

Old Age Security Act Amendment

plans. Any simple increase to \$100 a month, on the other hand, is a commitment in perpetuity.

The guaranteed income supplement is meant to meet the income requirements of a specific group of people, those who because of age cannot benefit or will benefit only in part from the Canada and Quebec pension plans. The need to meet such income requirements will diminish as these plans become fully operational.

I would also note that the Canada and Quebec pension plans were devised with the \$75 a month universal pension in mind. It would provide a basic retirement income to which contributory pension benefits would be added in the provision of a decent and adequate income level for persons when they retire.

When the Canada and Quebec pension plans were introduced, the retirement benefits were set at levels which, combined with those available under old age security, were designed to provide a satisfactory retirement income for most Canadians. At low income levels the combined benefits exceed previous earnings, while for those earning \$5,000 or more a year the monthly benefit will be \$179. These combined benefits compare favourably with those available in other countries.

The Canada and Quebec pension plans, of course, are of little benefit to those who through no fault of their own are unable to get any or complete coverage because of age. For this reason we are bringing forward this guaranteed income supplement.

The new program uses the old age security and Income Tax Acts as its legal and administrative base. This concept of an income guarantee plan was embodied in the recommendation of the special committee of the Senate on aging. In determining the amount of the guaranteed income, sources of income other than the supplement are taken into account. Income for this program includes, of course, only those items regarded as income for the purposes of the Income Tax Act; for example, money drawn from savings or received from the sale of a home, other possessions or investments, are not considered income. Gifts and donations received by pensioners are also disregarded in calculating the pensioners' income. Also social assistance payments from municipal, provincial and federal governments are not considered as income.

In using the income tax definition of income, awards for loss of life or loss of function because of disability, whether paid in

lump sum or continuing payments, are excluded as income. This relates to awards under commercial insurance plans, workmen's compensation and war pension. On the other hand, income from the basic flat rate old age security pension and from other pension plans, including the Canada pension plan, are counted as income.

I should like, Mr. Chairman, to elaborate on some of the points I have already made. Under the present old age security legislation a portion of income from the pension is taxed back through personal income tax. At very high levels of income the proportion taxed back is considerable, while at low income levels nothing is recovered through personal income tax. For those people with incomes somewhere in between, the degree of recovery varies.

Under this program recipients of old age security who have no other income of the type considered as income under the Income Tax Act will receive the full amount of the supplement, an additional \$360 a year. For those who have other income there is provision for partial supplements ranging up to the full supplement of \$360 a year. This is available to single pensioners who have an annual income, including the flat rate pension, of less than \$1,620 a year, and to married pensioners who have a combined income of less than \$3,240 annually.

Thus the income supplement redistributes income in favour of single persons and married couples with an income of below \$1,620 in the first case and \$3,240 in the second case, rather than over the whole range of incomes as is the case under the existing old age security pension.

The program ensures a guaranteed income floor whereby no person who is receiving an old age pension will get less than \$1,260 a year and no married couples who are receiving pensions will get less than \$2,520 a year. The full or maximum income supplement is expressed as 40 per cent of the basic old age security pension. By making the supplement a percentage of the \$75 a month pension, the supplement will automatically be escalated by any changes in the basic flat rate pension arising from changes in the cost of living as reflected in the pension index.

For those who do not qualify for the full or maximum supplement of \$360 a year but who are entitled to a partial supplement, a simple rule applies with respect to the amount of their benefit. The annual supplement of \$360