

*Canada Pension Plan*

assistant deputy minister. It is found in the pension committee record at page 1903, and this same information was included in a letter which was sent to farm organizations. They have not come back with any adverse comments. I quote:

The effect of averaging upon the amount of the pension benefit to which a farmer might otherwise be entitled would not be beneficial or would be beneficial, depending on the following conflicting factors.

(a) Reducing all income in an averaging period to a common denominator has the effect of taking into account losses which would otherwise be excluded from contributory earnings and also tends to deprive a farmer of the benefit of the "dropout formula" (the dropout formula used in the calculation of benefits excludes certain years of low earnings and this in part, compensates for fluctuations in yearly earnings).

(b) Earnings in a particular year in excess of the maximum which would otherwise be excluded are taken into account.

In other words, those two factors are conflicting and they have the opposite effect.

Although the effect of averaging on the benefits of any contributor could not be determined until after the record of his lifetime earnings had been completed, it is quite likely that for the majority of farmers with moderate income there would be an adverse effect.

This mainly arises because, in averaging, loss years have been taken into account as well as variations of income.

**Mr. Monteith:** I was just going to explain, Mr. Chairman, that we have suddenly realized clause 15 might be affected and I did not mention it in my original list of clauses which we would like to have stood. I offer my apologies and if the government insists that it pass, I cannot say anything. However, we would like to add this to the list which we gave.

**The Chairman:** Shall clause 15 stand?

**Mr. Benson:** I would be glad to allow it to stand if I do not have to repeat the arguments which I have just made.

**Mr. Monteith:** No, no further debate.

**Mr. Knowles:** Before the clause is allowed to stand, may I indicate another aspect of this matter which is related to clauses 15, 17, and also to clause 8, which has already been allowed to stand? At this point, I will not ask for any discussion on this, but I should like to put it on the record so the two ministers can think about it.

As everyone knows, there are certain proposals that we make that will cost more money. We recognize that the money has to be found somewhere. One of the places in which we feel this extra money should be found is by providing for a contribution above

the \$5,000 level. I am not asking for a higher ceiling so far as benefits are concerned, but we do feel a higher ceiling as far as contributions are concerned should be considered. Our position with respect to this is analogous to that which we take with respect to the \$3,000 limit in connection with the personal income tax for old age security. If I may put it in the commonest language, arrangements of this kind make the poor pay for their own pensions to too large an extent.

I hope that when we get back to clause 15, and possibly clause 17 where the \$5,000 figure is mentioned, and also clause 8, this whole idea will be considered and maybe by that time we will have been able to make our point about the need for an increase in old age security.

**Mr. Chatterton:** Would the hon. member support our proposals if we found the additional revenue by way of this proposal?

**Mr. Knowles:** The trouble is that they are in part proposals for increased benefits and in part proposals for decreased benefits.

**Mr. Chatterton:** But assuming we do not extend the transition period?

**Mr. Knowles:** All I can say is that that is the most interesting comment I have heard from the hon. member. I hope the Conservatives are dropping that idea.

**Mr. Chatterton:** The hon. member is beginning to understand.

**Mr. Olson:** I suggest clause 15 stand because it could be included in one of the other amendments. The minister would not have to repeat all the arguments he made tonight if he came forward with an amendment to take care of the matter I have suggested.

Clause stands.

Clause 16 agreed to.

On clause 17—*Amount of year's maximum pensionable earnings.*

**Mr. Knowles:** I am not objecting to the \$5,000 figure in this clause because it would be the ceiling so far as benefits are concerned, but I would like to enter the caveat I entered a moment ago with regard to clause 15. While I am on my feet I draw attention to the fact that this is the first clause in which reference is made to escalation on the basis of the pension index, and escalation on the basis of the earnings index, and I hope as we proceed through the bill we might have some discussion on these points, though not in the detail we had in the joint committee. In brief,