Parliament, present the government with a difficult dilemma.

As I mentioned a few moments ago, these changes will, if enacted, have a profound and long term effect on the Canada Pension Plan. Many Canadians, organizations, and Parliament will naturally wish to examine these proposed reforms thoroughly, and with a great deal of care. This is as it should be and as I would wish it to be. On the other hand, the government is anxious that increased benefits be placed in the hands of the 500,000 beneficiaries, who would immediately be affected by full escalation, in the earliest month possible, which is January 1974.

In addition, the government does not believe that 7 million CPP contributors and their employers should be placed in a long period of doubt as to the level of their 1974 contributions, nor should they be required to make retroactive payments to the CPP Fund.

This possibility could arise if enactment of the proposed earnings ceilings for next year is delayed beyond January 1, 1974.

To meet these conflicting objectives, the government has decided to split its legislation for amending the Canada Pension Plan into two bills—one bill would concern itself with the most urgently required changes, and the other one, with various other changes. The government hopes that with this approach, and the co-operation of Parliament and Canadians generally, it will be possible to meet the immediate needs of 1974 CPP beneficiaries and contributors, and at the same time leave Parliament and the people of Canada with ample opportunity and time to scrutinize the proposals that will have a fundamental and long-term effect on the Canada Pension Plan.

Bill C-224, therefore, represents the first of the two major CPP amendment bills which the government proposes to introduce, and contains the most urgently required reforms—that is, full escalation of CPP benefits, and increased earnings ceilings for CPP contributions for 1974 and 1975.

The second bill, which I hope to introduce later on, will concern itself with the other reforms mentioned.

[*English*]

The first major objective of Bill C-224 is to provide fully escalated benefits for the 500,000 persons who I estimate will be drawing CPP retirement, survivor and disability benefits as of December 31, 1973.

More specifically, the bill will achieve the following: Firstly, it would provide that from January 1, 1974 on, CPP benefits would be fully escalated according to increases in the cost of living. Secondly, it would fully restore the purchasing power of benefits which became payable between 1967 and 1973 and which are still being paid on December 31, 1973. In other words, for payments in 1974, the 2 per cent limit on the cost of living escalation of CPP benefits that now applies would be treated as though it had never existed for those monthly benefits still in pay. Thirdly, it would place the escalation of CPP benefits on a more current basis. At the present time, CPP benefits are adjusted according to movements in the consumer price index that occur over a 12-month period ending on June 30 of the previous year. This bill would advance this 12-month period to October 31.

● (2010)

In addition to allowing more current adjustments for the future, this amendment would require the 1974 benefit adjustment on the basis of a 16-month cost of living change. By referring to the bill hon. members will see the actual clause in that respect.

These changes, when taken together, mean that the retirement pensions that are being paid on December 31, 1973, would be increased in January, 1974, by rates ranging from 8 per cent to 20 per cent, depending upon the year in which they began. Perhaps for the record I should give these figures for each year, starting in 1967. I will not mention the individual years, but the years can be considered in ascending order. For retirement benefit, beginning in 1967, the January, 1974, escalation would be approximately 20 per cent, and in the subsequent years it would be 18 per cent, 15.5 per cent, 13.5 per cent, 11 per cent, 10.5 per cent and 8 per cent.

Orphans benefits would all be increased by about 20 per cent without regard to the year in which they first became payable. Basic orphan benefits would, therefore, rise from their present level of $28.15 a month to about $33.75 per month.

The effect of these changes on widows, disability and disabled widower benefits cannot be calculated as readily, for these benefits are comprised of differing combinations of flat rate components, which would be increased by 20 per cent, and earnings—related components which would be increased from 8 per cent to 20 per cent.

The increases for these benefits would, however, fall in the range of 8 per cent to 20 per cent for widows over 65, 13 per cent to 20 per cent for widows under 65; and 11 per cent to 20 per cent for disability benefits. Generally speaking, the largest percentage increases would apply to those drawing benefits for the longest period and to those drawing the smallest benefits. The cost of making these escalation improvements is estimated at approximately $30 million for 1974.

The second objective of the bill is to increase the earnings ceiling for Canada Pension Plan contributions for 1974 and 1975. The act, at present, provides that this ceiling which, to use the language of the act, is called the year's maximum pensionable earnings, is determined, up to and including 1975, by the consumer price index, subject to a 2 per cent annual increase ceiling. This formula would produce earnings ceilings of $5,700 and $5,800 for 1974 and 1975 respectively. The government, through Bill C-224, is proposing that these ceilings be raised to $6,600 for 1974, and to $7,400 for 1975.

In my meetings with the provinces, with labour and business organizations and with members of the Canada Pension Plan advisory committee, I encountered the virtually unanimous view that the current earnings ceiling for CPP coverage is grossly inadequate. This view coincides with the one held by the government. Generally speaking, the view was expressed that the ceiling should move according to the movement of average wages in the Canadian economy, but different views were expressed as to whose wages should be used to adjust the earnings ceiling and how the adjustments should be calculated.