are deducted and the earning years are adjusted upward according to the earnings index, and the pension benefit is paid. It is paid to him from that point onwards on a monthly basis. It is subsequently adjusted according to the pension index. If from the time he retires the cost of living index tends to go up, the benefits which he receives, and which all other pensioners receive, are adjusted upwards by the pension index. When a person retires a computation is made of his earnings, adjustments due to the earnings index are made, and his pension is determined at that point. The only variation of his pension from that point onward would be dictated by the pension index.

Mr. Chatterton: There is one technical point I should like cleared up. I thought the minister said these average earnings are adjusted by way of the earnings index, but I thought that only applied to 1975, onward.

Mr. Benson: Yes, up until 1975, the pension index is used in lieu of the earnings index. The earnings index is based on an eight year moving average and it will take until 1975 to get a separate earnings index and a pension index.

Mr. Thompson: Is the minister not denying his own argument when he says that provisions whereby the government might be able to maintain an average maximum contribution would not be more simple? Would it not be more simple if a contributor were allowed to do that? When the time comes for him to retire and draw his pension it would be based on the maximum amount of what he had earned. Where does the complexity of such an arrangement come in?

What I am saying is this: You have said that if he were unable to maintain a maximum for some years and yet he is able to make a greater contribution in other years you will, at the time of his retirement, determine according to the index what his pension shall be. If he were permitted to maintain a maximum over a period of years you would simplify the thing rather than complicate it.

Mr. Benson: In answer to my hon. friend's question, I may say that the point that is involved is that this is an earnings related pension plan.

Mr. Thompson: This is what my argument is about, an earnings related pension plan.

Mr. Benson: Yes, and I am attaching it to earnings as well. Within the range of earnings one can contribute under this plan for a wage earner, a deduction is made by the employer of his 1.8 per cent, the employee pays his 1.8 per cent and the amounts come in at the end of the year to the Department of National Revenue. They will be distributed to the particular employee, and the employee will have no forms to fill out.

Mr. Thompson: What if the man is self-employed?

Mr. Benson: I will deal with the self-employed now. When a self-employed person makes out his annual tax return at the end of the year, he will be required to complete a very brief form which will be inside the return or attached to the return, indicating what his self-employed earnings for the year were. He will then calculate on this his 3.6 per cent and make his contribution to the Canada pension plan. This will, in turn, be fed through the computer and credited to the individual who is self-employed. Once these millions of records of individual earnings are set up, and you move on from there and say that any one of these people can take an average over a period of five years, it means that you have to go back for each such person and adjust the five calculations and note it on his earnings record, which by this time has been passed over to the department of health and welfare which also has to have information in this regard.

Mr. Olson: Am I right in saying that this has been considered and rejected? I think it is denying a principle which has been well established under the Income Tax Act, which is to allow farmers and fishermen to average their incomes and pay taxes on the average income. I do not agree with the minister that there is a difference between what he calls earnings and taxable income, because if the application of the income tax law is fair, and I think we agree it is the best we can do, then taxable income is exactly the same thing as earnings over this period. It is possible for someone to earn $3,000 in one year and $7,000 in the next year, which is an average I guess of $5,000 for the two years. Under the bill all he can possibly make a contribution upon in that kind of situation is $8,000. I feel that the minister should seriously reconsider this matter because it is a well known and well established principle that there should be a provision for averaging income in those cases where the net income is in fact a fluctuating figure.

Mr. Benson: I should like to put something on the record which was written by my