions for those who will retire after these amendments come into force are welcomed. While it has been a long-standing policy of our organization to press for the average of the best five years in calculating pensions, we welcome the proposed introduction of a six-year average as a forward step. This change will bring this section of the Public Service Superannuation Act into line with similar sections of *The Canadian Forces Superannuation Act,* and *The Royal Canadian Mounted Police Superannuation Act* except that the proposed increase for the male contribution, increased from 6 to 6½ per cent, and will move the Public Service Superannuation Act out of line with the corresponding contribution rates in the other two acts. The male contribution rate remains at 6 per cent of salary.

I should also state at this time that our members are prepared to pay their fair share of the cost of these improved benefits. I make this statement with the reservation that I will shortly raise certain points concerning the basis of calculating the increase in contribution from 12 per cent to 13 per cent.

We would hope that this committee, after completing its study, would strongly recommend to the House of Commons that the latest effective date for the calculation of pensions on a six-year rather than a ten-year average (clause 7 (3)) should be June 20, 1960. While we would like to see this provision retroactive to January 1, 1960, we emphasize June 20 as the proposed change has been public knowledge since that time.

You can appreciate the concern of those civil servants due for retirement shortly after June 20th, before the change proposed by clause 7 of the bill is made law. Consider the scramble by those civil servants to have their employment extended until after this section comes into force. It would really be

unfair to retire anyone now before this change becomes operative, and our suggestion would remove the disruption that will be caused by this scramble for extensions.

One of the misfortunates of introducing improvements in such legislation is that some will not be able to benefit from the more generous provisions of the amended act. Everything possible should be done to limit the number of such cases to the absolute minimum.

This raises the question of maintaining the purchasing power of annuitants in the face of continued rises in living costs. We were pleased with the principle of granting increases to pensioners in 1958. Unfortunately the enabling legislation incorporated a restriction as to the maximum amount of pension an annuitant could be in receipt of in order to receive any increase. This resulted in many needy pensioners being excluded from the benefits of the increase.

The removal of the $15,000 salary limit on which contributions can be made would seem to support our view that such income ceilings, in the face of present conditions, are no longer desirable. We would hope that this committee would recommend that action be taken as soon as possible to increase pensions for current pensioners as well as establishing a systematic and equitable procedure for similarly protecting future pensioners.

We are also pleased with the section of the bill which provides relief for those who, in the past, have been penalized because of erroneous information received from responsible officials from whom they have obtained advice. I have certain later comments on this section since we do not feel that it goes far enough it its intent.

We have qualified support for the changes proposed under part 11 of the act. The provision of paid-up insurance of $500 for all annuitants only partially solves certain problems of those covered by death benefit insurance. The new $500 paid-up insurance will, to a degree, offset some of the financial burdens of the pensioner's widow or estate. But as I will explain later we also believe that the present $5000 limit on death benefit insurance is unrealistic in the light of today's conditions. We also believe that the present linking of the amount of insurance permitted an individual employee to his salary level is also undesirable, and that the act should be further amended to eliminate this restriction.

I would like to bring to your attention a question that has not been covered in the proposed amendments that is the desirability of an optional retirement age for those in hazardous occupations, or in occupations where there is continued stress and strain because of the nature of employment.

Mr. McILRAITH: For instance members of parliament.

Mr. BEST: I am afraid, sir, our constitutional structure does not permit us to make recommendations on their behalf. One group in particular that would welcome such a change in the act are those employed in the penitentiary service. We feel that some cost sharing arrangement could be worked out which would absorb the additional financial liability on the superannuation fund. A basic principle of such a plan would have to be that anyone electing for such an option would have to make his choice at the commencement of such hazardous employment, and could not revoke or change this election while engaged in such employment.

In summation I would like to again register our strong approval and commendation of the principles in the new amendments. We would hope that this committee will look favourably on certain comments and recommendations we have to make in the detailed section of this memorandum. These suggestions are made in a constructive vein and are based on our solid experience over many years in dealing with those who come under the superannuation act. We feel that if the recommendations and clarifications we suggest are favourably

considered by this committee and the House of Commons, the Public Service Superannuation Act will continue for many years to retain its reputation as being paramount in the field of public service pension legislation. I would hasten to add that this does not imply that regular revisions should not be made as required to meet changing circumstances, but rather that sound principles underly this legislation.

If I may, I will go now to our detailed comments in respect of the clauses.

Clause 2, (3)—*Page* 2.

I have mentioned earlier that the members of this association are prepared to pay for what they get, but they rightly expect that the payment should be fair in relation to the added benefit they receive. The proposed increase of one percent in the contribution rate for whole-time male contributors, half of which is paid by the employee and half by the government as employer, needs to be examined in relation to the additional benefits proposed in the bill.

The report on the actuarial examination of the superannuation account as at the end of 1957 dated August 21, 1959 states that the total average contribution rate estimated to be required in respect of new wholetime male contributors is 12.4% in order to pay for benefits presently provided under the act. Because possible changes in certain factors involved in the evaluation may have the effect of increasing or decreasing this percentage, the chief actuary recommended (page 24) that no change be made in the contribution rates at this time. He did say, however, that if "benefits were to be liberalized in some manner in the future any resulting increase in male contribution rates should also take account of the current deficiency as respects that rate".

The liberalization provided in this bill, as a result of reducing the basis for calculating the pension from an average of the best consecutive ten years to an average of the best consecutive six years, makes it possible to include into the premium of all employees the additional .4 per cent required to be paid by new employees. We do not object to this, but would note that the actuarial report made ten years previously also recommended a required contribution rate for new male contributors of a little less than 12.5 per cent although no change was made at that time.

We are interested in the basis for the further increase in the male contribution rate from 12.4 per cent to 13 per cent. You will recall that the Minister of Finance said in the house on June 27th (Hansard, page 5442) that "the best estimate that is available from the actuaries is that with the increase in male contributions we will be fairly close to balance as between income and outgo of the fund, taking account of the increase in salaries and the substantial increases in benefits". I would like to emphasize the minister's reference to taking into account the increase in salaries, including, I presume those granted or contemplated in 1960, which are in the nature of a general salary revision.

The cost to the fund of general salary increases has in the past been borne by the government as employer under section 32 (2) of the Public Service Superannuation Act, which reads, "There shall be credited to the superannuation account, as soon as possible following the authorization of any salary increase of general application to the public service, such amount as, in the opinion of the minister, is necessary to provide for the increase in the cost of Her Majesty in right of Canada if the benefits payable under this act, as a result of such salary increase."

The Minister of Finance may say that the current round of salary increases is not a general increase, but this seems to us to be just a play on words. If most classes in the civil service are being reviewed and given increases

over a six-months' period and the increases are based primarily on comparisons with outside salaries on a single date, most people would probably consider this to be a general increase. At least it should fall in the category of a "salary increase of general application to the public service".

It would appear, therefore, that the government is transferring some of its obligation under Section 32 (2) of the act, which is not under consideration in this bill, on the male contributor. It would be interesting to know what portion of the increase between 12.4 per cent and 13 per cent is due to (1) the cost of the additional benefits provided by the bill and (2) the cost due to the current salary increases.

For reasons which I will give later, I have not taken into consideration here the cost to the government as employer of the additional benefit provided by clause 21 of the bill, which provides a $500 paid up death benefit to participants under part II of the act.

Clause 2, (5)—Page 3.

It would be interesting to know how many contributors are likely to be affected by this change, and how long they have been contributing to the fund. It is possible that some of these persons will be long-time contributors and some consideration should be given to making it possible for them to take a deferred or immediate annuity rather than having to take a return of contributions. Again, I would like to interpolate another paragraph here. In some ways, a return of contributions will be an equitable solution. In these cases, however, the proposed amendment ignores the principle of paying interest on the returned contributions. This association has always felt that a participant is entitled to normal interest on any contributions returned to him. This seems only fair, as any payment by the participant for back service is inversely subject to payment of interest.

We would, therefore, propose that the section be further amended to provide for the payment of normal interest on all returned contributions.

Clause 2, (6)—page 3.

We strongly support the intent of this amendment to maintain contribution rates under the present Act in the case of elections for prior service made before changes provided under the current amendments.

Clause 3, (3)—Page 4.

Paragraph (AB) provides under the act for the counting of "any continuous period of full-time service of six months or more in the naval, army or air force..." The establishment of a six-month period in this section would seem to be excessive. *We would recommend consideration of a period of 30 days.*

There is an error in the typescript which you have: this should refer to clause 4 (2).

Clause 4, (2)—Page 5.

We would request, through the committee, some clarification as to the significance of adding the capitalized value in the proposed amendment of paragraph (i), page 5 and 6.

I would also like to present here our view concerning payment for elected military service. We feel that contributions by the participant should be on the basis of a single rather than a double rate. Presently, under certain circumstances, veterans claiming past service must contribute 12% of salary—that is, both the employer and employee contribution—on electing to count

time in the armed forces when the veteran was not previously an employee of the Public Service. We feel that the employer should follow the principle of matching contributions under these circumstances.

Clause 5, (2)—Page 7.

One of the changes proposed in this section is to make it impossible for a contributor to elect as pensionable service any period of service of less than 90 days. This change is proposed, I understand because of administrative difficulties involved in determining the validity of many short periods of service. It should be remembered, however, that length of service is one of the major factors determining the amount of final pension, and unnecessary restrictions in this area can have a serious effect on the pension. Also, administrative efficiency should not be carried to a point where it begins to cause individual hardship.

In our view the exclusion of periods of service of up to 90 days is too severe. This could mean that a contributor could lose 2% of his pension if he loses only four such 90 day periods. We would therefore strongly recommend that the 90 days specified in the bill be reduced to 30 days.

Clause 11.

While the change proposed in this clause is an improvement over the present provisions of the Act—from the employee's point of view that is—we have always objected to the principle involved. The retired employee's pension is not a gift bestowed by a benevolent employer but a right resulting from his contributing over his working life to the fund. Nothing should be done to restrict his freedom after retirement. The effect of this will be to discourage retired employees from taking subsequent employment in the public service.

If the purpose of the clause is to establish restrictions on re-employment in the public service it should more properly be placed in other legislation, and not in this act.

Pensioners who undertake such employment usually do so not only as an income supplement but principally because, through a sense of loyalty, they wish to assist their former departments by providing trained assistance during periods of peak work loads.

This is particularly true in the postal department and the Unemployment Insurance Commission where there are peak periods of activity. We feel that the effect of this section of the Act is to create sub-standard wages.

If there must be restrictions on re-employment, they should not affect the pensioner's income in any way. The annuitant has every right to work for any other employer at whatever wage or salary he can command, and it would seem that unfair advantage is being taken of the pensioner if he is restricted by the Public Service Superannuation Act.

May I point out here that in the case of certain professional categories it is highly possibly for a man to incorporate himself as a firm, and, quite legitimately, undertake work for the government in the name of his firm, and continue to enjoy the full amount of his pension; yet a postal clerk who helps out at Christmas is subject to the provisions of this clause. It is a point that I think is well worthy of consideration.

Clause 12, (2)—Page 12.

We support the principle that has been introduced into the Act in this proposed amendment. In removing an anomaly whereby a person could be disqualified from receiving an annuity based on service unrelated to the

election for which he was required to pass a medical examination, coverage will be provided for those who would likely have the greatest need for income because of inability to continue active employment as the result of ill-health.

We do, however, seriously question that the 90 day period specified is adequate under the circumstances. We have seen many instances where even with a 12 month period to exercise a right or option under the act, many have not learned of their rights until too late to benefit. *We would therefore recommend to the committee that this sentence be amended to read:*

> ....he is entitled to that other benefit only if within one year after the coming into force of this section....

This change will make this period consistent with the period allowed to elect for back service—that is Section 7 of the present act.

Clause 20, (4)—Page 17.

This is one of the most commendable clauses in the proposed amendment, as far as it goes. Our records contain several cases over the years where employees have received erroneous advice or information concerning rights under the act and have, as a result, been penalized.

However, we know of even more instances where employees have suffered as the result of administrative error or delay. *We would therefore strongly recommend that the words "or any administrative error or delay by any officers, employee or clerk," be inserted into this clause in the appropriate place to make it fully effective.*

Clause 21.

As indicated in my opening remarks, we support the principle of death benefit insurance for public service employees. We are also in accord with the new provisions for a paid-up policy of $500 on retirement. In outside industry, the employer generally assumes at least one-half of the cost of such insurance plans.

While we support the new provisions, I feel that now is the proper time to make several suggestions to extend the provisions of the legislation to provide a more satisfactory form of death benefit insurance.

Speaking in the House of Commons on June 20th the Minister of Finance noted "The cost of this benefit will be borne entirely by the government. It is estimated that this change will involve an additional expenditure of 1.5 million dollars in the first full year and five-hundred thousand dollars thereafter annually, increasing with the growth in the number of participants." The reference is Hansard, June 20th, page 5125. However, I should like to note that five-sixths of the premium cost of this insurance is paid by the employee. The government, as employer, contributes only one-sixth of the cost plus administrative expenses.

Our main concern is the arbitrary $5,000 limit placed on the total amount of such insurance an individual may carry. Since the introduction of the legislation establishing death benefits there has been a general rise in salary levels, and the need for additional insurance of this nature has increased. We would strongly urge this Committee to recommend an upward revision in the maximum amount of insurance that an individual can carry under the plan.

Secondly, we do not feel that the salary restriction placed on this insurance is equitable. In point of fact those in the lower salary brackets should be able to purchase much more of this insurance because their need for such protection is as great, if not greater, than those in the higher income groups. In order to protect the actuarial soundness of the plan the individual should be required

to make his decision as to the amount of insurance he wishes to purchase within a reasonable period of joining the Service, and this would be an irrevocable minimum.

We would, therefore, strongly recommend to your committee that these several revisions in the death benefit plan be favourably considered and recommended to the House of Commons.

Mr. Chairman, I submit these remarks on behalf of the civil service association of Canada.

The CHAIRMAN: Thank you very much, Mr. Best. Gentlemen, if you have any questions on this brief, Mr. Best and his associates will be glad to answer them.

Mr. RICHARD (*Ottawa East*): I would like to congratulate Mr. Best on the presentation of his brief, because I think it will be very useful to the committee when we come to consider each section. The way the brief is prepared, it will be much easier for us to discuss each section particularly.

Mr. BEST: Thank you very much, sir.

Mr. BELL (*Carleton*): Do you want us to take the brief page by page, Mr. Chairman.

The CHAIRMAN: Yes, page by page. On page 2 there is the first argument, suggesting that there should be a June 20 date.

Mr. BEST: May I say, Mr. Chairman, a minimum of the June 20 date. Naturally, we would like to see it go back as far as possible.

Mr. CARON: I understand perfectly well your point of view. Since it has been drawn to the attention of the public that there would be a change, those who are retiring from that date are expecting to benefit from it?

Mr. BEST: Yes.

Mr. CARON: I think that is quite understandable.

The CHAIRMAN: Are there any other questions with regard to that?

Mr. HICKS: I would like, in just a few words, to be told the exact difference between the federation and the civil service association.

Mr. BEST: I can only accept responsibility for what we have prepared ourselves.

Mr. HICKS: I mean, the two organizations; I do not mean the briefs.

Mr. BEST: Might I suggest that that in itself will be the subject of a parliamentary committee's investigations. It is a very complicated position.

Mr. MCILRAITH: Mr. Best, I think you could give us a bit of information in a way that would be helpful to the committee if it were placed on record, without going into the areas where there can be argument or conflict.

Mr. BEST: Yes. Basically, the civil service association of Canada is a unitary organization that admits into membership people in all departments of government. The civil service federation—and there are representatives here who will correct me if I am wrong—represent exactly what the name implies, a federation of autonomous organizations some of which are national in scope, some of which are more regionally located. The national organizations are all departmental organizations. In effect, they confine membership to one department of government. They come together in matters of superannuation and other over-all problems; but in other problems which relate to matters in their own department, they remain autonomous. I see the first vice-president of the federation here, and if he wants to disagree with what I have said, I am sure he will do that.

Mr. MCILRAITH: That is a pretty fair statement.

Mr. HICKS: I want to ask another question. This may be a little personal. I think that in the June 21 issue of one of the local papers it said, Mr. Best,

that you were not satisfied with the six-year average: you thought it should have been five. Do you still hold that view—or was that an improper quotation?

Mr. BEST: Considering the newspaper in question, I will not argue with that; but what I said is precisely what has been said in this brief. We welcome the six-year average: our policy has always been to press for a five-year average.

Mr. MCILRAITH: You pressed for a five-year average for a long time.

Mr. BEST: For many, many years. This policy of my organization is based on the convention. I have to present this policy. I am not objecting to the six-year average; I am just saying that I would like to see it five—and that is what I said in the report.

Mr. HICKS: How long does a president of this organization usually hold office? In a lot of organizations, a president may hold office over two years, or over one year, or 10 years—or is this a life arrangement?

Mr. BEST: As the first president of the organization, I will be in a better position to answer that question on September 30, after our convention.

Mr. HICKS: How long have you been president?

Mr. BEST: It is just two years now.

Mr. HICKS: Thank you.

The CHAIRMAN: If there are no further questions on this argument regarding the June 20 date, would anyone like to question Mr. Best or his associates on any of the matters raised on page 3, concerning increases for retired pensioners?

Mr. CARON: This is much like the ones we have discussed before.

The CHAIRMAN: Yes, I think it is.

Mr. CARON: And I think the brief is very, very clear.

The CHAIRMAN: Yes. Are there any questions at all on page 3, then? Page 4, regarding higher death benefits, or optional retirement for special classes?

Mr. CARON: This is another thing that we have to discuss with the actuaries. I think we would favour that. I would, for my own part, favour that, because it seems to be very satisfactory. They speak here of the penitentiary service. There is also the mail man, and others, who at the age of 50—sometimes 55—are all gone. But it depends on the actuary, how we should deal with that.

Mr. BEST: Without wanting to be misinterpreted, many of our members are in pententiaries in this country as employees, and this is one area where it is considered to be an exceeding hazard over a period of years, for a man to work in those services. It is generally felt that these people, in an eight-hour day in the penitentiary, are not—

An Hon. MEMBER: They are employed in the penitentiaries?

Mr. BEST: Yes; they are the custodians; rehabilitation officers, and what have you. They are not in a much happier position than the inmates of the institution.

As we say in our brief, we are not asking for anything we are not prepared to pay for. We feel that some cost sharing arrangement could be worked out.

Mr. MORE: In the second paragraph, in the basic principle, do you want it applied to new employees?

Mr. BEST: I am sorry; is this on page 4?

Mr. MORE: Yes.

Mr. T. F. GOUGH (*National Secretary-Treasurer, Civil Service Association of Canada*): It is put in there to protect an election against the fund, where

the individual might elect to pay in his later years, where perhaps he is assuming he may have to get out very early. We try to protect the fund to that extent.

The CHAIRMAN: Are there any questions on page 5? The point regarding the increases in contribution in relation to the increases in benefits has already been discussed, and I think it turns on the information we will get from the actuary.

Page 6. Are there any questions on page 6? We have already covered most of that.

Page 7 deals with the same thing.

Mr. MORE: Mr. Chairman, on page 7 I want to raise a question. I do so, not acrimoniously. I doubt the wisdom of anybody making a presentation to a committee and interpreting things and imputing things, without evidence. Paragraph 3 of page 7 certainly does not appeal to me. It sums up the previous two pages, perhaps, or the one page, and imputes to the government and the Minister of Finance what two other briefs have presented as an overcharge, in the new rates for male employees, which may be an error of calculation—which could be several things. It could even be what is referred to, but they could have brought the matter to the attention of the committee without imputing any motive whatsoever. In this brief it is an imputation which I think is uncalled for and, I think, weakens the whole brief.

Mr. BEST: First of all, in presenting the brief like this, we are not in the fortunate position of a committee such as yours, and that is to have the advantage of time in preparation and the relatively expert advice and, perhaps, specialized knowledge and greater knowledge than we have. The argument, to my mind, is in no way slanderous or injurious to the government. There are certain reasons that could have lead to this paragraph. We feel, as employees, you have a valid right to ask us to pay part of the cost of this, but we ask why the cost is set at a certain figure.

Mr. MORE: I do not disagree with that at all.

Mr. BEST: There are certain possibilities as to why the figure was increased by half of 1 per cent. One would be in coincidence with the present round of increases this could be valid. And I would submit, without any intent whatever to impugn the motives of anyone—the Minister of Finance or the government—it is a valid observation of our association, based on evidence which we have. If we are wrong on that, I think it would be pointed out either by the minister or this committee.

Mr. MCILRAITH: I feel this is the only logical conclusion to be drawn from it, without the statement made by the minister before the committee the other night. That is the only conclusion you could draw at that stage, with that minimum of information. The minister dealt with the point in committee, but I do not think there is anything like that to be imputed.

Mr. MORE: Two other briefs brought the matter to our attention without doing this. To my mind it weakens the brief—and that is an individual opinion.

Mr. BEST: The government, as far as we are concerned, is solely and strictly our employer. In developing this argument, we have done so to the government as our employer and not as anything else. If any other implications are impugned, they are certainly not in our mind.

Both Mr. Gough and myself are civil servants on leave from the civil service, and I hope, for one, to return to the civil service, and I would be the last to do anything of that nature.

Mr. GOUGH: I think perhaps the honourable member is drawing an inference from this paragraph that was not intended. I know, as one of those primarily responsible for the drafting of this brief, that we may not always

be perfect in matters of semantics. We are questioning something, but we go on to say:

> It would be interesting to know what portion of the increase between 12.4 per cent and 13 per cent is due to—

We have some reservations, and we are making those reservations known. I think you are reading something into the first paragraph that is capable of two interpretations.

Mr. MORE: I raised the question, and I think you have expressed your views on it. There are two other briefs which have been presented. It did not have to go this far to make it quite clear there is this disagreement.

Mr. CARON: We cannot blame the employees for looking into the matters as fully as possible.

Mr. MORE: Nothing I said "blames" them.

Mr. BELL (*Carleton*): From what Mr. More said I do not think that he had that in mind at all, and I think it has been cleared up by Mr. Best saying there was no intention of that kind. I think Mr. More is satisfied, that having been said.

Mr. ROGERS: I think it is a great thing to get it clarified anyway. It clears the air, and we are all happy about it now.

The CHAIRMAN: Page 8? Are there any questions as to the matter of the return of contribution with interest; or is it quite clear?

Mr. HICKS: I think it is clear.

The CHAIRMAN: Are there any questions at all on page 8?

We move, then, to page 9. I think also that the representations on page 9 are very clear.

Page 10. This point has also been brought up before, about the re-employment in the service as it affects the pension.

Mr. CARON: It is very clear.

The CHAIRMAN: It is very clear.

Page 11? These points are quite lucid, I think.

Page 12, as to insurance? All agreed?

Mr. BELL (*Carleton*): On pages 12 and 13, may I just raise this question with Mr. Best, the question of where the supplementary death benefits scheme should end and ordinary insurance coverage to be privately placed should start? That is a problem I have had in my own mind, in dealing with this whole matter. Where the amount is a moderate amount, then I can see it as a coverage provided by the death benefit in the superannuation scheme. But when it gets to a large sum, I have some question as to whether or not it ought to be covered by way of group life insurance and placed with a private life insurance company. Where does one end and the other start?

Mr. BEST: May I say that the provision of a group life insurance plan for the service, under the present circumstances, would be a decision for the government to make. I think our basic argument here, in the light of today's conditions, is that $5,000 in insurance is not really a realistic amount. Living costs have gone up and so have other costs, and there has been progression in the salaries in the service.

Generally speaking, we would like to see—and I would hesitate to quote a figure, but we think that a more realistic figure would be in the neighbourhood of $15,000 for such insurance.

Mr. BELL (*Carleton*): Is that not getting directly into the field of insurance, as such, private insurance?

Mr. BEST: I think you must differentiate between the government as an employer and the government as a commercial activity in the country. If it is a case of the employer wanting to provide benefit for the employees, if they want to do it through insurance companies, we are not going to complain if it is at a reasonable cost to us. This cheap insurance has a limit on it which, in actual point of fact, is not a reasonable one.

Mr. BELL (*Carleton*): My point is, whether the government ought to be the insurer or whether it should be placed with other insurers?

Mr. BEST: With all the presumption I have been imputed to have, I will not presume to answer that.

Mr. CARON: When you speak of group insurance, the companies insuring a group ask the employer to pay part of it, so it would come back to the government anyway. They would have to pay a share, because they would not give coverage to a group without an employer paying a share, whatever it may be—5 or 10 per cent.

Mr. MCILRAITH: I want to take another aspect of this, that this new provision be a minimum of $500, a permanent minimum of that. My observation, dealing with the ones who actually collect this insurance, has been the hardship arises out of the reduction or the disappearance of this right. I would be more concerned with the question of a minimum of insurance, because they find they need this cash asset for certain direct and immediate expense at the time of death. That is the point that bothers me more. It seems to me the government, as an employer, has, it could be argued, a more direct obligation there. The responsibility for providing surplus funds for increased standards of living, and so on, belong to the employer, through ordinary channels.

Mr. BEST: We were looking at this from the viewpoint of the younger employees—when the sole breadwinner in a family dies at an early age and there are still children to be educated and obligations left behind, where a large lump sum of insurance, in the lower salary brackets, would be very beneficial. We are very happy with the $500 on the paid-up policy, and we hope it will be stepped up to $1,000. But we are rather concerned about this group, where perhaps there is early death in the family and real hardships accrue.

Mr. MCILRAITH: Have not the amendments to the Superannuation Act increased the benefits of children for those persons who die at a very early age? That is really the benefit.

Mr. GOUGH: A young man, with a small number of years of service would have a very small pension, particularly if an individual dies at a very early age.

Mr. MCILRAITH: But it goes towards benefiting the children more than the previous acts did, and it is designed to meet the problems stated by Mr. Best.

Mr. BEST: We could have gone on another 12 pages, developing other arguments, but we had to make a selection and, in our view, selected what we thought the principle and basic points were; and this is based on the policy of the association.

Mr. MCILRAITH: Are you satisfied with the $500 minimum?

Mr. BEST: As president of the civil service association, I am never satisfied with any benefit: but we do feel it is a very forward step.

The CHAIRMAN: If there are no more questions, gentlemen, I would like to thank Mr. Best and his associates for a very good presentation.

Mr. RICHARD (*Ottawa East*): Are there any other briefs to be presented?

The CHAIRMAN: There will be one ready tomorrow morning, from the Dominion Command of the Canadian legion. That will be the last brief. Our time of meeting will be 9.30. But before the committee adjourns, I wonder if we could possibly agree on meeting this evening to discuss with Mr. Taylor and Mr. Fleming some of the points that have arisen this afternoon? It might help us to get the Bill reported earlier if we could have a meeting this evening.

Mr. CARON: Would it not be better for them to have a chance to look at this before they discuss it?

The CHAIRMAN: I have already gone over that with them, and they think they are ready to discuss it.

Mr. MORE: We have a very important meeting tonight, the committee on banking and commerce. I do not think there is a member here who attended this morning's meeting who wants to miss the one tonight.

Mr. CARON: I do not think we should meet tonight. I do not think we would want to miss that meeting.

The CHAIRMAN: Then we shall adjourn till tomorrow morning at 9.30.

Mr. BELL (*Carleton*): We shall have to have a fairly lengthy sitting tomorrow morning in order to report the bill.

The CHAIRMAN: I hope we can.

Mr. MORE: Banking and Commerce meets at 9.30 tomorrow morning I believe.

Mr. MCILRAITH: We may or may not.

HOUSE OF COMMONS

Third Session—Twenty-fourth Parliament

1960

SPECIAL COMMITTEE ON

Public Service Superannuation Act

Chairman: Mr. R. S. MacLellan

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

FRIDAY, JULY 8, 1960

Respecting

Bill C-76, An Act to amend the Public Service Superannuation Act.

Including First Report to House

WITNESSES:

From the Department of Finance: Honourable Donald M. Fleming, Minister; Mr. Kenneth W. Taylor, Deputy Minister; Mr. Hart D. Clark, Director, Pension and Social Insurance Section. *And also:* Mr. E. E. Clarke, Chief Actuary, *Department of Insurance;* Mr. D. S. Thorson, Director, Legislation Section, *Department of Justice;* and Mr. J. G. Fletcher, *representing Professional Institute of Public Service of Canada.*

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

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SPECIAL COMMITTEE ON

PUBLIC SERVICE SUPERANNUATION ACT

Chairman: Mr. R. S. MacLellan

and Messrs.

Bell (*Carleton*),
Campeau,
Caron,
Casselman (Mrs.),
Hicks,
Keays,
MacRae,
McIlraith,
More,
Peters,
Richard (*Ottawa East*),
Rogers,
Smith (*Winnipeg North*),
Tardif.

(Quorum 8)

E. W. Innes,
Clerk of the Committee.

REPORT TO THE HOUSE

FRIDAY, July 8, 1960.

The Special Committee on the Public Service Superannuation Act has the honour to present its

FIRST REPORT

Your Committee has considered Bill C-76, An Act to amend the Public Service Superannuation Act and has agreed to report it with the following amendments:

Clause 3

In subclause 3: delete all the words in line 17, page 4 of the Bill, and substitute therefor the following words:

> forces of Her Majesty raised by Canada or as a special constable of the Force who ceased to be a special constable of the Force on or after the 1st day of March, 1949.

Clause 9

(1) Amend line 2 on page 10 of the Bill to read as follows: "the following subsections:"

(2) Insert immediately following line 8, page 10 of the Bill, the following new subclause:

> (5) For the purpose of subsection (4), in calculating the period during which a contributor has been employed in the Public Service, any period of service of the contributor as a member of the regular forces or as a member of the Force shall be included.

Clause 20

(1) Delete present subclause (4) and substitute therefor the following:

(4) Section 30 of the said Act is further amended by adding thereto the following subsection:

(7) The Governor in Council may make regulations prescribing, in the case of a contributor who in the opinion of the Minister was one of a class of persons who, pursuant to erroneous advice received by one or more persons of that class, from a person in the Public Service whose ordinary duties included the giving of advice as to the counting of service under this Act or the *Superannuation Act*, that a period of service of such a person before the time he became a contributor thereunder could not be counted by him under the said Act, failed to elect under the said Act within the time prescribed therefor to pay for that service, the circumstances under which and the manner and time in which the contributor may elect to pay for that service, and the circumstances under which and the terms and conditions (including conditions as to interest) upon which any such election made by him to pay for that service, or any election made by him under paragraph (*b*) of subsection (1) of section 5 to pay for that service as a period of service described in clause (F) of subparagraph (iii) of that

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paragraph, shall be deemed to have been made by him under this Act or the *Superannuation Act*, as the case may be, within the time prescribed therefor by the said Act.

(2) Add immediately after amended subclause (4) the following new subclause (5):

(5) The Governor in Council may make regulations.

A copy of the Committee's Minutes of Proceedings and Evidence is appended.

Respectfully submitted,

R. S. MacLELLAN,
Chairman.

MINUTES OF PROCEEDINGS

FRIDAY, July 8, 1960.
(4)

The Special Committee of the Public Service Superannuation Act met at 9.35 a.m. this day. The Chairman, Mr. R. S. MacLellan, presided.

Members present: Mrs. Casselman and Messrs. Bell (*Carleton*), Campeau, Caron, Hicks, Keays, MacLellan, McIlraith, Richard (*Ottawa East*), Rogers, Tardif.—11

In attendance: From the Dominion Command of the Canadian Legion: Mr. D. L. Burgess, Immediate Past President; Mr. D. M. Thompson, Dominion Secretary; Mr. M. L. MacFarlane, Director of Service Bureau; Mr. H. Hanmer, Service Officer; Mr. N. A. Shannon, P.R.O., and Mr. W. L. Manchester, Associate Editor of "The Legionary". *From the Department of Finance:* Mr. Kenneth W. Taylor, Deputy Minister; Mr. Hart D. Clark, Director, Pension and Social Service Division. *And also:* Mr. E. E. Clarke, Chief Actuary, *Department of Insurance;* and Mr. D. S. Thorson, Director, Legislation Section, *Department of Justice.*

The Committee continued its consideration of Bill C-76, An Act to amend the Public Service Superannuation Act.

The representatives of the Canadian Legion were called and introduced. Mr. Burgess read the Legion's brief and, assisted by Messrs. Thompson, MacFarlane, Hanmer, answered questions thereon.

Messrs. H. D. Clark and Thorson supplied additional information to the Committee.

The representatives of the Legion were thanked and permitted to retire.

Mr. E. E. Clarke read a prepared statement providing information relevant to the Superannuation Fund.

At 11.00 a.m. the Committee recessed to permit Members to attend the opening of the House.

At 12.10 p.m. the Committee resumed, the Chairman presiding.

Members present: Mrs. Casselman and Messrs. Bell (*Carleton*), Hicks, Keays, MacLellan, McIlraith, Rogers, Smith (*Winnipeg North*), Tardif.—9

In attendance: From the Department of Finance: Honourable Donald M. Fleming, Minister; Mr. Kenneth Taylor, Deputy Minister; Mr. Hart D. Clark, Pensions and Social Insurance Section. *And also:* Mr. E. E. Clarke, Chief Actuary, *Department of Insurance*; Mr. D. S. Thorson, Director, Legislation Section, *Department of Justice,* and Mr. J. G. Fletcher, *Professional Institute of Public Service of Canada.*

The Committee proceeded to the detailed consideration of Bill C-76.

Clauses 1 and 2 were adopted.

On Clause 3:

On motion of Mr. Bell, seconded by Mr. Hicks,

Resolved,—That Clause 3 be amended by striking out line 17 on page 4 of the bill and substituting therefor the following:

"forces of Her Majesty raised by Canada or as a special constable of the Force who ceased to be a special constable of the Force on or after the 1st day of March, 1940"

Mr. Fletcher was recalled; he made a brief statement on contributions by Public Servants. Mr. E. E. Clarke also supplied additional information on this matter.

Clause 3, as amended, was adopted.

Clauses 4 to 8 were adopted.

On Clause 9:

On motion of Mr. Bell, seconded by Mr. Smith,

Resolved,—That line 2 on page 10 of the Bill be amended to read "the following subsections"; and that immediately after line 8, page 10, the following be added

"(5) For the purpose of subsection (4), in calculating the period during which a contributor has been employed in the Public Service, any period of service of the contributor as a member of the regular forces or as a member of the Force shall be included."

The Clause, as amended was adopted.

Clauses 10 to 19 were adopted.

On Clause 20:

On motion of Mr. Keays, seconded by Mr. Hicks,

Resolved,—That the said clause be amended by striking out all the words in Subclause (4), on page 17 of the Bill and inserting therefor the following subclauses.

"(4) Section 30 of the said act is further amended by adding thereto the following subsection:

"(7) The Governor in Council may make regulations prescribing, in the case of a contributor who in the opinion of the Minister was one of a class of persons who, pursuant to erroneous advice received by one or more persons of that class, from a person in the Public Service whose ordinary duties included the giving of advice as to the counting of service under this Act, or the *Superannuation Act,* that a period of service of such a person before the time he became a contributor thereunder could not be counted by him under the said Act, failed to elect under the said Act within the time prescribed therefor to pay for that service, the circumstances under which and the manner and time in which the contributor may elect to pay for that service, and the circumstances under which and the terms and conditions (including conditions as to interest) upon which any such election made by him to pay for that service, or any election made by him under paragraph (*b*) of subsection (1) of section 5 to pay for that service as a period of service described in clause (*f*) of subparagraph (*iii*) of that paragraph, shall be deemed to have been made by him under this Act or the *Superannuation Act,* as the case may be, within the time prescribed therefor by the said Act."

"(5) The Governor in Council may make regulations."

The Clause as amended was adopted.

Clauses 21 to 30 were adopted.

The Title was adopted.

The Bill, as amended, was adopted and the Chairman was instructed to so report to the House.

The Chairman thanked the witnesses and Committee Members for their attendance and assistance.

The Minister of Finance thanked the Committee for the manner in which it had dealt with the legislation.

At 2.05 p.m. the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

FRIDAY, July 8, 1960.
9.30 a.m.

The CHAIRMAN: Mrs. Casselman and gentlemen, we are still considering Bill C-76, an act to amend the Public Service Superannuation Act; and I see we have a quorum.

This morning we have with us a delegation from the Canadian Legion: Mr. D. L. Burgess, immediate past dominion president; Mr. D. M. Thompson, the dominion secretary; Mr. M. L. MacFarlane, director of the service bureau; and Mr. H. Hanmer, the service officer.

I understand that the brief to be presented on behalf of the Legion is to be read by Mr. Burgess, and I would ask him now to come forward with his colleagues.

Mr. D. L. BURGESS (*Immediate Past Dominion President, the Canadian Legion*): Mr. Chairman, and members of the special parliamentary committee on the Public Service Superannuation Act: Those who are with me today from the dominion command of the Canadian Legion are, Mr. Murray MacFarlane, director of the pensions and service work, Mr. Hanmer, his assistant, and Mr. D. M. Thompson, the dominion secretary.

It is my pleasure today to appear here before the committee, in the absence of the president, Mr. Mervin Woods, M.L.A., Q.C., of Saskatoon, who is not able to be here at such short notice.

The Legion wishes to express its appreciation for this opportunity to appear before you and explain the Canadian Legion's views on certain aspects of the Public Service Superannuation Act which we believe should be changed. These arise from the provisions made for a veteran employed in the public service to elect to count his war service for superannuation purposes. This Bill C-76 does not appear to include the amendments which we recommend.

Veterans who are Public Servants will be very happy with the proposed change which will enable superannuation payments to be based on six years rather than ten. Though the present proposal is for six years rather than five, as requested by the Legion a few years ago, we feel sure that it will be warmly received.

The matters which we bring to your attention at this time concern the cost of electing to count war service for superannuation purposes.

Cost Of Electing To Count War Service For Certain Veterans

The first point concerns the requirements that a veteran, not in the public service before enlistment and wishing to count his war service, must pay for it at the rate of twelve per cent of his starting salary or the salary prevailing at the time he elects to contribute.

To illustrate: two young men completed school in 1940. One joined the Armed Forces and the other the Civil Service. The latter could not be made permanent during the war but, after the wartime restrictions were lifted and he became permanent, he was permitted to elect to count his period of wartime employment for superannuation purposes at six per cent. The other man, instead of remaining in a relatively protected position in the Civil Service, joined the Air Force as a pilot and served on operations. On his return to civilian life he immediately entered the Civil Service and was

eventually made permanent. He could then elect to count his war service for superannuation purposes but only by paying twelve per cent of his initial salary, plus interest. Because of his patriotism he is in a less privileged position than the man who stayed in a Civil Service job. The veteran is further penalized by the fact that his contribution is based on the salary he received after the war. The other man's contribution is based on his 1940 salary.

The Canadian Legion Therefore Recommends—

THAT any war veteran joining the Public Service be permitted to contribute for his years in the Armed Forces at six per cent of his starting salary.

Penalties in Electing To Count War Service

The present Act does not give the Minister any discretion to correct errors which arise through incorrect advice given a veteran by Departmental Officials during or after war service.

For example; a veteran of World War I commenced employment in the government service in 1924. He was a contributor to the retirement fund, but because of the regulations on permanencies at that time he had not in 1939 become a permanent Civil Servant and a contributor to the Superannuation Fund. At the outbreak of World War II he secured leave of absence from the Civil Service and enlisted in the Armed Forces. While he was serving, his position was brought within the scope of the Civil Service Superannuation Act. He enquired from the department as to his status and was advised, in writing, that all employees on active service who contributed to the retirement fund prior to enlistment would, on transfer to superannuation, not be required to contribute in respect of war service. The veteran was not advised of any change.

In 1956 when discussing the matter with another employee, who had recently retired, he learned that he would not receive credit for his war service without making an election and paying the cost plus a penalty. This would amount to almost $2,000.00. Upon bringing the earlier letter to the attention of the department he was told that it only expressed the view of superannuation officials at that time, but that the Justice Department later ruled that the service could not count unless it was paid for. Had this veteran been aware of his true position at the end of his war service and elected to count those years at that time, the cost would have been small because it would have been based on a lower salary. Because he was not informed of his true position until many years later the cost became prohibitive.

The Canadian Legion Therefore Recommends—

THAT the legislation be amended to enable the Minister to correct this type of inequitable treatment resulting from advice given in good faith by officials but which is later found to be in error.

Concerning Veterans Formerly In The Public Service Not Under The Superannuation Act

Certain government commissions and other agencies such as the National Harbours Board were outside the scope of the Civil Service Superannuation Act prior to World War II. This appears to have created inequitable treatment in a number of instances involving men who were employed by such agencies prior to enlistment and who subsequently returned to the Public Service.

The following example illustrates the type of problem we have in mind —A young man employed by the National Harbours Board enlisted and was granted leave of absence without pay. He served in Northwest Europe and

on his return to Canada was employed in the office of the Auditor General. He was made permanent in 1949 and had a year in which to elect to count his war service. As the National Harbours Board was not under the Civil Service Superannuation Act, he would have been required to pay the double contribution on his initial salary in the office of the Auditor General, which would mean that his election to count war service was very expensive, consequently he did not elect to count the service at that time.

At the end of 1953 the National Harbours Board was brought under the Superannuation Act. When the 1954 Public Service Superannuation Act came into effect it enabled the veteran to elect to count his pre-war employment with the Board for superannuation purposes at six per cent. He was not permitted to elect for his war service at the single rate despite the fact that his pre-war employment was now accepted. It is understood that those in similar circumstances who elected in 1949 to contribute for war service at twelve per cent received refunds of six per cent, but those who did not elect in 1949 were not subsequently eligible to do so at the lower rate. This appears to create a distinction which affects unfairly one group of veterans. We realize that there may not be many instances of this type but we believe that all civil servants who served in wartime should be given the fullest consideration in electing to count their service especially where new conditions are created by the extended coverage of the Superannuation Act.

The Canadian Legion Therefore Recommends—

> THAT the Act provide the Minister with the necessary authority to ensure that all veterans be treated equally respecting contributions to the Superannuation Fund for wartime service.

Thank you, very much, Mr. Chairman.

The CHAIRMAN: Thank you very much, Mr. Burgess.

Mrs. Casselman and gentlemen, if you have any questions now for Mr. Burgess, or any members of his group, they will be glad to answer them.

Mr. BELL (*Carleton*): In respect of the first recommendation that is made, should this apply, in your view, no matter how many years after the end of the war the person entered the civil service, or should there be some cut-off date?

Mr. BURGESS: There is no cut-off date now. Am I not right in that? There is no cut-off date in which a person may count his war service when he enters the public service and is made permanent.

Mr. ROGERS: He has a year in which to elect to do it, has he not?

Mr. BURGESS: Yes, but the question I interpret Mr. Bell to ask is if he joins the service in 20 years' time?

Mr. BELL (*Carleton*): 20 years after the war?

Mr. BURGESS: There is no cut-off date now, and why should we concern ourselves with that, or do you suggest there might be a cut-off date?

Mr. BELL (*Carleton*): In your view, is there any difference in principle between the man who joined the service very shortly after the war and someone who joins a considerable number of years afterwards?

Mr. BURGESS: The man who did not join for several years may not have been rehabilitated until he did join, which might be a matter of several years afterwards. He might have tried several things for which he was not fitted, but he tried whatever came along. For that reason I think there is no difference between a man who goes into the public service 20 years after and the man who goes in one year after.

Mr. BELL (*Carleton*): Have you made any calculations as to what the additional cost of this might be?

Mr. BURGESS: No, we would have no way of doing that. We do not know how many there are. I knew the number that were taken on that would have benefited had the 5-year average come back, but that is a different point, and that is a few years ago.

Mr. BELL (*Carleton*): I was going to ask if you had any idea of how many might be affected at the present time by this?

Mr. BURGESS: The only way we could get that is to ask you or some other member to ask a question in parliament.

Mr. MCILRAITH: You could not get it there.

Mr. Burgess, on page 3, the bottom half of the page, you are dealing with the situation that arose out of advice given civil servants who had taken leave of absence to serve on active service in the armed forces, at the time the 1944 Superannuation Act was changed to permit them—although not permanent civil servants, as the term was then used—to come under the benefits of the Superannuation Act.

Now, my question is this: I am familiar with what you say here about several of them being advised by a superannuation officer that they automatically transferred. Do you know, from your experience, in one capacity or another, as a senior officer in the dominion command of the Legion, whether or not there are many employees?

Mr. BURGESS: No, we have no way of knowing this, and I was going to mention this when you first spoke about it. You said this advice that had been given—I forget what terms you used, as to whether it was "several" or "many".

Mr. MCILRAITH: "Some"?

Mr. BURGESS: We know this has been the case, and it is reasonable to suppose this was not an isolated incident. On the other hand, we have no reason to think there is a large number of these. I think the amount of money involved would be very little.

Mr. MCILRAITH: Have you had many cases drawn to your attention on this point?

Mr. BURGESS: No, we have not had many.

Mr. CARON: If it is a question of principle, it is not the number which counts, but the principle itself.

Mr. MCILRAITH: I follow that, but this is a case where it was not a question of principle involved so much as a case of a bit of misinformation having gone out from one source. What I am trying to narrow down, Captain Burgess, is this: In my experience, I seemed to get one or two cases on this point drawn to my attention, but they all came from one field. I wonder, if in your experience, they are wider than that?

Mr. BURGESS: In the main, I think the information the department gave—whatever department it was, and no matter how efficient and capable the departmental superannuation official was—he, on a point of this kind, would have sought information from the superannuation branch. And I would have thought that is where the information would have come from, rather than from some particular department, because the superannuation branch are the people that departments look to for advice.

Mr. MCILRAITH: But some superannuation officials in departments interpret the information given them in a different way from others. And that is where the nub of the difficulty comes in in many cases.

Mr. BURGESS: Too often.

Mr. MCILRAITH: I have the impression myself this involved a very small number?

Mr. BURGESS: I have no reason to believe otherwise.

Mr. HANMER: Many of these people we had correspondence from lived out of Ottawa, and there were relatively few in the city, because they had a reasonable means of knowing these things; whereas people living in isolated locations across the country were not aware of the changes that took place until they were notified.

Mr. BELL (*Carleton*): Advice in writing, in the particular instance spoken of here, is advice by departmental officers rather than the superannuation branch.

Mr. HANMER: As I understand it, the superannuation branch also took this stand at one time, initially, after the 1944 act came into force. Although I was not around at this time, from the correspondence I have gathered that this was so. The superannuation people thought it should be interpreted this way initially, but later it was challenged and when taken to the Justice Department they rule differently.

Mr. ROGERS: I am sure that is true.

Mr. BURGESS: It means a lot to those concerned, and those are the ones we are concerned with.

The CHAIRMAN: I think it might help the committee, Mr. Burgess, if you explained to us the different categories of veterans, as regards the Superannuation Act, and in terms of their contribution to the fund. First of all, there is the case of the veteran who had prior service before he comes into the service. After the war he pays at the rate of 12 percent on his starting salary when he comes in?

Mr. BURGESS: Yes.

The CHAIRMAN: What about the veteran then who had some service with the civil service before the war, or who took leave of absence and came back? What is he required to pay?

Mr. BURGESS: He pays six per cent calculated on his starting salary when he returns to the civil service.

Mr. BELL (*Carleton*): Is it not on the salary that he had when he left to enlist?

Mr. BURGESS: Yes, I think that is right.

Mr. ROGERS: Does he not have to pay interest?

Mr. BURGESS: Yes.

Mr. ROGERS: At four per cent?

The CHAIRMAN: Plus four per cent?

Mr. ROGERS: Yes, I think so.

Mr. CARON: Did they have to pay interest for the time they were not under the Superannuation Act at four per cent?

Mr. BURGESS: Yes.

Mr. RICHARD (*Ottawa East*): I think one of the difficulties was that most of these boys who were in the government at the time they entered the services had to resign during their leave of absence, and I suppose they had to pay at the 12 per cent rate.

Mr. BURGESS: I do not think that it matters.

Mr. HANMER: We have come across very few cases of men who were required to resign. But those who did so, did it of their own volition, often in order to get a refund from their retirement fund contributions.

Mr. HICKS: Mr. Chairman, we have had several references to errors or mistakes, with certain results happening. Now we have another one. What about all these errors or mistakes? Where do they come from? Why is it? Surely we could expect something better than that from the people in the different departments?

Mr. CARON: We should!

The CHAIRMAN: I think the errors are relatively rare, are they not, having regard to the number of people being handled?

Mr. HICKS: When the government makes mistakes, or make statements like that, is the government not responsible?

Mr. BURGESS: Mistakes made are very rare—so far as we know they are. But unfortunately they created a great hardship on the person who received the mis-information, where he would have benefited, if he had been given the right information in the first instance.

Mr. HICKS: Surely. And I can recall one person in the health department. I do not want to make this personal. But when I retired, I was a sick man, and the health people issued a statement as to the hospitalization results. I never knew this until it was too late, and they just would not listen to me. I do not think it has meant a thing since, but that is just an example.

Mr. BURGESS: We think that the minister should be authorized or given some freedom to correct these matters.

Mr. HICKS: I quite agree, Mr. Chairman.

Mr. BURGESS: I do not see how you could legislate for a particular case of this kind, because you would have them all over the place. But if authority were granted some place to some person to make the corrections, it would solve the difficulty.

Mr. ROGERS: I think the example you have illustrated on page 5 is a good one. There are quite a number of these.

Mr. BELL (*Carleton*): Have you or your officials looked at the proposed amendment in connection with section 20 subsection 4? Have you any special comment to make on how the particular draftmanship fits into the problems you have raised?

Mr. BURGESS: We have only had this whole thing before us for a few minutes, and we have not had an opportunity to study it.

Mr. BELL (*Carleton*): I refer to section 20, subsection 4.

Mr. ROGERS: Section 4 provides for the correction of errors now, but it does not correct the errors that have happened, as I understand it.

Mr. BURGESS: No. That might be the place that the minister might be authorized to make corrections to adjust errors that have occurred in the past, errors of this type.

Mr. ROGERS: Yes.

Mr. MCILRAITH: Clause 20, sub clause 4 deals with the difficulty which arises out of an error in advice given by someone in the public service whose ordinary duties included the giving of such advice.

Mr. BURGESS: Is that not this case?

The CHAIRMAN: Yes, is that not this case?

Mr. MCILRAITH: That does not appear to cover the case indicated on page 5 of your brief, because there it is not a matter of advice, it is a matter of which is a subject of law, because of the employee's employment in the national harbours board before his enlistment.

Mr. BURGESS: That is right, that is so. This is a different case from the one on page 3.

Mr. MCILRAITH: Yes. So the case envisaged by the reference on page 3 would be included in clause 30, sub clause 4, but the case envisaged on page 5 would not be included. Is that not correct?

Mr. BURGESS: That is so. And if he had been serving in some other part of the government services that had not been brought under the Superannuation Act, he would not gain or lose anything by virtue of what happened because he was required to pay 12 per cent, and then there was nothing which took place subsequently to change that.

But because the unit of the public service he served in before the war was taken out of the Superannuation Act, it developed that he lost out. In other words, he did not want to take superannuation at 12 per cent, therefore, for some reason, he did not consider it advisable to do so; but on the other hand those who did take it paid 12 per cent. They decided that they wanted to take it.

Later, when the harbours board or whatever unit it was was brought under the Superannuation Act, those who paid 12 per cent were given a rebate of six per cent; but those who had not paid the 12 per cent were not allowed to take it at that time, and therefore they lost their opportunity.

Mr. MCILRAITH: Your point is that the correction which is involved in the example used on page 5, involves a further change in the law, which would require some change in the law?

Mr. BURGESS: That is right, it would.

Mr. BELL (*Carleton*): I think that is a fair statement of the situation. In the first instance, if at the time this arose there had been a section 20-4, it could have been corrected by the minister. But the minister would have had no power under section 20-4 to do anything about the second case. It would require an amendment to the act, to be made retroactive.

Mr. MCILRAITH: Yes, in order to permit clause 20-4 to cover cases where a mistake has been made in the past; it would require some wording in that sub clause to make it clear that it was applicable, because it had already occurred.

The CHAIRMAN: As I read the section it seems to me that it applies to cases which have already occurred, such as the case cited by the Legion. But does it not apply to mistakes and errors which occurred in the past as regards to the giving of advice, Mr. Clark?

Mr. H. D. CLARK (*Director, Pension and Social Insurance Division, Dept. of Finance*): Yes, sub clause 4 of clause 20 deals with the second type of case mentioned in the brief. It does not deal, however, with the third type, that of the national harbours board.

The CHAIRMAN: No. It seems to deal with the type of problem raised on page 3 of the brief, where wrong advice was given.

Mr. CLARK: Yes, that is right; but in the third case there was no question of wrong advice being given at all.

Mr. MCILRAITH: But suppose wrong advice was given and acted upon, or not acted upon?

Mr. CLARK: Yes. This would apply.

Mr. MCILRAITH: Ten years ago.

Mr. CLARK: Yes. This would apply.

Mr. MCILRAITH: The way this clause is drafted, it would enable it to be corrected now?

Mr. CLARK: Yes.

Mr. McILRAITH: Oh, that is right. It is retroactive to that extent.

The CHAIRMAN: What would be the effect though with regard to the amount of salary upon which the contribution would be based?

Mr. CLARK: This would go back to the initial salary involved in the election.

The CHAIRMAN: I see. It puts him back in exactly the same position he would have been in except for the bad advice.

Mr. CLARK: It would put him back to the time when he could have originally elected, which was in 1947.

The CHAIRMAN: I think that covers that point.

Mr. D. M. THOMPSON (*Dominion Secretary, Canadian Legion*): If a man has already been superannuated for two, three or four years, would this clause 20-4 come into operation, and would his account be adjusted now, or would this only keep him going subsequent to the passing of the act?

The CHAIRMAN: I think it would apply only to those who were in the service.

Mr. CLARK: We could have this confirmed by Mr. Thorson of the Department of Justice who drafted this word contributor, which is used in the definition under the main act, where the text permits it to include a person who has retired. We could clarify this point with Mr. Thorson, who will be coming here a little later in the morning.

The CHAIRMAN: Are there any other questions which we shall want to ask Mr. Clark or Mr. Thorson at a later time?

Mr. BELL (*Carleton*): In respect to the third item, your representations are that the act should be amended to cover retroactively the national harbours board?

Mr. BURGESS: That is the only way you could take care of a case of that kind; and certainly it would seem to be only fair to the veteran, or to whoever it might be, that it should be taken care of.

Mr. BELL (*Carleton*): Well, this does not affect the principle at all. Have you any indication from your correspondence as to the number of persons who would become involved in this type of situation?

Mr. HANMER: It is a very small number.

Mr. BELL (*Carleton*): Could you venture an opinion as to the number?

Mr. HANMER: We only know of two or three.

Mr. BELL (*Carleton*): You say you only know of two or three?

Mr. HANMER: Yes.

Mr. ROGERS: Subsection 4 on page 17 corrects a few of these errors, and it is retroactive.

Suppose this thing happened in 1956, for instance, and they are going to clarify it. Does he have to pay interest from 1956 to 1960, for instance? Whose fault is that?

Mr. CLARK: Normally interest is paid over the interval.

Mr. ROGERS: Then you are not actually correcting the error. You are making him pay four per cent for a mistake that was made.

Mr. CLARK: If he had paid it at the proper time of course it would have been just a lump sum payment of the amount involved; but the normal requirement is to pay interest for the time during which he paid.

Mr. ROGERS: Had he been given the right advice in 1956, he would have paid it. But he was given wrong advice. It is 1960 now, and he has to pay not only the amount, but also four per cent interest, when in fact the officials were responsible for this error.

Mr. CLARK: Insofar as this clause is concerned, the Governor-in-Council is given authority to put in the conditions concerning the interest to be applied. I can only say that normally interest is required from the time of the service until the time of the payment. But there is power in here given to the Governor-in-Council to do otherwise, if the Governor-in-Council sees fit, as I read it.

Mr. BELL (*Carleton*): Are we not entitled to assume that he had the use of that money in the meantime, and therefore if he had the use of it, he could have earned interest on it himself?

The CHAIRMAN: And possibly at a higher rate than four per cent.

Mr. ROGERS: That might be true.

Mr. MCILRAITH: That would be only in the last two years.

Mr. BELL (*Carleton*): We have been very unpartisan.

The CHAIRMAN: Are there any other questions?

Mr. KEAYS: Yes. I would like to go back to page 2. Have the Canadian Legion any other alternatives or suggestions concerning the payment of 12 per cent? You cite an example of one who is paying six per cent on his starting salary, and of one who comes out of the armed forces, and who then has to pay 12 per cent.

But leaving the interest side of it out, is there any other way by which you would like to base it, outside of the six per cent?

Mr. BURGESS: I think that is the only way. If nothing else occurs, the starting must be at the same salary.

Mr. KEAYS: You would not want to base it on his starting salary in the army?

Mr. BURGESS: Oh, yes, I would be very happy to do that. That is a very fine suggestion.

Mr. BELL (*Carleton*): Pursuant to the point which Mr. Keays raised, do you know of any large private superannuation schemes, or companies, shall we say, like the Bell Telephone or the Canadian Pacific Railway where the privilege of election is equal on war service? Have you, in your experience, discovered anything we could use as an analogy, from private employment?

Mr. THOMPSON: We do not know of any; but when a chap is in the armed forces he is working for the government, and it is just the same as government service. But it would be a very generous employer in private employment who would do this, because you could not point to the Bell Telephone Company, for example, and say that this man was working for us.

Our point is that he carried on working for the government in the armed forces, and that when it comes to a case of superannuation, he should be in exactly the same position.

Mr. BELL (*Carleton*): I was endeavoring to ascertain if there was any private scheme which would strengthen your presentation?

Mr. THOMPSON: I do not know, but there may be.

The CHAIRMAN: Is your objection on page 2 of your brief that the veteran must contribute on the basis of the salary when he starts in again to work, that is, to be re-employed in the service, or is it the 12 per cent?

Mr. BURGESS: It is the 12 per cent. You could say that each should properly be paying the percentage based upon the salary as it was when he went into the service. The person who would go into the service is paying six per cent on the salary as it was; but salaries in 1940 were very much less than they were when the veteran returned to the service after the war. So the veteran is penalized in that he has to pay this six per cent on the salary in the circumstances when he comes into the service, as against the person who was in the civil service all the time.

The CHAIRMAN: It would seem to me that if this contribution was on the lower salary, the pension entitlement would be lower too.

Mr. BURGESS: Take the person in the civil service whose salary is low at the start. Your calculation is based on ten years. I propose six; but this is based on ten years. At the commencement it is very low, but later on, towards retirement, the salary becomes greater; so that no one is any better off in that respect.

The CHAIRMAN: It would seem to me that from one point of view the veteran would have an advantage in having his pension calculated on his higher salary, than if it is being based on the salary when he went into the war services. Am I correct there?

Mr. BURGESS: No I do not think so. You take the civil servant going into the service in 1940. He may be getting a grade 3 salary, which was $1,600 to $1,700 in 1940; but that same position in 1946 would be somewhere about $2,200 or $2,300, probably.

Mr. MCILRAITH: By 1947 or 1948—I do not think the increases came in 1946; I think it would be 1948.

Mr. BURGESS: It does not matter which year you take; it would be $2,200 to $2,400.

The CHAIRMAN: What we want is the salary when he came back into the service; and he would come back in 1946. Perhaps we could use that as a date.

Mr. BURGESS: My thinking is that there would be more joining the service after 1946.

Mr. MCILRAITH: Yes.

Mr. HANMER: Whether it is based on $2,000 or $4,000 would not affect the superannuation eventually, because it will be based on the last six years, according to this bill.

The CHAIRMAN: Are there any other questions?

Mr. BELL (*Carleton*): I see the distinguished counsel from the Department of Justice has now arrived. So perhaps the point which was raised earlier might now be put to him.

Mr. MCILRAITH: Is he ready to answer?

Mr. BELL (*Carleton*): The point raised was whether clause 20-4 would apply, to enable the governor in council to make regulations whether the person who was involved had already been superannuated, or whether it applied only to those who are still employed?

Mr. D. S. THORSON (*Director of Legislation Section, Department of Justice*): My first thought is that it would apply only to those who are still employed. Under the normal procedure under the act, they have to make an election. In every case it is contemplated that the person who is making the election is a continuing employee. But it does use the word "contributor", and I grant you that there is latitude in that expression, having regard to the definition. But to my way of thinking it does contemplate a continuing employment situation.

The CHAIRMAN: Is there any other section that you could use to explain that, Mr. Thorson?

Mr. THORSON: Section 7 of the act deals with an election generally under this act. It is true that it deals with elections under the statute, and under the provisions of the bill amending the statute; but I think the statute being prior material, it would follow that the same reasoning should be used in approaching this question.

Mr. MCILRAITH: Does not the subclause hinge on the use of the word "contributor", and on the interpretation of the word "contributor" contained in section 2 of the act?

Mr. THORSON: That is right. There is some logic, having regard to the definition of contributor; but it must, of course, contemplate situations where the person has ceased to be employed for the purposes of the statute.

Mr. MCILRAITH: Contributor is so defined.

Mr. THORSON: Yes.

Mr. MCILRAITH: As I read section 2-C.

The CHAIRMAN: Section 7-1 says that any election made by a contributor shall be made by him while employed in the public service. That seems to narrow the word contributor to a person who is employed in the service.

Mr. MCILRAITH: Are you giving sufficient attention to the words "failed to elect"? Section 7 deals with elections, and clause 24 deals with those who failed to elect, who failed to come under 7-1 for a certain reason. Are you giving sufficient weight to those words "failed to elect"?

In other words, they are exclusory words; do they exclude reference to section 7. That is an intricacy of argument.

Mr. THORSON: Certainly in drawing up this particular provision we have in mind people who were still employed in the public service. But perhaps it should be put beyond doubt, by means of a suitable amendment.

Mr. ROGERS: Pursuing that matter further, what is a contributor? I know of a civil servant who got leave of absence and went into the second war. When he returned he had to make up for his four years service; so he elected to spread it out until he was 65 years, or 70 years, or until death. Now, is he a contributor? He is still paying back.

Mr. THORSON: For the purposes of the statute, probably, although I am not in possession of all the facts—probably he is, yes. The definition of the word contributor takes into account those persons who have ceased to be required to pay on a current basis, but who are still superannuated, and who are entitled to benefits under the statutes.

Mr. MCILRAITH: Is that not the whole difficulty: that we changed the act some years ago to make it a right—to make superannuation a right rather than an ex gratia payment; but at the same time the fact remains that there is no practical method of having these rather complicated points of law determined by the courts; therefore there is no judical interpretation of any of these matters anywhere; and as regards principle I think it is the kind of difficulty we find ourselves in, in an act of this sort.

Mr. THORSON: There have been very few judicial pronouncements on this. That is correct.

The CHAIRMAN: Are there any other questions, or has that point been sufficiently cleared up?

Mr. MCILRAITH: I do not know if it has been sufficiently cleared up, but probably it will have to be dealt with when we come to deal with the clauses of the bill.

The CHAIRMAN: Certainly.

Mr. MCILRAITH: I think the point is made clear, as far as the Legion is concerned, in their representations.

The CHAIRMAN: Yes. Are there any other questions on the Legion brief?

Mr. BURGESS: When I introduced those who are present from the Legion, I was looking to my right. But on my left may I indicate Mr. Lorne Manchester, and Mr. Norman Shannon of our Department of Public Relations, and "The Legionary"?

The CHAIRMAN: Just to clear up this final point; at page 6, as I understand it, you are suggesting, in regard to a veteran who had prior service, on a board for example, which did not come under the act at the time that he

enlisted—you are suggesting, in his situation, he should be asked to pay only 6 per cent rather than the 12 per cent.

Mr. BURGESS: Yes.

The CHAIRMAN: You have no objection to 6 per cent?

Mr. BURGESS: No. We feel he should be required and should have the privilege of getting his war service counted by paying only 6 per cent.

Mr. MCILRAITH: Is not your point that he should not be penalized by the fact the board—the federal government board—was not covered by this act at that time? He was a public servant.

Mr. BURGESS: That is right.

Mr. MCILRAITH: Although not in that part of the government service that came under the old superannuation legislation.

Mr. BURGESS: He was not able to take a contract for 12 per cent, and another person was. If he had known that he would get a rebate of 6 per cent, as the other person did, he probably would have gone on board.

Mr. MCILRAITH: You are asking that the distinction be removed—

Mr. BURGESS: Yes.

Mr. MCILRAITH:—between those departments that were, at that time, under the act, and those that were not, and that all the ones who were in the public service prior to the war be put in the same position, as long as they were in the public service.

Mr. BURGESS: Yes.

The CHAIRMAN: This same argument would apply to other civil servants who might have been employed on a board which did not come under the act until 1954.

Mr. BURGESS: Yes.

The CHAIRMAN: Gentlemen, are there any other questions? Are there any other points you wish to bring up, Mr. Burgess?

Mr. BURGESS: No, there is not. Mr. Chairman.

The CHAIRMAN: Well, gentlemen, I wish to express the thanks of the members of the committee to you for coming this morning, and for presenting such an excellent brief—also, for giving us your time for so long this morning.

I would suggest now that we call Mr. Taylor, and Mr. Clarke to deal with some of the questions that were raised yesterday—if that is satisfactory to the committee.

Mr. MCILRAITH: That is satisfactory.

Mr. BELL (*Carleton*): Mr. Chairman, I know it was the hope of the Minister of Finance to be here by 10.30 this morning. However, he has a cabinet meeting this morning, and has not arrived as yet. He had intended to make some comments, of a policy nature, but I believe he has been detained. I think we should go ahead.

The CHAIRMAN: But, can we expect him later?

Mr. BELL (*Carleton*): The minister will be here as soon as he possibly can leave the cabinet meeting.

The CHAIRMAN: Mr. Thorson, would you please come up to the head table.

Mr. Clarke has a preliminary statement in connection with the actuarial methods, and so on, that are the basis of his report. He thinks it would be helpful to us if he made a statement at this time.

Mr. E. E. CLARKE (*Chief Actuary, Department of Insurance*): Mr. Chairman, these explanatory remarks are in connection with the statistics which were mentioned yesterday in the submission and which are included in the

Report on Actuarial Examination of the Superannuation Account, in the Consolidated Revenue Fund, as at December 31, 1957, and also in connection with the assumptions underlying the financial or actuarial calculations that we made in respect of the cost of the changes in benefits.

In the first place, I should like to give some explanation of the salary scales shown in Appendices 1, 2 and 3 of the actuarial report. These salary scales are the statistics on which Mr. Fletcher based his estimates of the cost of the proposed change in benefits which were presented yesterday in the submission of the Professional Institute, and to which he drew your attention at that time.

In the development and construction of these salary scales the effect of salary increases, other than increases directly dependent upon promotion from grade to grade or increases within each grade, was excluded, that is, the effect of all increases other than promotional increases was excluded in the construction of these salary scales. Thus, the salary scales shown are estimates of the way salaries of contributors to the superannuation account would, on the average, increase in age, after 1957, if there were no increases other than promotional increases. Clearly, this salary scale has no relation to the way salaries actually increased in the period from 1948 to 1957. If we were to ignore salary increases resulting from promotion, which are the only increases represented in the salary scale, the increase, on the average, of salaries of contributors from 1948 to 1957, inclusive, was about 60 per cent, or of the order of 5 per cent each year in that period. None of the additional pension cost created by these increases was borne by contributors as such. As taxpayers, they did contribute something toward them. For instance, in respect of the four salary increases in 1951, 1953, 1956 and 1957, the government credited to the superannuation account some $146 million, which was equivalent to between 3 per cent and 4 per cent of salary over an eight-year period from 1951 to 1959.

Now, the estimates given to the committee yesterday of the cost of the change from a ten-year average salary to a six-year average salary, as a percentage of salary for a new male contributor, relate only to the cost of such change if salaries were to progress in the future in the manner shown in the salary scales previously referred to, but which have no relation to actual fact over the past decade or more, and have little likelihood of being at all representative of future progression of salaries. I would like to say here that if there were no salary adjustments in the future other than those taken account of in the salary scale it would make little difference to most employees whether their pensions were based on an average of ten years salary or six years salary, or even final salary. You can see that from the salary scale. In such case, the proposed change from a ten-year average to a six-year average would have little significance either from a cost standpoint, as pointed out by Mr. Fletcher yesterday, or from a benefit standpoint. The point is that the benefit is very significant because of salary adjustments that have taken place over the past ten years, and will be significant if there are future salary adjustment, and the cost of the benefit is correspondingly significant.

From what I have said, it may be understood that the cost estimates given by Mr. Fletcher yesterday represent only a small part of the actual cost of change from a ten-year average to a six-year average, under current conditions. For instance, if we assume that salary adjustments, other than normal promotional increases, are, in the future, of the order of 2½ per cent per year, which is about half the effective rate of increase over the past 10 or 15 years, the average cost of the increase in benefits for a new male contributor, resulting from the change to a six-year average from a ten-year average, is, according to our calculations, 9 per cent of salary.

Perhaps a direct comparison of the increase in the value of benefits as a result of change to a six-year average with the value of contributions equal to one-half of one per cent of salary for certain specific cases would be enlightening. The assumptions underlying these figures are that the contributor's salary at date of change is $1,000 per year, and that this salary will increase according to the male salary scale shown in Appendix 1, with an additional 2½ per cent increase in salary each year in the future.

The first example is for a new contributor aged 20. The value of one-half per cent of salary to the time he ceases to be employed for any reason is, on the average, about $81, whereas the value of the increase in benefits is about $117.

For a new contributor aged 30, the value of one-half per cent of salary is about $97, and the value of the increase in benefits is about $172; but, if the contributor, at the date of the change, has ten years of service, the corresponding value is $103—that is, the value of the half per cent of salary—and the value of the increase in benefits is $267.

For a new contributor aged 45, the value of one-half per cent of salary is about $57 and the value of the increase in benefits is about $108. If he has ten years service, the values are $76 and $243. For a contributor aged 45 with 25 years of service, the value of one-hlf per cent of salary is about $45 and the value of the increase in benefits is about $313.

For a new contributor aged 60, the value of one-half per cent of salary is about $21 and the value of the increase in benefits is about $34. If he has more than five years of service, the value of one-half per cent of salary is about $24; if he has ten years of service, the value of the increase in benefits is $158, and if he has 25 years of service the value is $320.

Mr. KEAYS: Do you believe that Mr. Fletcher's submission was not quite complete?

Mr. CLARKE: It was not complete.

Mr. MCILRAITH: I take it the conclusion to be drawn from all the figures you have given is this—that the changes proposed in the bill—the extra one-half per cent contribution on thet part of male contributors—will be used up in the additional benefits, and it is not being used; so, if I can use a term, it is diverted into taking care of the deficiency as shown in the auditors statement. Is not that the general conclusion to be drawn from your figures?

Mr. CLARKE: Together with the previous deficiency in the male rate, that is correct. Formerly, we estimated that the male contribution rate, under the benefits as they are now, was about 12.4 per cent.

Mr. MCILRAITH: Yes.

Mr. CLARKE: The additional benefits will, to my mind and according to our calculations, certainly bring it up to 13 per cent or more.

Mr. BELL (*Carleton*): On the basis of your calculations there, it actually would bring it to 13.3, would it not?

Mr. CLARKE: Under the assumptions that we made.

Mr. BELL (*Carleton*): Under the assumptions that you made, yes—12.4 plus .9, which would give you a total of 13.3.

Mr. CLARKE: Under those assumptions, yes.

Mr. ROGERS: I do not think the half per cent increase is causing too much concern, anyway. I really do not.

Mr. MCILRAITH: Mr. Chairman, the matter of what is to be done with the actuarial deficiency would be a matter of government policy, and something for the minister to deal with. I take it that it is not proper for the present witnesses concerned to be asked about this.

The CHAIRMAN: That is my view.

Are there any other questions on Mr. Clarke's statement? Is there anything you would like him to clear up?

Mr. MCILRAITH: Have you given any thought to the question raised yesterday as to enabling married women who have dependents, other than children, coming under the same provisions as male contributors, with the same benefits and the same rate of contribution—and the same rights? Have you examined that point at all from the point of view of its effect on the fund, if any?

Mr. K. W. TAYLOR (*Deputy Minister, Department of Finance*): Yes. This matter has been raised in the past. It was raised at the time of the 1953 act, in some of the briefs which were presented. One of the problems is the affect on the actuarial calculations of such beneficial options. Presumably, if you require all married women to pay the same rate as males, then there would be no particular actuarial problem. Is that not right?

Mr. CLARKE: That is right. But, if it was just for dependent persons, I would think that the contribution rate for females would be much too high if you charged everyone.

Mr. CARON: But, if they would elect to accept the same rate as men, that would not make any difference in the actuarial calculations?

Mr. CLARKE: Well, if a female with a dependent husband were to elect to pay the extra one per cent, that would not go anywhere toward paying the cost, because she is actually paying one per cent of her salary, say, for a benefit that will cost maybe 10 per cent, 15 per cent or 25 per cent, which she knows is going to fall in after she dies. You have not insurance anymore; there could be insurance there, but not when you pick out specific people.

Mr. MCILRAITH: Your point is that you only would be picking out those persons known to have dependents, whereas, in the male population, some have dependents and some do not.

Mr. CARON: I think most of them have dependents anyway.

Mr. MCILRAITH: There are quite a few single men.

Mr. ROGERS: But insurance is based on everyone, and not on certain sections. Is that not right?

Mr. CARON: Well, I cannot follow this very well. A male who contracts to pay the contribution may have a wife and other dependents and, as a calculation is made, his dependents can be protected at that rate. If we take a female, under the same conditions, instead of having a man supporting a wife, it is she who has a husband to support, and the children. How would it make any difference?

Mr. CLARKE: It would not, if every woman who had dependents was required to make an extra contribution toward that benefit. But if you allow election, it seems to me the only women who will elect are those women who feel they are in ill health and are going to die, or may die, shortly. If all women with dependent husbands were required to contribute for such coverage, then it could be done.

Mr. CARON: It has to be all of them, with no other election. It would have to be all those with dependents. So, it would not change anything in your calculations, and all those with dependents should have to give the same as men.

Mr. CLARKE: Well, they would have to be covered, let us say that. I would think that the whole group should be covered and that it should not be just particular women with dependent husbands allowed to elect for that benefit, because those people who do elect to pay will have the benefit, and it will fall in, and the contribution they pay will not go anywhere toward paying the

benefit. If the whole group was covered, that is, all those people with dependent husbands—that would be different.

Mr. CARON: Then, if the whole group was covered it would not change anything in the calculations.

Mr. CLARKE: Well, new calculations would have to be made of the cost.

Mr. CARON: But the cost would be the same.

Mr. CLARKE: It would be determinable.

Mr. CARON: It would not be necessarily the same.

Mr. CLARKE: No, it would not necessarily be the same.

Mr. MCILRAITH: Mr. Taylor, I thought yesterday at one point in the evidence there was some confusion on the record as to the exact situation now concerning women with dependent children, and their benefits and entitlements under the existing act.

Would you, or one of the other officials, care to put on the record, in somewhat simple form, exactly what the position is now.

I just want to have something on the record to clarify what I thought was somewhat confusing.

Mr. H. D. CLARK: The benefits for children are not confined to the children of male contributors; they also apply to those of female contributors.

Mr. MCILRAITH: And, they are the same.

Mr. CLARK: I beg your pardon?

Mr. MCILRAITH: They are the same—and I am referring to the benefits for the children.

Mr. CLARK: Yes.

Mr. MCILRAITH: Whether they arise out of the employment of a mother, who is contributing on the 5 per cent basis, or the father who is contributing on the 6 per cent basis. That is the situation as I understand it.

The CHAIRMAN: In other words, when you speak of a widow's dependents, you mean a dependent husband— as he is the only other person who could qualify anyway?

Mr. CLARK: Yes, under the proposal.

The CHAIRMAN: There are no other dependents that would be affected?

Mr. CARON: There are the children.

The CHAIRMAN: They are covered already; it is only a dependent husband that would gain from this.

Mr. MCILRAITH: That is the point I wanted to clear up.

Mr. ROGERS: To revert to that other point, did you ever consider putting a woman who has dependents—that is, when she is employed—for her own protection, on the same status as a male?

Mr. TAYLOR: As I said before, I think what we would have to do is to apply the appropriate rate, which would be somewhat close to the male rate, to all married women in the service and, at the present time, the 5 per cent rate for female employees is adequate to cover all the single women in the service, as well as all the married women or widows who have children under 18 years of age—and they are covered now.

In connection with husbands, I might add one further point there. The question of a dependent husband is often very difficult to define. It can vary from a husband who is partially employable—one who has a mild heart condition—to one who is totally disabled. It becomes a somewhat subjective definition as to whether a husband is dependent.

Mr. CARON: How do they account for that difference in rates between men and women? Women are paid the very same salaries as men are in the civil service. Is there any discrimination because they are women?

Mr. TAYLOR: The reason is that the great majority of the women in the public service have no dependents and, therefore, if they die in service, all that happens is that their accumulated contributions go into their estate.

Mr. ROGERS: And that, only to the contributions they have made, with interest.

Mr. TAYLOR: Without interest.

Mrs. CASSELMAN: And there would be a great number of them who never would reach the higher brackets.

Mr. TAYLOR: That is true, by and large. The percentage of women employed who exceed, say, $8,000, $9,000 or $10,000 a year, is much smaller than the proportion of men who reach $8,000, $9,000 or $10,000, or higher.

The CHAIRMAN: Then, with the present contribution being made by females, they certainly are carrying their part of the load.

Mr. TAYLOR: Yes. As the report shows, the actual cost basis of past records indicates that the cost for females is 9.7 per cent, with 10 per cent being contributed; that is, under the 10-year average rule. In the case of males, it has been 12.4 per cent, and we estimate that the cost, on the assumptions that Mr. Ted Clarke has mentioned, would be something over 13 per cent for males, and something slightly over 10 per cent for females. But, it might be slightly under 10 per cent for females; therefore, the proposal in the amending bill is that the females be left at 5 per cent, which will be a gross contribution of 10 per cent, and the males go up to a gross contribution of 13 per cent.

Mr. ROGERS: Mr. Chairman, there was a point brought up yesterday in two or three of the briefs, which referred to section 26 of the bill, in regard to whom the death benefit will be paid. Have you ever given any thought to this? Do you think that is right? Should not the employee have the right to name his beneficiary?

Mr. TAYLOR: This is getting into the field of policy, but I will make one general observation. This has always been described as a death benefit, and it is not, strictly speaking, life insurance. The amendment does not affect male contributors; in their case the benefit is paid to the widow, or if there is no widow, to the estate. In the case of a female dependent, the amendment provides that it shall go to her estate. This amendment reflects the not infrequent case of a married female employee who is separated from her husband and does not wish her death benefit to be paid to him. The payment to the estate rather than the named beneficiary has been proposed because, in a plan of this nature, it is not intended to copy life insurance plans. There are provisions under the regulations for dealing with what are technically called "unworthy wives."

Mr. CARON: There is a difference between males and females in this regard.

Mr. TAYLOR: Yes. In the case of a male, unless the wife is proved to be unworthy, the payment automatically goes to the widow.

Mr. CARON: Well, they could be separated, but not divorced, on account of their difference in character. Supposing they separated because too much was spent, and he could not control it, and then he would like to leave his insurance benefits to the children. That, he cannot elect to do.

Mr. MCILRAITH: What I find difficult to see is that the law has taken cognizance of the situation of these women who are working in the service.

Mr. CARON: Could I have an answer to my question first. Is there anything in the provisions so that a man who cannot prove the wife is unworthy, but who is separated and wants to leave it to his children instead of his wife, can do so. Is there anything which would permit the minister or the department to do so?

Mr. CLARK: The situation is governed, in part, by sections in the original act—section 12, subsections 4 and 5, which are carried forward into part II of the act by subsection 3 of section 39. Perhaps I should draw your attention particularly to subsection 5 of 12—a widow may be deemed to have predeceased the contributor. You will notice there that the welfare of the children involved is a factor in the determination and, in that case, the death benefit would be payable to the estate.

The CHAIRMAN: If I may interrupt for a moment, I wonder if it would be agreeable, Mrs. Casselman and gentlemen, if we convened later this morning for a further hour, or one and a half hours—or, possibly, this afternoon. Do you think we could meet after the orders of the day for an hour? We want to make an effort to clean this up.

Mr. MCILRAITH: I presume you are referring to cleaning up the problems, and not the clauses of the bill.

The CHAIRMAN: It looks to me as if there are sufficient questions for Mr. Taylor and Mr. Clark.

Mr. CARON: I would rather meet this afternoon at 2.30.

Mr. BELL (*Carleton*): We could experience difficulty at that time, as the banking and commerce committee is meeting.

Mr. CARON: It is meeting also this morning.

Mr. MCILRAITH: But, Mr. Chairman, the estimates go on this afternoon, and Mr. Pickersgill and Mr. Martin will be in on the estimates, and will be off the banking and commerce committee.

Mr. CARON: They may not go on; the C.B.C. may not be through.

Mr. MCILRAITH: That is what Mr. Pickersgill is on. He is the main critic for the C.B.C.

The CHAIRMAN: What time is the meeting on?

Mr. MCILRAITH: There is one this afternoon. Mr. Martin and Mr. Pickersgill have been in there. They are going to be in the house and, as far as I am concerned, I would go ahead as soon as orders of the day are over.

The CHAIRMAN: I think if we could meet from one o'clock to 2.30, or 1.30 to 2.30, it would be a good idea.

Mr. BELL (*Carleton*): Why not 12 o'clock right after orders of the day?

Mr. MCILRAITH: Quarter to twelve.

Mr. CARON: If you want to do that, you can; however, I will not be here.

The CHAIRMAN: We will reassemble as soon as orders of the day are over, and the meeting will be in this room.

AFTERNOON SESSION

The CHAIRMAN: Gentlemen, we will proceed.

Mr. ROGERS: Mr. Chairman, I would like to discuss a matter in respect of clause 7 subclause (3) of the bill.

The CHAIRMAN: Mr. Rogers, I wonder if we might make better progress if we go into the clauses now and take them clause by clause and then we could discuss the matter you have when we reach the particular clause.

Mr. ROGERS: Are we going into the bill now?

The CHAIRMAN: I believe it would save time if we do it in that way.

Mr. ROGERS: I think that is a good idea.

Clauses 1 and 2 agreed to.

On clause 3.

Mr. FLEMING (*Eglinton*): Mr. Chairman, on clause 3 there is a technical amendment proposed in respect of subclause 3. This has been drafted by Mr. Thorson. It reads as follows: that this clause be amended by striking out line 17 on page 4 thereof. That line now reads "forces of Her Majesty raised by Canada". The new language which is proposed to be substituted would read as follows:

> forces of Her Majesty raised by Canada or as a special constable of the Force who ceased to be a special constable of the Force on or after the 1st day of March, 1949

In clause 1 of the bill the word "Force" has been defined as Royal Canadian Mounted Police.

Mr. CLARK: This simply is to give parallel treatment to certain special constables of the Royal Canadian Mounted Police force who subsequently entered the civil service and have not had an opportunity to elect for their service as special constables. This puts them on a par with these other persons referred to in this clause who were not under the Defence Service Pensions Act or the Canadian Forces Superannuation Act while members of the forces. The purpose is to provide parallel treatment to these two groups.

Mr. BELL (*Carleton*): I am not sure I know the significance of the term "special constable"

Mr. CLARK: Perhaps Mr. Thorson is more familiar with the R.C.M.P.

Mr. THORSON: These are not necessarily uniformed members of the force. They may be guides up north; they may be on special assignments. In the past they have not been regular members of the force.

Mr. BELL (*Carleton*): Is the situation such that the regular constables already are covered and this amendment is to bring in these special categories?

Mr. CLARK: Yes.

Mr. FLEMING (*Eglinton*): The provision is entirely remedial.

Amendment agreed to.

Clause 3 as amended agreed to.

Mr. MCILRAITH: Mr. Chairman, may I apologize for arriving so late. I understood we were going to clear up the general questions and the minister's statement this morning, and then start off on the clauses on Monday morning.

The CHAIRMAN: We discussed that for a few moments before you arrived. Mr. Rogers began at clause 7 and we decided we would save time by taking up all the various items on the clauses as we come to them.

Mr. MCILRAITH: Mr. Caron said he could not come back at this hour and we agreed to go on on the understanding that we would not start the clause by clause discussion until Monday. I do not know that we would have agreed to come back so quickly if we had known this.

The CHAIRMAN: Mr. McIlraith, our problem is that if we possibly could we should have this bill ready for Monday. Otherwise there will be a further delay of three days.

Mr. MCILRAITH: I thought it was the intention to get through all these general points so that we would deal only with the clause by clause study on Monday. I thought the most orderly and quick way to do this would be to proceed in that way. As you know there are other committees sitting concurrently. If a member cannot make an arrangement in the committee without the danger of having it changed the moment he is out of the committee it is a pretty serious thing. It only means we will have to slow down all the committees. Regrettably I had to answer a long distance phone call and it has taken all this time that I have been absent. I have been very careful not to be absent from the committee; I have been extremely cooperative.

Mr. FLEMING (*Eglinton*): As to the procedure in the house, I had asked the leader of the House last night, having regard to the wishes expressed in this committee that the bill might be expedited as quickly as possible subject to due care being taken to study its provisions carefully, if the bill were reported in the house let us say at six o'clock today if he could put it on on Monday morning. That is what he announced—that if the bill is reported in time they would go on with it on Monday. I did not know there was any suggestion that the bill would not be reported until Monday. Obviously, if we do not take the clause by clause discussion until Monday morning it could not go on in the house on Monday.

Mr. MCILRAITH: It could go on with consent.

Mr. FLEMING (*Eglinton*): I cannot be with you on Monday morning.

The CHAIRMAN: I do not think we can arrange a meeting for Monday morning.

Mr. FLEMING (*Eglinton*): I just cannot be with you Monday morning.

Mr. MCILRAITH: There is a real embarrassment here. I am not sure whether we are not more anxious to get it through than you are, Mr. Minister; in any event we are on the same side on that proposition. It is just a matter of the mechanics of doing it.

Mr. FLEMING (*Eglinton*): So far the committee has dealt with the first three clauses. Are there any questions on the first three?

Mr. MCILRAITH: I had envisaged dealing with some of the points raised in the previous proceedings rather than nailing them down to clauses now.

Mr. FLEMING (*Eglinton*): If there are some points not related to the clauses of the bill which the committee wishes to revert to, we are here at the service of the committee.

Mr. BELL (*Carleton*): I think we should have no misunderstanding. Mr. McIlraith has been very cooperative in relation to this. If he wishes to raise some general points I think we should give him the full opportunity to do so.

Mr. MCILRAITH: Perhaps we might overcome it by the chairman using an extraordinary latitude on the clauses when we discuss them. That might meet the situation. There is also a problem in respect of Mr. Caron, and Mr. Richard had to go to Montreal this afternoon. They had the assurance that the clause by clause discussion would be held on Monday.

Mr. FLEMING (*Eglinton*): Would it suffice if any points which might remain were raised in the house?

Mr. MCILRAITH: I am wondering if the minister is able to give us any help in having today's proceedings of the committee printed for Monday morning. That is rather difficult, but if that could be done it might be most helpful for the consideration on Monday.

May I ask a question about the business of the house. Why does putting it through on Monday mean dealing with it three days earlier. I do not follow that.

Mr. FLEMING (*Eglinton*): As was announced this morning I will be taking part in the meeting of the Canada-United States committee on defence on Tuesday and Wednesday, I will have to be away from Ottawa on both those days.

Mr. MCILRAITH: So it will have to be either Monday or Thursday.

Mr. FLEMING (*Eglinton*): I doubt if it could come up on Thursday in view of the announcement made last night as to the business in the house for the balance of the week. For instance, there is the debate on external affairs and I think a request has been made that the transport estimates be called on Thursday. I do not know what could be arranged in the latter days of the

week. I do not wish anyone to think I am trying to hurry the committee over any of the work which has been assigned to it by the house. I just bring these matters to the attention of the committee in order that you might be able to work out the problems in relation to the business of the house.

Mr. McILRAITH: I might ask you certain points about the bill. Are you still adamant on the question of the date of the bill coming into force. Rather than setting a date such as June 20 or July 1, are you still adamant that it will come into force on the day of receipt of the royal assent?

Mr. FLEMING (*Eglinton*): If you make it June 20 persons who retire on June 19 will be just as dissappointed as the persons who will retire the day before this bill comes into effect under its present terms. I think you cannot escape the problem that whenever the bill comes into effect those who retire just before that time will have a disappointment.

Mr. McILRAITH: This bill first was disclosed on June 20. Where a cut-off is involved it has been a practice in bills of this nature, as I recall it, of fixing a date at the initial announcement on the resolution stage instead of leaving it to the general law which brings it into operation by royal assent. I think it should come into operation on a certain date. At the moment I am not speaking about what date it should be, but if you fix an arbitrary date in the bill then there would not be a need for dealing with it on Monday as there obviously is now. Have you thought of that point.

Mr. FLEMING (*Eglinton*): We considered this whole question before the bill came up. It becomes a question of whether or not there shall be a retroactive effect to the bill. We could not escape the fact that there is a problem there no matter what date is chosen, whether a fixed date named in the bill or the date it receives royal assent.

Mr. McILRAITH: That is right; no matter what date you fix you have that problem. However, we would not have the problem that we may be getting into now of the question of the committee taking two days or one day. If we fix a date we eliminate the problem created by that circumstance. Have you addressed yourself to that?

Mr. ROGERS: My understanding is that quite a number of persons have had great extensions. When these extensions are given generally they are given to people who have an association or, let us say, are higher up. I have thought a lot about this and I think that June 20 would be a better and a fairer date because they had no advance information before June 20, or should not have had. They certainly have now.

Mr. FLEMING (*Eglinton*): How do you meet the problem of the contribution then?

Mr. ROGERS: That is an extra administrative problem.

Mr. McILRAITH: I was not meaning to argue the date, but rather to clear up whether or not you had made a final decision on that point because of the difficulty we may be creating in holding up the bill until Monday. Would it be possible to arrange royal assent on Monday night?

Mr. FLEMING (*Eglinton*): It has to go through the Senate. I assume they will not meet until Tuesday.

Mr. ROGERS: Again, Mr. Minister, I think there would be less controversy over this thing if it were dated June 20. I do not think there could be any then.

Mr. FLEMING (*Eglinton*): I must ask the committee to consider the two points I have mentioned. What about the people who retired on June 19?

Mr. ROGERS: They cannot help it. I retired two or three years ago. I cannot help it. I would have loved to have got it; but I know I am not going to, so I would be very happy if other people could.

Mr. FLEMING (*Eglinton*): Then you are departing from the principle of contribution in order to extend a benefit to a particular group who have not contributed, and you prefer them in that way over those who have retired just prior to the date you are proposing.

Mr. ROGERS: I do not think they are in a preferred group, because they would have to pay for it. It would be dated back to June 20—

Mr. FLEMING (*Eglinton*): No, the contributions cannot be dated back.

Mr. ROGERS: It could be, could it not?

Mr. FLEMING (*Eglinton*): It would mean imposing a charge retroactively, which parliament never likes to do.

Mr. TARDIF: Does it matter what date you select? It is going to make some people unhappy anyhow.

Mr. FLEMING (*Eglinton*): It is just an unfortunate fact. We wrestled with this, and we realized that no matter what date was chosen, it was going to disappoint those who retired just short of it. We regret it.

The CHAIRMAN: Are there any other points, Mr. McIlraith?

Mrs. CASSELMAN: Mr. Chairman, I tend to agree with Mr. Rogers on that, because I have had some calls myself on the discussions that have been going on since June 20. As Mr. Rogers says, people have been trying to get extensions and all sorts of protection against the possible date. There seems to be great confusion since the 20th, as Mr. Rogers said—where there would not be before.

Mr. FLEMING (*Eglinton*): I must say that these requests for extensions have been going on ever since it was indicated that the government intended to bring in amendments to the Superannuation Act.

If you choose to write a date like that into the act, I think you will have the same amount of representation from those who retired just before it. If you choose the particular date because that happened to be the date the bill was introduced, then you are going to have the same representations from people who will be in the same circumstances with respect to an earlier period —if you choose June 20.

Mr. MCILRAITH: May I ask another question. I am, regrettably, not informed on it, because of my absence for a few moments.

The CHAIRMAN: There is a point there, Mr. McIlraith. The Committee had only begun two or three minutes before you came in.

Mr. MCILRAITH: Was the question dealt with of asking Mr. Fletcher whether he had any comment, or clarification, that he wanted to make on the clarification of the actuarial basis of the contribution? Was that taken up by the committtee?

The CHAIRMAN: No. Not yet.

Mr. MCILRAITH: He had asked, just as we adjourned, as I recall it, that he be given an opportunity to deal with Mr. Clarke's explanation. Was that point considered?

The CHAIRMAN: No, not yet; it has not been raised.

Mr. MCILRAITH: Do you propose to leave it until we come to the contributions section? I think that at some point there should be an opportunity of dealing with it.

The CHAIRMAN: If it is satisfactory to the committee, perhaps we could hear Mr. Fletcher at this moment.

Mr. McILRAITH: It could be left until we come to the contributions section. It does not matter where we do it.

The CHAIRMAN: It depends on how we are to proceed. If you are agreeable to going ahead in a clause by clause examination of the bill now, perhaps we could take it up as we meet it.

Mr. McILRAITH: If the minister cannot be here on Monday, I do not know that there is much alternative but to go right ahead now.

The CHAIRMAN: That is the problem we met.

Mr. McILRAITH: I hope that when we do come to the committtee in the house, that if Mr. Caron or Mr. Richard have questions, they will be given pretty wide latitude by the minister. I hope the minister will be in a benevolent humour and will not raise points of order at the committee stage in the house.

Mr. FLEMING (*Eglinton*): The committee review here cannot abridge rights of members of the committee of the whole.

Mr. McILRAITH: No; but we have to some extent abridged the rights here by force of circumstances. I am not quarrelling with that; but I do make the request of the minister that when we come to the committee stage in the house, if there are some of these general questions that were raised in the brief, which may not be strictly relevant on a particular section, that the minister be not overly quick in raising a point of order.

That is a matter arising out of our earlier discussion this morning and the presentation of the briefs. He cannot abridge the rules of the house; but two of my colleagues left on the understanding that we have an opportunity to discuss the whole bill section by section. When we go back to the House of Commons, I just want to be sure that they are not unduly quickly called to order if they have any points which they wish to raise.

The CHAIRMAN: Is there a chance that Mr. Caron may join us later on?

Mr. McILRAITH: He has gone now.

Mr. ROGERS: I think we should make every effort to get this bill through as quickly as possible, because if we are not going to date it back to June 20, it all counts.

Mr. FLEMING (*Eglinton*): There is another complication about dating it back, that I should mention now. When we come to clause 26: here is a change in the basis of payment, and payment has been made; and it would mean, if you are going to date the bill back to June 20, that we will be in the position then, if this amendment is approved, of calling on a particular widower to pay back $5,000.

Mr. McILRAITH: I do not follow that. Would you explain that?

Mr. TAYLOR: A married woman died last week. The $5,000 has been paid to her husband. If this act comes into effect as of June 20, and you have to recover the $5,000 from the husband and put it into her estate.

The CHAIRMAN: It would make the act retroactive, if that were to apply.

Mr. McILRAITH: Do you know what her estate is? Is she the executrix and beneficiary?

Mr. TAYLOR: The married woman has died, and the $5,000 has been paid to her husband, to the widower.

Mr. McILRAITH: Under section 26?

Mr. TAYLOR: Under the present act. If section 26 becomes operative as of June 20, have we got to recover that $5,000 from the widower and put it into the wife's estate?

Mr. McILRAITH: No, you get a release from the estate. It does indicate a point, anyway.

Mr. HICKS: I think the way to settle this matter is to call on Mr. Fletcher now and go ahead clause by clause afterwards, and get the thing done.

The CHAIRMAN: Is that agreed?

Mr. BELL (*Carleton*): Yes. We have already dealt with the contributions section. I certainly did not know that Mr. Fletcher wanted to be heard at this time, and I think we should hear him now.

The CHAIRMAN: Mr. Fletcher, would you like to come forward.

Mr. J. G. FLETCHER (*Member of Superannuation Committee, Professional Institute of the Public Service of Canada*): May I speak from here: it is a convenient point?

The CHAIRMAN: Certainly.

Mr. FLETCHER: Mr. Chairman and hon. members: I would just like, in a few words, to try to make clear the general feeling of the employees with respect to the contribution rate. Heretofore our superannuation plan has worked on the basis that male employees paid 6 per cent, women employees paid 5 per cent, and employers paid the rest, including any extra cost involved by a general salary increase.

My presentation yesterday was on that assumption, that the government, our employer, was paying the cost of general salary increases. Now Mr. Clarke is arguing from different premises, and consequently gets different figures. Mr. Clarke says, in effect, that our salaries are going to progress much more steeply than I suggested, because it is most likely, conditions being what they are in the world, that there will be general salary increases over and above one's normal movement through salary grades and promotion.

On that basis, there has been a change of policy, and the employees are being asked to share in the cost created by possible future general salary increases.

Mr. BELL (*Carleton*): Not at all.

Mr. FLETCHER: That point has never been out in the open before, because the increase in contribution rate is not necessary on the normal progression of salaries. When we are told it is necessary, and that the figure calculated is on a different progression of salary. There is a change of policy, and that is the point which the public servants hope is clear in the minds of the committee. Thank you, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Fletcher.

Mr. BELL (*Carleton*): Mr. Chairman, I think we should have a comment on that, because certainly that statement is quite different to anything which I understand to be the case in this bill, and certainly as I understood Mr. Clarke.

The CHAIRMAN: Mr. Clarke, would you like to speak to that?

Mr. CLARKE: I think the problem here is that I was asked to calculate the cost of the change in benefits as proposed by this amendment to the Act as set out in Bill C-76, which was a change from a 10-year average salary basis to a 6-year average salary basis.

As I said in my statement this morning, the salary scale in no way reflects the actual salary progression of civil servants, in the past or in the future. The only thing taken into consideration in that salary scale was promotional increases. If a chap came in at age 20, I think we can all see that when he gets up to age 55 or 60 there will be very few promotional increases thereafter, and the salary scale will flatten off. That flattening off has not happened in the past, because of salary adjustments, and it will not likely happen in the future.

Therefore, the cost of this change can be split into two sections, as Mr. Fletcher suggests: (1) if we consider only promotional increases; and (2) if we consider increases other than promotional increases. But there is very little point in changing from a 10-year average to a 6-year average if there are only

promotional increases, because the pension changes very little. The benefit that is being granted, as I see it, is significant because of the way salary has actually progressed and is progressing; and that, I think, should be taken into the cost calculations. That is a part of the cost of the change. That is the reason for the change, and the cost arising from promotional increases is only a small part of the actual cost of the change as provided for in the amendment.

Mr. BELL (*Carleton*): There is no change at all in the principle of calculation?

Mr. CLARKE: As I see it, I was asked to calculate the cost of the change in benefits, which is what I attempted to do.

Mr. MCILRAITH: Yes; but did you change the basis on which you make the calculation, in any way: that is the point, I think, at issue? As I understood your answer, you did not change the basis on which you make the calculation.

Mr. CLARKE: I have never made this calculation before.

Mr. MCILRAITH: Do you know what method was used in making these calculations before?

Mr. CLARKE: I do not quite understand that question, Mr. McIlraith.

Mr. MCILRAITH: Well, the ones who made the calculations for the existing rates—what method did they use? Was it the same method as you used—or do you know?

Mr. CLARKE: The rates on the benefits as they stand under the Act now?

Mr. MCILRAITH: Yes.

Mr. CLARKE: The rates shown in the report? They did not take account of any salary adjustments in the future, other than those in the salary scale.

Mr. MCILRAITH: Well then, Mr. Fletcher may have a point, because yours takes into account the increases of the last 12 years and is based on the assumption that the increases in the next period of time will be equal to the rate of the general increase for the last 12 years. Is that not right?

Mr. CLARKE: I took into consideration that future salary adjustments probably would be about one-half what they were in the past; but this is part of the cost of the change in benefits.

Mr. MCILRAITH: That is right, but what factor did you allow there—one-half of what they were?

Mr. CLARKE: I considered 2½ per cent salary adjustments per year.

Mr. MCILRAITH: And, in fact, over the past 12 years they have been—

Mr. CLARKE: About 5 per cent.

Mr. MCILRAITH: About 5 per cent.

Mr. BELL (*Carleton*): I think that clears it up.

The CHAIRMAN: Does that clear the matter up for you?

Mr. MCILRAITH: Yes.

The CHAIRMAN: Are there any other general points which you would like to bring up now, before we return to the bill?

Mr. MCILRAITH: Was there any general comment made by the minister or deputy minister as to the points raised in the brief as to whether they were willing to accede to any of them?

Mr. TAYLOR: You will recall that the question of female employees dependents was raised this morning, and we commented on that. And, before the house met, Mr. Caron raised the question of payments to widows. Then, he had raised the question about the death benefit being payable to the estate.

Mr. FLEMING (*Eglinton*): That arises in connection with a particular clause of the bill, and I think it was felt that could be best dealt with when we reached that stage.

Mr. MCILRAITH: One of the other briefs raised the question of changing the times under various sections—the times allowed for the existing act. It is in the Civil Service Association brief.

Mr. BELL (*Carleton*): That is on page 8.

Mr. TAYLOR: The clause which refers to a 90 day period?

Mr. MCILRAITH: Yes.

Mr. TAYLOR: I think that would belong to a particular clause.

Mr. MCILRAITH: I would appreciate some comment when you come to that clause.

Mr. TAYLOR: Yes:

The CHAIRMAN: We are dealing with general questions at this time which cannot be raised conveniently in connection with clauses of the bill.

Mr. MCILRAITH: I think we could raise it in connection with one of the clauses, and I think it goes over into another clause.

The CHAIRMAN: Then, would it be satisfactory if we returned to the bill?

Mr. KEAYS: Could the minister possibly clear up the question raised by the professional institute, as shown in item 10 at page 3?

Mr. FLEMING (*Eglinton*): I think that is a question in connection with clause 9.

Mr. KEAYS: I am asking that question to clear up any doubt in the minds of people so there will not be any false impressions.

The CHAIRMAN: That comment relates to section 9 of the bill. Would it be satisfactory to deal with it when we come to the section?

Mr. KEAYS: Yes.

The CHAIRMAN: Are there any other general questions?

Mr. ROGERS: Let us get down to that.

Mr. MCILRAITH: I have not all my comments related to the appropriate clauses, and I hope the witnesses will raise any of these points when we come to the appropriate sections.

The CHAIRMAN: We are on clause 3. Shall clause 3, as amended, carry?

Mr. MCILRAITH: What was the amendment?

The CHAIRMAN: An administrative amendment. It is brought to you there, Mr. McIlraith.

Mr. MCILRAITH: What was the significance of the cut-off date of March 1, 1949?

Mr. CLARK: The significance is that the act presently covers those that ceased to be special constables before that date. It takes care of a gap.

The CHAIRMAN: Are there any further questions on that?

Clause 3 agreed to.

On clause 4.

Mr. MCILRAITH: Is this not the clause that gets into the question of the veterans contribution—the total rate? I think the points were raised by the legion, and in some of the other briefs.

Mr. TAYLOR: Of the points raised by Captain Burgess this morning—I did not get a copy of the brief, so I am speaking from memory—one was that all persons who served in the armed forces should be entitled to purchase their service in the forces at the minimum rate of 6 per cent, rather than the 12 per cent.

As you recall, the 6 per cent rate only applies to persons who were in the public service and under the act when they joined the forces. When such persons came back into the service they could acquire their period in the forces at the minimum rate.

If all persons who joined the public service, not having been previously in the public service—and they might join the service one year, two years, 20 years, or even 30 years later—it would be a very substantial expense to allow them to purchase their period of war service at 6 per cent.

Mr. McILRAITH: Now, there was a refinement on that point. You have covered the two cases—those who were in the service and those who joined the service after. What about those public servants who were given leave of absence from the public service, served in the armed forces, and came directly back into the public service but, because at the time they were given leave the particular branch of the public service was not a branch entitled to come under the Civil Service Superannuation Act? What about this? It is easy to see your objection to the ones who are now joining the service and who are not in the public service before enlistment.

Mr. ROGERS: There is one further point on that, if I might carry it on. They were given the opportunity of paying 12 per cent but, because they did no elect to do it—some did—and then afterwards when this public service they were working for came under superannuation they were given back their 6 per cent, whereas the other people who did not elect to do it, because of the high cost, had no opportunity to do so.

Mr. TAYLOR: The field covered by the act has been extended on quite a number of occasions, and it well may be that some time in the future it will be extended to cover still further groups.

Mr. McILRAITH: It covers practically all of it now. Prior to the 1944 amendments, there was very narrow coverage—that is, in area, by this act.

Mr. TAYLOR: We have added, in the last few years, a number of other persons who were in the public service, in the broad sense of the word, but not under the act.

Mr. ROGERS: But, Mr. Chairman, this person who did not elect, when he came back, to take that war-service, because of the 12 per cent, has not an opportunity to do so, but the people who did, took it, paid the 12 per cent, and then afterwards when this branch of the service came into the superannuation, they were returned their 6 per cent. However, this person who did not elect has no opportunity to do so now.

Mr. TAYLOR: No.

Mr. ROGERS: Has there been any thought of rectifying this situation?

Mr. CLARK: I would like to say, in answer to your question, that our legal advice is that these refunds were not authorized. We do not know, officially, who received them.

Mr. ROGERS: That is the one point I wanted to bring out.

Mr. CLARK: If we knew, on the basis of our legal advice, these people would have received an unauthorized payment, recovery would be required, I believe, by the law. The chief of our superannuation branch has advised that he has no knowledge of the person or persons who were purported to have received these payments. We did not know that these cases actually existed. However, we have been told so in this brief.

Mr. ROGERS: Well, on that basis, it clarifies the point that there is an understanding that this has been done. I do not know where it came from. I think it is right in the brief.

Mr. FLEMING (*Eglinton*): The statement has been made in the brief. Although I was not here when it was made, it is not corroborated from any knowledge in the superannuation branch.

Mr. MCILRAITH: The statement has been made outside, as well, but not corroborated. It has been made two or three times and, I think, is believed by certain people. In any event, it is not corroborated.

I wonder, since we are getting on now, if the minister would agree to consider this narrower aspect of it, which is raised by the brief—that is, those public service employees who were continuously in the public service before, except for the war service, but who are required to pay the 12 per cent, as against those who were required to pay only the 6 per cent, because their service before they enlisted was in a branch of the department covered by the Civil Service Act.

Would you agree to look at that point before Monday, when we go into the house on this matter? There are some refinements to it which have not been expressed fully here.

It will be noted, Mr. Minister, that is considerably narrower than the whole class of veterans entering the service.

Mr. FLEMING (*Eglinton*): Well, these points have been considered, I think I might say; but, if you are asking that the act be opened up on this point, I do not think I can give any encouragement to that, because if you open up one place—and this is true in this respect—I think you are going to open up other situations as well. One leads to another. This would involve going back and doing something retroactively over a period of years.

We look at these situations, and we will continue to do so. However, I would not wish you to read anything into what I have said to suggest that this is going to be done—that any change is going to be made in the bill in this regard.

Mr. MCILRAITH: I am not satisfied there has been a sufficient opportunity for the minister to consider, with his officials, the specific point raised in the briefs. That is what I am after. The briefs have been presented only recently.

Mr. FLEMING (*Eglinton*): I was not able to be here this morning but, of course, I will have a look at it before it comes up in the house.

Mr. MCILRAITH: I would be pleased if you would have a look at that narrow point I have raised. It is a little narrower than the way it is stated in the brief. I would like to have your assurance that you would look at it before it comes back into the house on Monday. It may well be that nothing can be done about it, for the reasons the minister has stated, but I am asking him, along with his officials, merely to look at it rather carefully before Monday.

Mr. FLEMING (*Eglinton*): I am told by Mr. Clark that this particular case has been up and has been considered over the last four years at least. It was considered by my predecessor and turned down, and it was considered by the advisory committee.

Mr. MCILRAITH: That is the case referred to at page 5.

Mr. FLEMING (*Eglinton*): And they were not prepared to recommend it.

Mr. MCILRAITH: That is the case referred to at page 5 of the Canadian Legion's brief.

Mr. CLARK: That is right.

Mr. FLEMING (*Eglinton*): This is a point Mr. McIlraith raised the first evening.

Mr. MCILRAITH: But there are some refinements on the points raised at page 3 of the Legion brief.

Mr. FLEMING (*Eglinton*): It relates, Mr. Chairman, to the provisions at page 17 of the bill. Your point can be raised when we reach clause 20, and there may be something further to say about it at that time.

Clause 4 agreed to.

On clause 5:

Mr. MCILRAITH: This raises one of the points as to the time, which was raised in one of the briefs. I think the point is raised in the civil service association brief, at page 9.

Mr. FLEMING (*Eglinton*): It is on paragraph (d), the period of service.

Mr. MCILRAITH: On clause 5(2), page 9 of the brief.

Mr. ROGERS: Is that in connection with the 90 days?

Mr. MCILRAITH: Yes.

Has the deputy minister any comment to make on the point raised in the brief?

Mr. TAYLOR: It is in connection with the 90 days. This, in part, is an administrative problem, where people had odd numbers of weeks of employment back over the past several years and asked for information as to what is would cost to buy back that service.

Our experience is that we get a great many of these requests and, in a very high proportion of the cases, they finally decide not to elect. At the present time a person who worked for a week ten years ago could elect to buy back that one week's service. We have felt that a person should have worked for a reasonably continuous period in order to qualify for pension rights, for example, a university lecturer who works a whole summer for the government—and he may work two or three summers for the government and five years later, join the permanent service. If he has worked a reasonably continuous period, like three months, we think he should be entitled to buy that service, but if he had only been working one, two or three weeks, we feel it is unnecessary, and that in a very real sense he was not a public servant for any considerable period. Ninety days, is in a sense, arbitrary, but we think it is reasonable.

Clauses 5 and 6 agreed to.

On clause 7.

Mr. MCILRAITH: This is the beneficial clause.

Mr. BELL (*Carleton*): I think we all are unanimously in favour of this.

Mr. MCILRAITH: We do not have much to say by way of argument or criticism against the minister on that. I deny myself of that pleasure at the moment.

Clause 7 agreed to.

On clause 8.

Mr. MCILRAITH: Is this the one dealing with the question raised this morning about the election?

Mr. CLARK: No.

Mr. MCILRAITH: There was a point raised on clause 7 by the professional institute about the use of the word "recipient" at the top of page 9.

Mr. THORSON: I would have no further views on this one way or the other. I think the word is quite satisfactory in this text.

Mr. MCILRAITH: A person is not a recipient until he has received something.

Mr. THORSON: I would think not, if he has the right to receive at this stage. This very same word is used elsewhere in the same statute.

Mr. FLEMING (*Eglinton*): A recipient is one who is receiving and has not necessarily received. On interpretation the actual principle would be invoked that if he ought to receive he would be treated as one entitled to be a recipient and consequently, would be a recipient for the purpose of the interpretation.

Mr. THORSON: Section 19 uses the same wording in its context.

The CHAIRMAN: Certainly the use of the word "recipient" will not affect anyone's rights under the act.

Mr. MCILRAITH: Coming to clause 8, Mr. Chairman: would one of the officials mind explaining the purpose of this?

The CHAIRMAN: We are dealing with clause 8. The purpose of this clause is for clarification of the act, drafting improvements. Are there any questions?

Mr. MCILRAITH: It does not change any principle?

Mr. TAYLOR: This is recommended by the Justice Department for clarification.

The CHAIRMAN: Shall clause 8 carry?

Clause 8 agreed to.

The CHAIRMAN: Clause 9.

On clause 9—allowance to widow and children.

Mr. FLEMING: On clause 9, Mr. Chairman, it is suggested that there should be an amendment, in line 2, on page 10; that we strike out that line and substitute for it the following by adding immediately after line 8 on page 10.

Mr. MCILRAITH: Line 8?

Mr. FLEMING (*Eglinton*): Yes; to strike out line 2 on page 10, and substitute for it the words: "the following subsections". It reads:

> Section 11 of the said act is amended by adding thereto the following subsection:

The word "subsection" becomes pluralized. Then the new subsection to be added will be numbered (5) and will read as follows:

> For the purpose of subsection (4), in calculating the period during which a contributor has been employed in the Public Service, any period of service of the contributor as a member of the regular forces or as a member of the Force shall be included.

And "Force", it will be recalled, means the Royal Canadian Mounted Police.

Mr. MCILRAITH: Let me understand this. The effect of that is to meet the point raised in the brief, is it not?

Mr. FLEMING (*Eglinton*): Yes.

Mr. MCILRAITH: So that a man technically could be employed in the public service four years, but because he was in the forces and entitled to be a contributor for more than five years, he could draw his superannuation?

Mr. TAYLOR: The principle behind it is this, that when a man leaves the armed forces and comes directly into the public service, he may—and does, in some cases—take his armed services pension, and then he draws his civil service salary; but the two combined cannot exceed his terminal pay in the army.

In other cases, he elects to transfer his pension rights from the forces, under the Superannuation Act. If he elects to do that, under the present provision, and stays less than five years, all he gets is his money back. This is to provide the armed services man who moves to the public service and

elects to transfer his pension rights and then retires after two or three years—he can still draw his combined pension.

Mr. McILRAITH: Does it not go further than that? Take the case of a veteran who served on active service for, say, three years, and has no pension rights under any other legislation: he becomes a civil servant and works in the civil service for, say, three years. He would then, under this new subsection, not be entitled to draw superannuation, although he has been a contributor for six years?

Mr. CLARK: Yes, the period of service was substantially five years without interruption. That is the key word that is in this subclause at the moment.

Mr. McILRAITH: That is in subclause (4)?

Mr. CLARK: Yes; and this amendment permits the inclusion in that period of five years—say two years in the forces, or two years in the Royal Canadian Mounted Police, along with three years, say, in the civil service.

Mr. McILRAITH: It is only in the regular forces; it does not include those men who have military service which they are entitled to count for superannuation purposes; so it only meets part of the problem raised yesterday—the new subclause, as I heard it read: am I right in that?

Bear in mind the evidence on this point yesterday, and take the example of a man who comes into the public service—a veteran of the second world war who comes into the public service at age 56, intending to work until he is 65. If he is retired under the act—as well he may be—at 60, because of ill health, he has only four years of employment in the public service. But he has contributed to the superannuation fund for his service in the Second World War or the Korean war—say six years more. He has contributed ten years; he has a fully paid up contribution for ten years and yet has no rights to superannuation at all.

Mr. TAYLOR: If he is retired he has the right. If he retired voluntarily he has not.

Mr. McILRAITH: As I understand it this requires him to have employment for five years, but in the example I gave employment was not for five years; it was for four years and his contributions which he already had made were for ten years.

Mr. BELL (*Carleton*): His armed service counts.

Mr. McILRAITH: No. The armed service does not count in computing the five year term. That is the point I am making.

Mr. CLARK: Perhaps we should emphasize that this section has relevance only if it is a voluntary retirement. Here is a person who at his own choice leaves at 58 or 59.

Mr. McILRAITH: Or 60.

Mr. CLARK: Or 60. If he is retired because of ill health he would be able to get his pension. That is not a voluntary retirement.

Mr. McILRAITH: I see. You point out to me that the word "voluntary" has a narrower interpretation than I was giving it.

Mr. CLARK: Yes.

Mr. McILRAITH: That is the key of this interpretation. The voluntary has a narrower meaning than I was putting on it and which I believe was put on it by those who made the brief.

Mr. BELL (*Carleton*): I move the amendment to clause 9.

Amendment agreed to.

Clause 9 as amended agreed to.

On clause 10.

Mr. McILRAITH: Could we have an explanation on this?

Mr. FLEMING (*Eglinton*): This is designed to simplify the administrative changes relating to the payment of lump sum benefits to widows and children. So far as the second clause is concerned this would bring the provision under the Public Service Superannuation Act in line with that which was approved by parliament last year under the two measures which were then adopted, the Canadian Forces Superannuation Act and the Royal Canadian Mounted Police Superannuation Act.

Clause 10 agreed to.

On clause 11.

Mr. McILRAITH: Clause 11 is the one on which there was a good deal of representation made in the briefs. Is there any comment to be made on that?

Mr. FLEMING (*Eglinton*): When the committee held its meeting on Monday evening I made an extended comment on this provision. I can repeat it if the committee wishes.

Mr. McILRAITH: It is on record.

Mr. FLEMING (*Eglinton*): Yes.

Mr. McILRAITH: I believe there was further comment on it in the briefs.

Mr. FLEMING (*Eglinton*): I gave some examples. This is a situation which, as I think all members will agree, called for some remedial action. In times of stress or extra work it has been found to be advantageous to be able to call upon the services of persons who are on superannuation. Probably the case which comes most frequently to mind is that of persons formerly employed in the postal service who come back on occasion to help out in the Christmas rush. We think this provision goes a long way in meeting those situations. It is now put on a quarterly basis. On Monday I gave the example of a person who, from October 1, to December 31, received $150 per month for work performed. He had retired from a position with a salary of $3,600 which would be $900 for the three months. He is on pension of $1,800 which would be $450 for three months. He would have no reduction made for his pension since the $450 is less in total than the $900. He could, in fact, earn up to $450 in that three month period before his pension would be reduced at all.

The point was made, why should he not get the full salary and the full superannuation. Well, I have some concern over the principle there. The theory back of superannuation is that it is paid in relation to the retirement from the service. It may be said that the man who retires from the public service is superannuated; but he is perfectly at liberty to go out and earn a full salary, working full time somewhere else.

So we think that in view of the difficulty here, that what we have brought forward is pretty satisfactory as a workable solution. We think it is very much an improvement on the present situation.

Mr. ROGERS: If we are talking about the post office, I do not think they will have any problem.

The CHAIRMAN: On clause 11.

Mr. McILRAITH: The attention of the minister has undoubtedly been drawn to the representation on this point made by the civil service federation at page 2 of their brief, where they make the representation on this point and ask that the revision be made retroactive to January, 1, 1954. That is the date.

Mr. FLEMING (*Eglinton*): I am afraid that is not possible now.

Mr. McILRAITH: The argument for that was that the date on which the Public Service Superannuation Act became effective.

Mr. FLEMING (*Eglinton*): That would be going back a long way.

The CHAIRMAN: On clause 12: concerning failure to pass medical examination.

Mr. FLEMING (*Eglinton*): This clause simply removes the anomaly in section 18 of the Act under which a person could be disqualified from receiving an annuity based on his service as related to the election for which he was required to pass a medical examination. I think it is clear.

Clause 12 agreed to.

On clause 13: Concerning payments to dependants of recipient.

Mr. MCILRAITH: What is the explanation of that one?

Mr. FLEMING (*Eglinton*): This clause is just intended to bring the provisions of the Public Service Superannuation Act into line with those of the Canadian Forces Superannuation Act, and the Royal Canadian Mounted Police Superannuation Act.

Clause 13 agreed to.

On clause 14: Concerning presumption of death of contributor or other person.

Mr. MCILRAITH: It seems to me there was a point in the drafting raised here which I thought had some validity, at least in so far as a superficial examination of the point was concerned, that I could give to it. I think that the brief did raise the point that the certificate of death that the minister is issuing under this section should surely be related only for the purpose of this act. It is a matter of drafting only. Has that point been looked at?

Mr. THORSON: This certificate is only for the purpose of the act. The opening words describe the basic circumstances under which the minister is empowered to take certain action, namely, the issuing of a certificate. Later words make it abundantly clear that this has the effect of presuming the person to have died "for all purposes of this Act" on the date specified in the certificate.

Mr. FLEMING (*Eglinton*): Line 45, "for all purposes of this act".

Mr. MCILRAITH: I think the point about the language was relatively well taken, and I think there is probably no harm done one way or another. The minister may issue a certificate. The certificate of the minister is absolute, and it is not limited at all to the purposes for which it is issued.

Mr. FLEMING: With respect—

Mr. MCILRAITH: It merely says, the certificate when issued shall be deemed for the purposes of this act to have certain results.

The CHAIRMAN: It seems to be the same, one way or the other.

Mr. FLEMING: This merely authorizes the minister to issue the certificate. It does not do anything more than to authorize him to write out that certificate. Now, what is the effect of that certificate? If you look at the next clause; "upon the issue of the certificate such person shall be deemed, for all purposes of this act, to have died on the date so stated in the certificate". So I think the effect of the certificate when issued is confined to the purposes of this Act.

Mr. MCILRAITH: There is no doubt about that, but why let the minister issue a certificate that does not bear on its face that information. That is, that that is the only effect the certificate can have?

Mr. THORSON: I would suggest it cannot have any effect except with respect to this act.

Mr. MCILRAITH: There is no doubt about that.

Mr. FLEMING: We have a similar provision in the National Defence Act.

Mr. MCILRAITH: The certificate could be used to mislead someone somewhere else. The certificate could be taken somewhere else for any purpose where the minister has no jurisdiction at all, or the federal parliament has no jurisdiction, and represented as a certificate of death.

The CHAIRMAN: Surely the certificate will show on its face—

Mr. McILRAITH: That is the point that was raised on a number of occasions. That is the point that was raised.

The CHAIRMAN: I think that is required by the section as it is written.

Mr. TAYLOR: The certificate will be delivered to the superannuation branch of this department, not to anybody who asks for it.

Mr. FLEMING: It is not the kind of certificate that is going to get into circulation, Mr. Chairman.

Mr. McILRAITH: Well, I do not know. The request was made that it be made in a form so that under this act it would not get into circulation.

Mr. FLEMING: The minister issues the certificate which is then retained by the superannuation branch. It is information retained by the superannuation department to justify their payment.

Mr. McILRAITH: I hope it is retained by them and does not get into circulation in respect of the various problems that arise in civil matters ordinarily.

Mr. FLEMING: I cannot see how the certificate could get into circulation. There would bo no occasion for it to get into any other hands than the superannuation branch here.

Mr. McILRAITH: Oh, yes, but in these cases they have a great many problems. Superannuation is only one factor in winding up these estates. If there is a certificate issued by the minister it will be used all over in respect of all the other aspects of the estate, but perhaps the form of the certificate, prescribed by the regulation in any event will cover this.

Clauses 14 and 15 agreed to.

On clause 16.

Mr. McILRAITH: What is the reason for this clause being required now? I am not quite clear on it.

Mr. CLARK: This is merely to ensure that no one can be given the right to the five year average now when they did not have it before.

Mr. McILRAITH: Was that not done in the 1953 act? This appears to be a new section or clause.

Mr. THORSON: This is a clarification of the language of the act. We thought that this is what the act did in 1953 and this is explicitly stating it.

Mr. McILRAITH: Thank you.

Clauses 16 and 17 agreed to.

On clause 18.

Mr. McILRAITH: I would like to ask the minister a question on policy. Perhaps I should ask it right here. It has to do with contribution.

The CHAIRMAN: We are discussing clause 18.

Mr. McILRAITH: I should have asked this question in regard to clause 17, but it does not matter. I will ask it now. This is quite a simple question.

As to the deficiency in the fund, as indicated in the actuarial report which was tabled in the House of Commons.

Any contribution to that would be a matter of government policy, and would be the responsibility of the minister and the government. It would not be provided through contributions under the act, whether they are on the part of government or the contributors.

Mr. FLEMING (*Eglinton*): As I understand it, the government cannot apply any money for the purpose, apart from appropriation by parliament.

Mr. McILRAITH: That is what I am getting at. I want it clarified on the record. That is, you have your contributions you must make, under the act—that the contributors make; and they do not go to this deficiency in the fund—

the actuarial deficiency referred to in the auditors report. The making up of that deficiency arises through contributions made directly by direct appropriation.

Mr. TAYLOR: That is correct. Any funds to reduce or extinguish past deficits have to be voted by parliament.

Mr. MCILRAITH: That is, as I understand it, what those funds were which were provided during different years by the previous government.

Mr. TAYLOR: The $249 million to which you referred.

Mr. FLEMING (*Eglinton*): There was an item put in the supplementary estimates, or main estimates in each case.

Mr. MCILRAITH: There were different items from year to year—$50 million, $100 million, and so on, and there are things now in the estimates.

Mr. FLEMING (*Eglinton*): No.

Mr. MCILRAITH: And, carrying on that point, this would be a matter for us to get after you in the house, Mr. Minister, as the Minister of Finance, rather than under this act, in the administration of the act.

Mr. FLEMING (*Eglinton*): That would be my understanding.
I am not inviting you to get after me.

Mr. MCILRAITH: We will be right after you. We think you should have put a couple of hundred million dollars into this.

Mr. FLEMING (*Eglinton*): Well, if you will give me the couple of hundred million dollars, I will entertain your proposal.

Mr. ROGERS: Does this mean that the contributions which are made by the government to the superannuation fund are not self-liquidating?

Mr. TAYLOR: As Mr. McIlraith pointed out the first evening, when an actuarial survey was made in 1947 it disclosed a deficit in the fund of about $387 million.

Over a series of years the government invited parliament to provide certain lump sums in a total amount of $248 million over a period of years. There is still carried in our balance sheet an unamortized deficit of $139 million, on which we pay interest at 4 per cent, into the fund.

Mr. FLEMING (*Eglinton*): "We", being the government.

Mr. TAYLOR: I am speaking, sir, not as a civil servant, but as the Deputy Minister of Finance.

Clause 18 agreed to.

On clause 19.

Mr. MCILRAITH: This is merely perfecting the existing practice and making it clear that you can enlarge the groups.

Mr. TAYLOR: At the present time we can enter into reciprocal agreements with other governments and crown corporations, and we are now adding universities and teachers funds, to put it briefly.

Clause 19 agreed to.

On clause 20.

Mr. FLEMING (*Eglinton*): There is an amendment on clause 20, Mr. Chairman. It would be on page 17, line 20. All line 20 would be stricken out. It now reads:

The Governor in Council may make regulations—

That provision is going to be demoted and become subclause (5), and a new (4) is introduced. In other words, nothing is taken out of this clause 20 of the bill, but there will be a new subclause (4) inserted, and the present subclause (4) will become (5).

This is intended to apply to erroneous advice as to the counting of service:

> The Governor in Council may make regulations prescribing, in the case of a contributor who in the opinion of the minister was one of a class of persons who, pursuant to erroneous advice received by one or more persons of that class, from a person in the public service whose ordinary duties included the giving of advice as to the counting of service under this Act or the *Superannuation Act,* that a period of service of such a person before the time he became a contributor thereunder could not be counted by him under the said Act, failed to elect under the said Act within the time prescribed therefore to pay for that service, the circumstances under which and the manner and time in which the contributor may elect to pay for that service, and the circumstances under which and the terms and conditions, including conditions as to interest) upon which any such election made by him to pay for that service, or any election made by him under paragraph (*b*) of subsection (1) of section 5 to pay for that service as a period of service described in clause (F) of subparagraph (iii) of that paragraph, shall be deemed to have been made by him under this Act or the *Superannuation* Act, as the case may be, within the time prescribed therefore by the said Act.

That is obviously a remedial provision which gives the minister powers to deal with those cases where there has been a failure on the part of the annuitant or the public service employee to make his application or decision, as a result of erroneous advice received from a person whose ordinary duties include the giving of advice as to the counting of service under the act. The advice must come from a person whose duty does include giving such advice.

Mr. McILRAITH: It is obviously needed and is a good clause. There is one point I want to ask, about, by way of clarification. This has to do with the advice given. There are two restrictions on it. There is the restriction it must be advice from the person authorized to give advice on this subject—that is an easily understood restriction—but there is a further restriction, as I read this. The advice must be:

> —that a period of service of such a person before the time he became a contributor thereunder could not be counted by him under the said act.

It seems to me that restriction is very narrow. Some personnel officers may give some very bad advice that would prevent a person from electing to come under the act, that is not to the effect:

> That a period of service of such a person before the time he became a contributor thereunder could not be counted by him under the said act.

That limitation seems unduly narrow and does not seem to be germaine to anything said by the minister or by anyone else by way of explanation of the clause.

Mr. H. D. CLARK: The reason for this is that our real problems arise out of the fact that a person may be told by the superannuation branch. "You cannot elect for this service." He therefore takes no action and years later he may find out such service could have been picked up by an election. He can only do so on paying on the heavier cost basis. The other man, who may have—I am not just sure what other situation you have in mind; but if it is a matter of erroneous information as to cost, we have presently a provision that I think has been in since 1955, or 1956, which permits the revocation of an election, where a person has been told, "Oh, it is only going to cost", say, "100," and it turns out that it is a considerably higher sum.

Mr. McILRAITH: Does that cover the case where the man is told it is going to cost so much—he will have to pay so much, and in fact it does not require such a payment?

Mr. CLARK: In other words, you mean it is an over-estimate of cost?

Mr. McILRAITH: Yes; you are told that you have to pay so many thousand dollars now.

Mr. CLARK: I am subject to correction here, but our complaints have been on the other score, that the cost has been under-estimated.

Mr. McILRAITH: I had one such case. The advice was all wrong. We were told we had to contribute an enormous lump sum, and of course there is no such liability at all. It was a case of erroneous advice.

I have only had one such case; but it was erroneous advice. We caught it in time, fortunately; but the personnel officer's advice was erroneous on that point.

Mr. CLARK: I think we would normally argue that they have a cost estimate section, as it were, in the superannuation branch, whose sole duty is now to give proper estimates of cost, and a personnel officer—

Mr. McILRAITH: But about the one who got the wrong advice a few years ago on that point?

Mr. FLEMING (*Eglinton*): This is the one case you speak of, where it was caught in time, Mr. McIlraith?

Mr. McILRAITH: Yes.

Mr. FLEMING (*Eglinton*): I take it that it is unique. I do not think there have been any other cases; certainly, I have not heard of any.

Mr. McILRAITH: I am quite in accord with the section, Mr. Minister; I do not want you to misunderstand me on that. But I wonder why that second limitation in the clause is so very narrow. Mr. Clark has given an explanation as to why other groups and classes do not become subject to this limitation. But is he satisfied that this is wide enough to let us—

Mr. TAYLOR: This is the kind of case which more frequently comes up, and which has a most serious effect on the man.

There may be the occasional case of over-estimation and the man is told it is going to cost him $3,000, and he may say that it is not worth it; but if he did not elect, he may find out three years later that it would only have cost him $1,000. Had be been told that, he might have elected, for $1,000.

Mr. McILRAITH: There is no power to correct that?

Mr. TAYLOR: I gather you have heard of a case like that. I have not. What is usually the case is where a person is told it will cost $300, and he elects, and then when they do their final figuring they find it is going to cost $1,200. There is a clause in the act now which permits him to withdraw his election.

Mr. McILRAITH: Unfortunately, these cases usually arise in isolated areas, where there is no easy communication between the civil servant and the personnel officer. They seem to arise there, where the cases are not well stated by the civil servant to his own personnel officer. They are off in some outlying section.

Mr. TAYLOR: We thought it was going a bit too far to say, if there was erroneous advice on any detail at all, because it would enable people later on—

Mr. McILRAITH: I quite recognize the need for a restriction.

Mr. KEAYS: Mr. Chairman, I move the amendment.

Mr. HICKS: I second that.

The CHAIRMAN: It has been moved and seconded that the section be amended as suggested by the Minister of Finance. All in favour?

Agreed.

The CHAIRMAN: The amendment is carried.

Mr. MCILRAITH: Clause 20 refers to "prescribing the nature of the evidence required to establish proof of age", and so on. I take it that what is envisaged there is the necessity for providing more adequate regulations covering these cases where there are not easily available death certificates or marriage certificates; is that the case?

Mr. CLARK: That is correct. There is not sufficient authority now to deal with certain areas; that is correct. That is a much needed amendment.

Mr. MCILRAITH: That is a more mature amendment.

Clause 20 agreed to.

On clause 21.

Mr. MCILRAITH: There were different representations made about that I think in all the briefs.

Mr. FLEMING (*Eglinton*): I might say a word about this. The substance of the representations, as I followed them, related rather to the death benefit provided by the act at present than the $500 paid up benefit that is provided for the first time under the proposed amendment.

Requests were made for various changes in the present death benefits. Most of them relate to matters outside the scope of this bill. I think underlying all those requests for changes has been the assumption that this is insurance, that it is a form of group insurance. I think there has been some error in that assumption. This is a death benefit. When it was introduced, Mr. Abbott, when he appeared before the banking and commerce committee on which Mr. McIlraith and I sat at that time, was very definite about this fact, that it was a death benefit and not insurance. I do not think any insurance company in Canada could match terms like this. This is the biggest coverage—if insurance at all—which had existed in this country up until that time. I think that is the difficulty in the approach which was indicated yesterday.

Mr. MCILRAITH: Particularly in one of the briefs.

Mr. FLEMING (*Eglinton*): Yes. Broadly speaking I would say that anyone who wishes to obtain insurance will find no trouble in locating people who are willing to sell him insurance if he is physically fit. As to obtaining group insurance, there is nothing to prevent any group in the civil service arranging group insurance. This death benefit is a death benefit in the conception that was put before us by Mr. Abbott when it was introduced, I think, five years ago.

What we have done in this bill relates to something a little different. We have seen what we thought was a need to make provision for this sum of $500 which will provide for necessitous cases; that is the principal justification for it. It will assure that the person on superannuation who has little or no estate will not be penniless at death with no means of providing for the situation then arising.

Again I point out that this is provided entirely at the expense of the government. I was a little surprised at some of the comments which were passed on it. It is provided completely at the expense of the government. I really did not expect some of the criticisms which have been directed at it.

Mr. MCILRAITH: I have only one comment on this. In the light of actual experience with these cases, since the provision for the death benefit was made in the legislation some years ago, I have found there is a requirement for the cash payment provided by this death benefit. This requirement in respect of the $500 I think is a beneficial one. I would have hoped it would be a little larger. Is it wholly or $\frac{5}{6}$ at government expense?

Mr. FLEMING (*Eglinton*): It is provided entirely at government expense. It is a paid up death benefit.

Mr. MCILRAITH: But in any event there is no doubt at all that it has met a very real need in practice, because there are a considerable number of cases where you have a public servant die, and the superannuation provision provides for the monthly care, but there is not that lump sum of cash readily available, and from the very nature of their work, there is no source from which to get it. So this is important.

But the only point I have to raise about it is that I would have liked to have eeen that $500 made a little higher.

Clause 21 agreed to.

On clause 22.

Mr. ROGERS: Is there any particular change in this?

Mr. FLEMING (*Eglinton*): The amendment made by clause 22 to the provisions of section 40 of the act will provide that a person who has five years' service and retires with a minimum annuity will automatically continue to be a participant without the need of any election for the purpose. His premiums will be deducted from his pension.

Mr. TAYLOR: He can elect out, but if he makes no move, he is still in.

Clause 22 agreed to.

On clause 23.

Mr. MCILRAITH: These are all consequential, from here on to clause 25?

Mr. FLEMING (*Eglinton*): I think that is correct. This is a provision for members of the regular forces, corresponding to clause 21.

Clauses 23, 24 and 25 agreed.

On clause 26.

Mr. MCILRAITH: Perhaps this is the place to discuss the point we were raising. It might come under sections of the act having to do with payment of benefit to the estate, rather than to the spouse.

Mr. FLEMING (*Eglinton*): I think there are two good reasons for the amendment in this form, for not making any provision for payment to the estate. The first reason is one which I have very strong feelings about, arising out of a good deal of experience when I was practising law.

I had to advise one fraternal benefit society that in many many cases where it became a matter of competition for the benefit as between the beneficiary and the creditors of the estate. Out of that experience as well as out of experience which the department has had with superannuation, I must say that I hold a very strong view, that it is very much better that this provision should be made for the spouse, in the case of a deceased male participant; because if you make it payable to the estate, then the creditors will, of course, rank ahead of any member of the family.

The second point is one pertaining to administration, but it is a very important point. With the amendment in the present form the superannuation branch is enabled to make immediate payments. If the payment is made to the estate then the branch must wait for the submission of the notarial copy of letters probate or letters of administration, and often times that means that in necessitous cases there will have to be, perforce, a delay.

Mr. MCILRAITH: Perhaps I could ask a question. Is there any provision whereby an estate could be protected where there has been a spouse who has been separated, let us say for the purposes of illustration, for 20 or 30 years and has no claim on the civil servant? Is there any saving provision anywhere that would take care of that situation?

Mr. THORSON: There would be if a separation was such as to invoke the provisions of, I think it is section 12, dealing with the disentitlement of the widow under the provincial law for an order for separation maintenance.

Mr. MCILRAITH: But a separation agreement is not a disentitlement within the meaning of that act?

Mr. THORSON: No.

Mr. MCILRAITH: So we could have a situation where funeral expenses had to be paid in a hurry but could not be paid out of this death benefit? That is the point I am getting at.

Mr. FLEMING (*Eglinton*): May I refer you, Mr. McIlraith, to section 12, subsection 5 of the present act.

> If, upon the death of a contributor, it appears to the treasury board that the widow of the contributor, had, for a number of years immediately prior to his death, been living apart from him under circumstances that would have disentitled her to an order for separate maintenance under the laws of the province in which the contributor was ordinarily resident, and if the treasury board so directs, having regard to the surrounding circumstances, including the welfare of any children involved, she shall be deemed for the purposes of this act, to have predeceased the contributor.

Now, I understand that it has not been necessary to invoke this power very often, but it is a salutary power that has been vested in the treasury board and has been found to be adequate to meet such cases as Mr. McIlraith has mentioned.

The other point Mr. McIlraith has raised will be found to be covered, Mr. Chairman, in clause 28 of the bill. Subsection 2, paragraph F of subsection 1 of section 50 of the said act will now read as follows:

> authorizing payment, with the approval of the treasury board, out of any benefit payable to the spouse or estate of a deceased participant, of reasonable expenses incurred for the maintenance, medical care or burial of the participant.

I think that will be viewed as a very useful amendment.

Clause 26, clause 27 agreed to.

On clause 28.

Mr. MCILRAITH: This clause deals with the other part of the point I raised.

Mr. FLEMING (*Eglinton*): Yes.

Clause 28 agreed to.

On clause 29.

Mr. MCILRAITH: I do not quite follow this clause. Am I right in assuming that it is just adding the additional people who are entitled to be brought under the act?

Mr. FLEMING (*Eglinton*): Yes, that is correct. It is required to validate pensionable persons employed with the Ottawa branch of the Royal Mint.

Mr. TAYLOR: That is the Royal Mint, before it became the Royal Canadian Mint.

Clause 29 agreed to.

Mr. ROGERS: Just a minute, Mr. Chairman, there was one brief statement which suggested that the mint should have the option on retirement, to take a smaller pension for himself and increase it, accordingly, for his widow at his death.

Has there been any thought at all given to that?

Mr. FLEMING (*Eglinton*): I cannot say that a detailed study has been made, but I think it is clear that would upset the scheme of the whole superannuation legislation. It would be a major operation.

Mr. TAYLOR: This was discussed in the advisory committee. It would bias the whole actuarial base because, to put it bluntly, only persons who had a very short expectation of life would elect such an option.

If I, for example, had a heart condition and was advised I had only six months to live, I would elect for this benefit so that my wife would get a larger one. It would be only that class which would elect.

Mr. ROGERS: I think the C.P.R. has some similar scheme. I think they have an option of taking it all, or taking a lesser amount so the wife would be provided for.

Now, there was one other point that was brought up, and that is the reduction or loss of pension on conviction. After all, a man, in this case, has paid his penalty; why should he be penalized twice?

Mr. FLEMING (*Eglinton*): But, this applies only to misconduct related to his service; it is not a case of his incurring some penalty for a criminal offence not related to his service. It applies to misconduct pertaining to his office or employment under the crown.

Mr. ROGERS: Forfeiting funds?

Mr. FLEMING (*Eglinton*): Yes. You see, the ordinary case would be misappropriation and, in this case, there is very good reason for retaining the act in its present form.

Mr. ROGERS: I just wanted to bring the point up.

Mr. FLEMING (*Eglinton*): Quite frankly, I think the point that was raised was based in the brief upon a superficial misunderstanding of the effect and limitations on this provision in the act. It is limited.

Clauses 29 and 30 agreed to.

Title agreed to.

Mr. MCILRAITH: Mr. Chairman, before you finally close the matter, there is one matter I think should be cleared up on the record.

Representations were made in one of the briefs in connection with civil servants already superannuated—that is, an increase in the superannuation of those already superannuated, and some of us have some views on that.

We think the superannuation, in those cases where they are suffering hardship, and were superannuated some years ago, should be increased.

Would the minister make a comment on that?

Mr. FLEMING (*Eglinton*): This bill has no application to any persons already superannuated. They already have been dealt with under previous legislation—at the 1958 session, by the introduction of an item in the estimates, for the purpose; then, at the 1959 session, this provision was put on a firm statutory basis by the Public Service Pension Adjustment Act 1959.

At the meeting of the committee on Monday evening, I reviewed these provisions at some length, and the reasons for them. I pointed out, since that legislation came into effect, there has been no increase in the cost of living—at least, probably more than one per cent. They talked about the increase in the cost of living as applied to the earlier years, and it was on that account that this legislation was introduced in 1958 and 1959. It has worked well. There have been an unusual number of letters of commendation received in the department from persons who had received benefit thereby.

Mr. MCILRAITH: Yes. The point is, Mr. Minister, even if we differ from your statement as to how satisfactory that bill was, that is a matter to be raised with you, concerning the other legislation, and does not come under this bill.

Mr. FLEMING (*Eglinton*): Precisely.

The CHAIRMAN: Shall the bill, as amended, carry?

Agreed to.

The CHAIRMAN: Shall I so report to the house?

Agreed to.

The CHAIRMAN: Mrs. Casselman and gentlemen, I want to thank you very much for your excellent attendance and for sitting through the lunch hour today in order to have this bill ready for Monday, so that it will be passed as soon as possible. I think everyone showed an exemplary interest in the bill and in the work of the committee, and I wish to thank you all very much.

I would also like to express the committee's gratitude to Mr. Fleming and his officials who came to the committee to give evidence.

Mr. FLEMING (*Eglinton*): Mr. Chairman, will you permit me to say to all the members of the committee a word of very sincere thanks for the way in which the committee has reviewed this bill? I think it has been thorouhgly reviewed. I think all who wished to appear before the committee have been given that opportunity, and I do greatly appreciate, Mr. Chairman, the way in which the committee has pressed on with its task.

I think it will be quite clear to those who receive benefits under this bill that the committee has shown, throughout, the most cooperative attitude and harmonious dedication to a purpose here, and I am sure it will be reflected in benefits to many.

Thank you very much.

The CHAIRMAN: This committee stands adjourned to the call of the chair.