sought at the time of an agreement with the provinces that the 2 per cent ceiling on increases of pensions under the Canada Pension Plan would also be removed.

At the present time, the pension index for the purposes of the Supplementary Retirement Benefits Act is the equivalent of the pension index under the Canada Pension Plan, as the latter was defined on January 1, 1970, with the result that any annual increase in the pension index is subject to the existing limit of 2 per cent now provided for in the Canada Pension Plan.

It is, however, not expected that this decision on the Canada Pension Plan will be reached before the meeting of the federal and provincial welfare ministers in October. As one element of the government's measures to mitigate the effects of price inceases on those unable to protect their incomes, the government has now decided to proceed without waiting for that agreement. Accordingly, the amendments proposed in this bill will remove that 2 per cent limitation and provide that any increase in the consumer price index will be fully reflected in the escalation of benefits under the Supplementary Retirement Benefits Act. The proposed increase will reflect the full change in the consumer price index since the Supplementary Retirement Benefits Act was passed in 1970 or the year in which the pensioner concerned ceased to be employed, whichever is the later. As a result, the new pension increases payable in 1974 will range from an increase of about six and a half per cent for those who retired in 1973 to about eleven and one half per cent for those who retired in 1970 or earlier.

When this act was passed in 1970, a shared cost method of financing was provided whereby the contributions of members of the public service, Canadian forces, RCMP, as well as members of parliament was established at half of 1 per cent of their salaries with a matching government contribution. This was intended to meet the cost of the pension increase for those already retired from the public service as well as those who retire within a seven year period, after which additional revenue was expected to be required.

● (1200)

This approach had been proposed by a special committee made up of the members of my advisory committee on the Public Service Superannuation Act and representatives of the Canadian Forces and the RCMP. In considering the increased cost of the amendments under this proposal, the advisory committee was concerned about asking present members to increase their contributions in order to pay for greater pension increases of those who had already retired.

The government appreciated the viewpoint of the advisory committee and is therefore proposing that, effective from January 1, 1974, it will assume the cost of all escalation for all those who retired before 1970 and the balance of the cost of the escalation of pensions of persons retired since 1969 which is not covered by matching contributions made by those persons and by the government with respect to them.

In the long run, the contribution of half of one per cent together with the government's matching contribution will almost certainly be insufficient to cover the cost of escalation for employees now entering the public service with an average working life of 30 years in the service ahead of them. Under certain assumptions it would be necessary to increase the contribution rate in the very near future if such an employee is to pay half the cost of his pension escalation after retirement. Under other assumptions it would not be necessary to do so for a few years. The government is proposing to adopt a phased approach under which the present rate of contribution would be raised by half of one per cent each, effective January 1, 1977. What further increases might be required in later years will be determined by future parliaments.

The third feature of this bill on which I would like to comment relates to the age at which the escalation of pensions of former members of the public service, Canadian Forces, RCMP and members of parliament can commence unless they are disabled. At the present time the act provides that this age should be 60.

Since 1970, the amendments to the Public Service Superannuation Act which lowered the age at which public service employees could retire from 60 to 55 if they had 30 years of service created anomalies between the public service employees and members of these other groups. I assured hon. members from time to time that the government was concerned over these anomalies and would propose amendments to the act to take care of them when this legislation was introduced.

Accordingly, this bill provides for a lowering of the age at which escalation will commence for former members of the Canadian Forces, the RCMP and members of parliament, from 60 to 55 for those who have 30 years of service, to 56 for those who have 29 years of service, and so on, while all other persons on pension in those groups receive their increases on attaining the age of 60. The present provisions for eligibility of immediate escalation in the case of disability are not changed.

This formula has been determined after consultations with representatives of the Canadian Forces and the RCMP, bearing in mind the assumptions regarding cost factors mentioned earlier, and the amendments which were made in the Public Service Superannuation Act last year. Since those amendments led to increases in the pensions of civil servants retiring after age 55 with 30 years of service with effect from January 1, 1973, the amendment which introduced this new formula will have retroactive effect to that date under the terms of this bill. Mr. Speaker, I commend second reading and passage of this bill to the House.

Mr. Heath Macquarrie (Hillsborough): Mr. Speaker, I note that last night in one of its rare lapses *Hansard* made a mistake and quoted me as suggesting that in my eagerness to speak I had done such and such, whereas I had said in my eagerness to be agreeable I made a certain determination. Today I am not eager to speak, but I am agreeable to any scintilla of help that the government might bring forward to assist any group of people in this country.

I have found a certain element of fascination in this particular measure. I have known the President of the Treasury board (Mr. Drury) for a number of years. I have heard him speak in this House a good many times, but this is the first time I have seen him come before the House in the role of the dispenser of goodies.