Mr. Benson: In answer to the hon. member for Comox-Alberni, Mr. Chairman, let me state that there is a problem in regard to varying incomes as far as the Income Tax Act is concerned. A similar problem must be faced in this country in connection with retirement savings. As I am sure the hon. member is aware, within the Income Tax Act there is a provision allowing farmers to average their incomes. Indeed, this problem was considered in connection with this plan. However, the benefits individuals are to receive under a pension plan must be decided in relation to their annual earnings, but at the same time must be determined on the basis of actual annual earnings of individuals for the documented period. For this reason, among others, instead of considering an averaging formula in connection with the Canada pension plan the dropout period was included. This dropout provision will allow individuals who have varying incomes over a period of years to take out years in which they received low incomes.

One of the things which would happen if we included an averaging provision as well as a dropout provision in the Canada pension plan would be that the gain obtained by the averaging provision might be offset by the dropout provision. We had to make a decision as to how we were going to deal with this situation, and it was felt that if we provided an averaging provision for a specific group of people covered by this plan we would experience pressure from other people to extend to them the same privilege. One might think, for example, of professional athletes.

When an individual receives an income in one year which is higher than normal, which would warrant a contribution higher than allowed under the provisions of the Canada pension plan, that individual may take advantage of the provisions under the Income Tax Act to make contributions to other schemes, such as savings plans or additional pension plans. That individual can use this extra money in those ways.

Mr. Olson: I should like to ask the minister what he intends to do under the circumstances which I propose to outline. In the event farmers or fishermen, as well as other similar groups of workers, take advantage of the provisions in the Income Tax Act which allows them to average out their net incomes over a period of five years, surely those averaged out incomes become the official incomes of these individuals for the five year period. How will the Minister of National Health and Welfare be able to reject those averaged out figures as being the acceptable incomes of those individuals for the five year period of time?

Mr. Benson: Mr. Chairman, the averaging provisions of the Income Tax Act do not affect the net income of an individual, but rather affect his tax on that income over a five year period. Net income is determined for the purposes of the Canadian pension plan on the basis of the income reported in each of the individual years. The averaging provisions of the Income Tax Act do not apply to the Canada pension plan.

From an administrative point of view, the Canada pension plan would be very difficult to deal with on this basis, because the Department of National Revenue must accumulate contributions from every individual in Canada, and keep records in that regard. There must be some finality to the computation of these contributions, otherwise one would find it almost impossible to administer the machinery through which this information is fed back.

Mr. Olson: Mr. Chairman, if the machinery that is to be set up under the provisions of this plan is unable to do justice to the task, perhaps we should develop some better machinery.

Mr. Thompson: Mr. Chairman, I should like to ask one question. Through what procedure is the value of a pension plan to a self-employed person, whose income varies during the years, to be determined? How will the value of an individual's accrued investment in this plan be determined when the time comes for the individual to receive pension benefits?

Mr. Benson: Mr. Chairman, what will happen in this case is that the contributions made by an individual in each year will be recorded.

A pension record will be kept of every contributor to the Canada pension plan and when he retires at age 65, if he chooses to retire at age 65 or if he retires at age 70, then the earnings over the period of years in which he contributed will be adjusted according to the earnings index. If the earnings index in Canada has risen, his pension benefit will be determined at that point after deducting the number of dropout years which he is permitted, which under the bill as it stands is 10 per cent. There is an amendment in this regard to come later. The low years