Canada Pension Plan (No. 2)

The issue of the criteria that should be used for adjusting the earnings ceiling on a continuing basis will be covered in the next CPP amendment bill. I might mention here that there has been unanimous agreement among the provinces and the federal government as to the basis for this adjustment. This present bill only establishes the ceilings for 1974 and 1975 only.

Although the proposed increases are substantial, it should be noted that they are still well short of reflecting the movement of Canadian wages since the inception of the plan. Average earnings this year are about $8,400. Next year it is estimated that they will rise to $9,000, and in 1975 to $9,600. The ceilings proposed have been determined on the following basis: for 1974, the CPP ceiling would be raised first to $5,900 to coincide with the one applying now to the QPP, and then by 12½ per cent to a level of $6,600. For 1975, the ceiling would be determined by increasing the 1974 ceiling by 12½ per cent to $7,400. In other words, the earnings ceiling for 1975 will, if the bill is enacted, be slightly in excess of the level that would have existed if the $5,000 earnings ceiling of 1966 had simply been increased by the full rise in the cost of living.

I should mention that establishment of an earnings ceiling for 1974 is an urgent requirement to enable employers to make CPP contribution payroll deductions from the start of 1974, and to avoid subjecting employers and employees to retroactive adjustments. However, establishment of an earnings ceiling for 1975 is also desirable to obviate an administrative difficulty for the Department of National Revenue.

To illustrate the problem I might mention that our desire to escalate CPP benefits in pay on the most current basis has led us to relate the cost of living adjustment of benefits to movements in the consumer price index to the end of October. The consumer price index, however, also determines, as the law now stands, the earnings ceiling for contributions up to and including 1975. While relating the adjustment of benefits to movements in the consumer price index up to October 31 is highly desirable, this date, if used for adjusting the earnings ceiling, would not allow the Department of Revenue sufficient time to give employers and employees adequate notice of payroll deduction requirements for 1975.

To remove this difficulty, the bill establishes the earnings ceiling for 1975 as well. Future arrangements for determining the earnings ceiling will be dealt with in the next bill which I plan to introduce on this question, and it may very well be that at that time we will want to repeat the provision for 1975.

The increases which the bill proposes in the earnings ceilings for 1974 and 1975 will have two important effects for new beneficiaries and contributors. That is, they will raise the level of retirement pensions and the earnings-related portions of survivor and disability benefits that will come into pay in the future. Secondly, they will increase total contributions for contributors who have earnings in excess of the present ceiling. The current contribution rates of 1.8 per cent for employees and employers, and 3.6 per cent for self-employed persons will, of course, not be changed by the bill.

I should like very briefly to illustrate the effect of these ceilings on retirement pensions. Under the present provisions of the act, maximum retirement pensions will reach $90.71 a month this December, just before the bill would come into effect. With the new ceilings, and operation of the transitional features of the plan, maximum retirement pensions would reach $109.60 a month in December, 1974, and $134.96 a month in December, 1975. This represents an increase of approximately 50 per cent over a two-year period.

[Mr. Lalonde.]

• (2020)

Increasing the earnings ceiling to $6,600 for 1974 will, as a byproduct, have the effect of increasing the contribution exemption from $600 to $700. This means that the contribution exemption level under the CPP and QPP will be the same for 1974. It also means that contributors with earnings of less than $5,700 in 1974 will find that the total CPP contributions they will have to make for 1974 will be slightly less than the ones they are making for 1973. Employee contributors with earnings in excess of $5,700 for 1974 will be required to contribute an additional 15 cents a month for each $100 of earnings in excess of $5,700, to a maximum additional contribution of $1.35 a month for 1974.

In other words, the maximum employee contribution for 1974 will increase from the current figure of $90 to $106.20. This would be matched by the employer. For the self-employed, who pay double rates, the maximum contribution would increase from $180 this year to $212.40 next year. On balance, it is estimated that the new earnings ceiling for 1974 will raise the level of contributions coming into the Canada Pension Plan fund during 1974 by about $100 million.

The most significant other provision in Bill C-224 is found in clause 8. This clause waives, for this bill only, the requirement that provinces must be given at least two years' advance notice of substantive amendments to the Canada Pension Plan. If this requirement were observed in this instance, it would not be possible to introduce full escalation of CPP benefits until January 1, 1976. The bill does, however, preserve the normal provincial consent provisions of the act, which means that if this bill were enacted by parliament it cannot come into force until two-thirds of the provinces having two-thirds of the Canadian population have signified their consent to the enacted amendments.

I might add, Mr. Speaker, that I fully expect that this consent will be given. In fact, the provisions of the bill before this House tonight have received the unanimous endorsement of all provinces at the federal-provincial conference of October 11, in Ottawa.

To summarize, Mr. Speaker, Bill C-224, if enacted by parliament, will increase the CPP payments now being received by some 500,000 Canadians by amounts varying from 8 to 20 per cent of current payments: it will increase the level of CPP retirement pensions and other benefits coming into pay in the future; and it will restore parallelism between the Canada and the Quebec Pension Plans in the areas of contributions, the escalation of current benefits, and future retirement pensions. I hope hon. members will agree that these important improvements should be passed on to Canadians as quickly as possible.