

Canada Pension Plan

of integrating a federally administered retirement test and a provincially administered retirement test would add a further dimension to the complexity.

An alternative approach which does not involve these complexities and which would be less onerous on those who do continue to have earnings, is the one now proposed. This will involve the removal of the \$500 income exemption for those at the age at which the new old age security payment becomes payable. The effect of this provision will in some ways be fairer than a retirement test in that it will affect all taxable income and not just earned income up to a ceiling of \$5,000. Those with very high incomes will, of course, have a considerable proportion of the \$900 pension recovered through income tax, while those with very low incomes will be unaffected. For persons with incomes in between, the degree of recovery will be related to levels of income with the amount of recovery becoming progressively higher as income rises.

In addition to the income from this source, there will be a gradual decline in expenditures under existing old age assistance programs. Expenditures under the Old Age Assistance Act will come to an end in 1970. Since the federal and provincial governments share these costs on a fifty-fifty basis, this proposal will relieve both federal and provincial governments of expenditures on old age assistance payments.

It is estimated that expenditures eliminated by this proposal would be \$19.8 million in 1966 and \$95.4 million in 1970. One half of the savings on old age assistance and a portion of the improvement in income tax revenue arising from recoveries from the \$900 a year pension and the removal of the \$500 exemption would accrue to the benefit of the federal budget, while the cost of the higher old age security pensions for those 65 and over would, of course, fall on the old age security fund.

It is estimated that old age security payments for persons 65 and over will amount to about \$998.5 million in 1966, \$1,109.4 million in 1967, \$1,248.9 million in 1968, \$1,404.5 million in 1969 and \$1,579.3 million in 1970. Under Bill C-136, with the age reduced pension commencing at \$51 a month at age 65, the costs would have been \$975.3 million in 1966 compared with the \$998 million now proposed—there is thus an increase of \$22.7 million in 1965—and \$1,306.1 million in 1970 compared with the \$1,579.3 million now

[Mr. Benson.]

proposed. This is a gross increase of \$273.2 million in 1970.

It can be seen from the sizeable amounts of expenditures involved that the government considers that it is important to stage the introduction of these pensions over a period of years, starting with those in the 69 year old group in 1966 and continuing by lowering the age one year at a time. The growth of the economy over the next five years will be helpful in providing additional income each year through the earmarked contributions used to finance the old age security fund. Estimates of revenues from the 3-3-4 formula indicate that there will be sufficient income in the fund to meet the additional expenditures arising from the increase in the pension from \$65 to \$75 a month introduced by the government and approved by this parliament and the additional expenditures arising from the lowering of the age of eligibility which is now under consideration by this house. These estimates indicate that in the five year period, 1966 to 1970, revenues should be sufficient to meet pension payments without the need for an increase in the rates of contributions to the old age security fund. I might add that this is the case for the foreseeable future beyond 1970 as well.

I might also indicate at this point that in this regard the government must show financial responsibility, and in this connection—

Mr. Knowles: Would the hon. member permit a question. Does that mean that if we were not making these changes the government would have been overtaxing the people of Canada in the old age security taxes?

Mr. Benson: The government would have been moving into a position where it could have funds available for old age security purposes. These funds, as my hon. friend well knows, may not be used for any other purposes.

One of the matters I should like to point out at this time to my hon. friend for Winnipeg North Centre is that in this the government is being financially responsible. With regard to the proposal which he espoused a little earlier in this debate, I have made a few calculations on the proposal outlined by him and this would cost not \$400 million odd next year, as was indicated by one of my hon. friends opposite, but \$813.1 million next year. In other words, if we were to follow the suggestion that we increase old age pensions to \$100 for everyone at age 65 next year, it would cost \$1,807.2 million as compared with \$994.1 million. My hon. friends