A great deal depends on the steps the private sector is willing or able to take to improve and liberalize several aspects of the private pension. One essential feature is to provide better vesting rules. In this context, vesting means that the employer's contribution to the pension fund belongs to the employee when certain conditions are met. Usually the employee has to have worked with the same employer for 10 years and be 45 years of age. Whether there is any immediate vesting under the pension plan, we recommended vesting within a year.

These rigorous standards put private pensions beyond the reach of the ordinary Canadian, particularly those with interrupted work histories. Canadians on an average change jobs four to five times in their lifetime. The suggestion that pensions in the private sector are inadequate is not some radical or socialistic notion. Listen to what the industry has to say. A year or so ago, a group of Canadian pension experts established the Private Sector Task Force on Retirement Income Issues which had Mr. James L. Clare as chairman of its Subcommittee on Communications. Mr. Clare is a well-known actuary in Toronto and was quoted in the *Financial Post* of September 22 as having said:

> We know full well that if the private sector doesn't pull up its socks soon, the politicians may say "game over" and impose an enlarged public pension system on Canadians.

One of the weaknesses of private pensions is their inability to cope with the impact of inflation on the real value of pensions. Indexing is no longer a dirty word. It is recognized as a matter of social justice and practical necessity for pension plans to do what is expected of them. In our report, we deal with it as a normal requisite. In testimony and in the deliberations of the committee, a lot of attention was directed to the problem of protecting pensioners from the effects of inflation. Some elementary mathematics showed that when the inflation rate was 10 per cent a year, the real value of a pension would be cut in half in seven years. Our inflation rate at the moment is 9.3 per cent, and it is not likely to slide down too quickly. As a matter of simple social justice, the purchasing power of pensions should be maintained, otherwise the burden of inflation is carried on the backs of the poor and the elderly. This is grossly unfair. Despite this, nearly all private companies have been reluctant to do more than make small adjustments of the order of 2 or 3 per cent a year to compensate pensioners for rising prices.

Equity demands that private pensions have built-in escalation clauses, the same as many labour contracts. If wages are adjusted upwards, when the consumer price index rises, so should pensions. There is a crying need to change despite the doomsayers and the viewers with alarm. Adjustments are now being made on an *ad hoc* basis but they are utterly unsatisfactory. There must be a more formal commitment.

I have alluded to a number of recommendations of the committee and I would now like to describe the most important ones in summary form. All of the recommendations will be covered, but some of the important ones are that the age of compulsory retirement should be increased one year at a time for five years, after which retirement age should be completely flexible and not subject to mandatory rules. Contributions to the Canada Pension Plan and the Quebec Pension Plan should be increased to 8 per cent from 3.6 per cent. This increase should take place over a two-year period, one-half to be paid by the employee and one-half by the employer. Employees and employers should each contribute 1.1 per cent additional for two years. Since the contributions will be roughly doubled, the level of pensions would also roughly double.

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The earning ceilings under the Canada and Quebec Pension Plans should be increased to one and one-half times the average industrial wage, or about $20,000 at current rates. Also—and this you will find most interesting—husbands and wives should share equally in any pension benefits under the Canada and Quebec Pension Plans that either spouse earns during the marriage. In other words, each spouse should have a 50 per cent interest in the other spouse's pension benefits earned during the marriage. This would affect between five million and six million married women, who would benefit whether they worked or not. This proposal would be the best method of providing pensions for housewives. If implemented, we would not have applications for the supplement in the numbers we have now.

Honourable senators, over the next little while I should like to give you the general philosophy underlying the report and its recommendations, and to make some specific comments about the underlying demographic problems faced by Canada, as well as a number of specific problems.

From the very beginning, the committee was completely aware that any proposal to solve the associated problems of retirement and retirement income by the major expenditure of public funds would be a waste of time. The committee from the outset was of the view that there should be no cost to the federal treasury, and that is a point stressed repeatedly in the report.

There is a great deal of debate these days on the question of selectivity versus universality. Some belong to one school and some to the other. While the trend today is certainly toward selectivity, those programs already based on the principle of universality are untouchable. No one would think of introducing the principle of selectivity to such programs as old age security or medicare—and I hope we can correct some of the mistakes the government made recently in dealing with medicare. Certainly, the trend today is that the public, the user, should pay more for the services being requested, and that is particularly true with respect to pensions. Pensions represent savings—savings which earn interest and which are indexed and which are eventually returned to the contributor. We need not apologize for insisting that these contributions be made.

The committee also wished to avoid any action that would worsen our inflationary problems. The proposal to increase the levels against the earnings of employees for an extended plan were judged, on the whole, to be anti-inflationary. The increased savings would tend to diminish consumer demand. Although from the point of view of the employer there would