

*Pensions*

time. No matter how you bookkeep it and no matter how you theorize about it, pensions are in reality on a pay-as-you-go basis. What we have decided by our pension programs like old age security, Canada Pension Plan, Public Service pensions and all the rest is that in an economy such as we have in Canada it is perfectly possible, with the wealth that we produce, to decide that some of that wealth should go for the care and maintenance of children, some for the care and maintenance of those who are ill, and a portion of it for the continued security of those who are in retirement, and it does not render any aid to the cause to talk about what pensions have got to be in the year 2000.

In the year 2000 it will be the goods and services produced in that year which will determine the standard of living of those who are working and the standard of living of those who are on pensions. I am sure that when Mackenzie King was here and saw to it for a while that our pay was only \$4,000 a year, he would have been shocked at the thought of what we are getting today.

The Colin Browns like to talk about what these pensions might be 10 or 20 years from now, but what about wages and salaries 10 or 20 years from now? I say that a good deal of distortion comes into this picture when all these figures are used. What counts is current production, and out of current production we can afford to do it.

One of the things which has happened recently and which shows the need for a better scale of indexing, and also which shows that even indexing does not put pensioners in a preferred position, is what we have done with respect to the veterans disability pension. In 1973 we brought it up to the average take home pay of five categories in the public service. Some of us wanted—and there were reports in our favour—to let that formula apply year by year and to let the rate of that pension also be equal to the average take home pay of those five categories. The government would not buy that. The government set the rate at that level in 1973 and then let the consumer price index govern it from there on.

Now we have reached the point where the veterans on full disability pensions are several hundred dollars a year behind the formula we accepted in 1973. In other words, full indexation of that group has not put them in a preferred position. It merely enables them to buy the basket of goods and services they bought in 1973, but it gives them no opportunity to share in increased production or the increased standard of living. So I say that those who are arguing against pension indexing ought also to argue against wage increases and against higher salaries for those who run the insurance companies.

The fact of the matter is that indexing is a sound principle. It is good that it is here, and I am glad the minister has confirmed again today that it is government policy. I am glad the hon. member for Hamilton West, whether he thought he was complimenting the minister or finding something wrong, at least underlined that this statement is not a case of backing away from indexation but a case of endorsing it.

As to the proposals which are in the statement, in a couple of cases the minister intends to correct some abuses. One of

[Mr. Knowles (Winnipeg North Centre).]

these proposals certainly has to be supported. The other I want to comment on briefly.

The proposal that the indexing that anyone on pension for the first time gets in January should be related to the length of time he was working in the previous year, his last year of work, is absolutely sound. This idea that a person can retire on December 29 or 30 on full pension, and then get a year's indexation two or three days later, just does not wash, and I accept completely the proposal that indexation of that first cheque should be prorated.

● (1722)

The proposal about pensions being indexed for those who retire at age 55 after 30 years service, is one that I guess I have to go along with, because those who have profited by that rule have been persons away at the top. We had the initials of one here a while ago. They have been people who abused the system. It bothers me a bit that that indexing at age 55 has been taken away because for a long time I have been arguing that it should also apply to those who are retired from the Canadian Armed Forces and those who are retired from the Royal Canadian Mounted Police.

In most cases those individuals are not off in some other employment, they are retired. They have done their tour of service, and I think they should have had that benefit, but if the government is not going to give it to them, then I think the government is quite right in not giving it to the preferred group in the Public Service who can apply the age 55 with the 30 years of service rule. That rule has not been abused in all cases, let that be clear. The publicity is because of a few.

At any rate I buy completely the pro-rata provision I was talking about a moment ago, and I will accept this one.

Now, as to the main provisions in this proposal of the three-year review, this means that in October of this year the government will review the situation and then make a decision on the basis of what is in the accounts, as to what it can afford for the next three years. That will determine the indexing for the years 1979-80-1981, and then in the year 1981, by October, there will be another review for what can happen in 1982, 1983 and 1984.

Mr. Speaker, my fear is that the kinds of stories that the newspapers write about this will scare all the pensioners. They will hear that the pensions are being curbed—something is being done—there is a cut-back. They will hear about this in scare terms and they will say, "Fine, I am all right for three years, but what happens after that?" The minister's press release which he gave outside the House, which is in addition to what he gave us in the House, said that the extra interest being earned—just on the employees' portion in the main fund, the public service superannuation account, not the inflationary account on the side, but the extra interest—is nearly \$500 million a year.

There is plenty of money there so that as the minister sees it now, when October of this year comes and they review the situation, there is not any question but that indexing for the next three years will stay where it is. He does not make that