

the general level of salaries and wages. The current average of salaries and wages in Canada is roughly \$4,000 a year. The ceiling chosen for earnings under the Canada pension plan has been set somewhat higher than this at \$4,500 for the first five years of the plan. This ceiling will afterwards be adjusted with changes in the general level of wages and salaries. The pension program will therefore permanently provide a satisfactory standard of pensions for people with earnings up to the average level.

In the calculation of a man's average contributory earnings, his wages or salary for, say, 1970 will be adjusted by the ratio between the average earnings ceilings in the three years before retirement and the ceiling for 1970. This will be done for each year for which he contributes. In this way his past earnings will be revalued to their current equivalent before his average earnings are calculated.

Under this formula, a man who in some years does not contribute to the plan will get a smaller pension than if he contributed all the time. However, it is important not to penalize people whose earnings in some years are abnormally low because of sickness and unemployment. This will be avoided, to a reasonable degree, by excluding a man's years of lowest earnings from the calculation of his average earnings. Also, for each year beyond 65 that a man continues to work, he will be able to exclude, from the calculation of his average earnings, an additional low year. This will provide an incentive to go on working after 65, for the man who is able to do so without any large reduction in pay.

The earnings-related and flat rate pensions will be paid to beneficiaries in one cheque. At existing wage levels the total pension available to a single person at age 70 will range from \$75 to \$150 monthly, as indicated in the following table:

Combined Pension available to Single Contributor at age 70, by Average Monthly Pensionable Earnings

Average Monthly Pensionable Earnings	Monthly Pension Payable		
	Earnings-related Pension	Flat rate Pension	Combined Pension
\$	\$	\$	\$
nil	nil	75	75
100	20	75	95
150	30	75	105
200	40	75	115
250	50	75	125
300	60	75	135
350	70	75	145
375	75	75	150

Adjustment for Age

The size of the earnings-related benefit will not be reduced for people who claim it before age 70, provided they are retired from regular employment. The pension is set at 20 per cent of average earnings, at whatever age it is claimed.

Flat rate pensions drawn before the age of 70, on the other hand, will be reduced by 40 cents for each month between the date when the pension starts and the date of the pensioner's seventieth birthday. For anyone who takes his pension at the earliest opportunity, when he reaches 65, the pension received would be \$51. The reduction at ages between 65 and 70 would be proportional to this.

There will be no retirement test for the flat rate pension: a man may start drawing the appropriate rate of pension at any time between his 65th and 70th birthdays, whatever his other earnings. Once he elects to draw his pension he cannot go off pension for a while and then come back on at a higher rate.

At existing wage levels the total pension available to a single person at age 65 will range from \$51 to \$126 monthly, as indicated in the following table:

Total Pension available to Single Contributor at age 65, by Average Monthly Pensionable Earnings

Average Monthly Pensionable Earnings	Monthly Pension
\$	\$
nil	51
100	71
150	81
200	91
250	101
300	111
350	121
375	126

Definition of Retirement

Between ages 65 and 70, the earnings-related benefit will be payable only to people who have retired from regular employment. The test of retirement will be a test of earnings from work. Earnings will consist of all wages and salaries received for services rendered in the year, plus any net earnings and minus any net loss from self employment for the same year.

Deductions will be made from the benefit of a contributor under age 70 if his annual earnings after the benefit becomes payable to him exceed \$900 a year, or a proportionate amount if he retires part way through the year. When earnings exceed \$900 a year, but