

Pension Benefits Standards Act, 1985

(3) Any amount that is added to a pension benefit or a deferred pension benefit in any calendar year pursuant to adjustments in that year is deemed for any subsequent calendar year to be attributable to membership in the pension plan after December 31, 1986.

(4) Where, in relation to any calendar year, a pension benefit becomes payable or the entitlement to a deferred pension benefit arises less than a full year before the prescribed day as of which the benefit is required to be adjusted in that calendar year, the maximum amount that is required to be added to the benefit by way of such adjustment in that calendar year is the maximum amount that would otherwise be required to be so added multiplied by the number of days that the benefit was payable before the prescribed day and divided by the number of days in the calendar year.

(5) The Pension Index for any calendar year shall be calculated, in the prescribed manner, as the average for the twelve month period ending October 31 in the preceding year of the Consumer Price Index for each month in that twelve month period.

(6) For any year for which the calculation required by subsection (5) yields a Pension Index that is less than the Pension Index for the preceding year, the Pension Index shall be taken to be the Pension Index for the preceding year.

(7) Where at any time the Consumer Price Index is adjusted to reflect a new time basis or a new content basis with a resulting percentage adjustment being made in the figures for that Index, a corresponding percentage adjustment shall be made in all values existing in the Pension Index."

Mr. Neil Young (Beaches): Very briefly, Mr. Speaker, in the interpretation section of the Act there is no definition of the Consumer Price Index which is referred to in the Act. The purpose of this amendment is to define the Consumer Price Index.

Hon. Douglas C. Frith (Sudbury): Mr. Speaker, that is quite correct. The decision by the Chair to group Motions Nos. 1, 9, and 14 brings to the fore the need for inflation protection, which is one of the major reasons I put these amendments forward. I would like to speak to all three motions which illustrate my disagreement with the way in which the Government has proceeded with amendments to the federal Pension Benefits Standards Act. The matter goes beyond that Act.

Bill C-90 is a combination of over 12 years of debate on the need for an overhaul of private pension plan legislation. Bill C-90 will affect only those workers who fall within federal jurisdiction. However, it also goes a long way toward standardization of private pension plan legislation in the country. As a result, there have been extensive negotiations with provincial Governments toward standardizing private pension plan legislation. Among other things, it will overhaul and improve the portability and vesting which takes place in private pension plans.

I am upset that with the exception of Manitoba no provincial Government nor the federal Government has taken the lead to mandate inflation protection in private pension plans. That is a major error in the legislation before us. As Chairman of the all-Party Committee on Pension Reform I travelled in every province and both Territories. Extensive public hearings were held on this matter. With the exception of the business community, every group which appeared before the pension task force asked that inflation protection be a mandatory requirement of private pension plans.

In the last two or three years we have become complacent in that there has been a significant reduction in the inflation rate in the country. Prior to 1983, at the height of the period of time in which pension reform was being studied by the all-Party task force, inflation was in the 12 to 14 per cent range. As a result, many people who retired in 1980 on what they thought would be adequate pensions found that after three to four years of double-digit inflation their purchasing power was cut in half. As a result, they asked that, in addition to making private pension plans more portable with earlier vesting, we should institute a minimum degree of inflation protection.

The previous Government accepted the bulk of recommendations of the task force with regard to private pension reform as well as public pension reform. The then Minister of Finance, Mr. Lalonde, accepted the principle that if private pension plans were to be of any use to workers they should have a degree of mandatory inflation protection. That is why we have put a formula in Motion No. 14 which includes a capping to a maximum of 8 per cent as well as a mandatory inflation protection for the workers of the country.

I believe that the majority of the workers in the country will be very upset with the way in which the federal Government has failed to lead the nation with regard to pension reform. I do not believe it is good enough to say that the package before us is the only one which is possible with consensus. When the rule of consensus is applied to democracy, you end up with mediocrity. In every instance we have witnessed a Volkswagen approach to pension reform.

I am not suggesting for a moment that the Bill before us is a step backward. It is a step forward. I believe that when Bill C-90 becomes legislation the workers in the country will be far better protected than they were previously. Under the existing legislation, before a worker's pension credits and the employer's contributions were locked into a vehicle the worker had to have worked for that company for 10 years or be at least 45 years of age. That work pattern does not match the emerging work patterns of today's generation of Canadians. That is why the recommendation to go to a two-year vesting period is so critical. These kinds of improvements are important for the protection of workers' rights. However, the one major area where I have serious doubts is where the Government has failed to mandate inflation protection so that workers when they retire can look forward to an adequate retirement income based on known inflation protection. It seems to me that if the business community is going to live up to its obligations, the law should require them to mandate inflation protection for their workers. Those workers have worked hard for the businesses and deserve an adequate retirement income. Yes, there is a price to be paid. The business community said it could not afford that price. I say to them that if they are not prepared to pay the additional cost then they should stand back and allow the Government to simply double the public pension plan system so the workers are adequately protected in that way. The onus is on business and also on the federal Government to give leadership in this area.