plement pension savings up to that uniform limit of 18 per cent.

A fair system also requires consistent dollar limits on saving in different plans. To match the existing pension limit of $60,000 on defined benefit plans, this means a contribution limit of $15,500. Thus, it is proposed to raise the dollar contribution limits to this level to provide comparable tax assistance to those saving through different types of plans.

However, to limit tax assistance to high income earners, the contribution limit increases will be phased in over a transition period to 1995, and the maximum pension limit will be frozen during that period of time. As a result, the maximum earnings eligible for full tax assistance at the 18 per cent rate will fall from 3.5 to 1.5 times the average wage. Members may note that this change is very much in line with a recommendation made by the Parliamentary Task Force on Pension Reform in 1983. I might say at this point that most of the changes to the pension system came from the recommendations of that committee which was chaired by a friend of mine and former colleague, the Hon. Doug Frith, the then member for Sudbury, who spent a considerable amount of time on pension reform in the early 1980s. I think the House should recognize the contribution made by Doug Frith and his colleagues from all parties to the legislation that we are debating today in the House of Commons.

Some Hon. Members: Hear, hear!

Mr. McDermid: Now he is in the private sector making money.

The phasing-in of the new contribution limits will start in 1991 and be completed by 1995. For money purchase plans, the maximum contribution will be increased to $12,500 in 1991 and by $1,000 a year thereafter until it reaches $15,500 in 1994. The RRSP contribution limit will be increased to $11,500 in 1991 and will also increase by $1,000 a year reaching $15,500 in 1995. Once this phase-in period is complete, the dollar limits will be adjusted by increases in the average industrial wage in the same manner as the maximum covered earnings level is adjusted under the Canada Pension Plan.

Another major shortcoming of the existing system is its inflexibility. Individuals cannot make up for missed saving opportunities. As we all know, it is not always possible to put aside a set proportion of earnings for retirement each year. Another element of inflexibility is the absence of opportunity for employees to make up for loss of benefits upon job termination, a serious shortcoming in our mobile society.

The first of these problems will be met by a new carry-forward provision. Taxpayers will be able to take advantage of unused deductions for up to seven years. This is very important for the small business person who may be starting out in business and does not have moneys that he can contribute to his RRSP in the early years of establishing his or her business. However, as they progress and the business becomes profitable, they may have extra funds to establish a retirement program for themselves and will have that carry forward from the years when the earnings were lean and they did not have that opportunity.

This would also apply to young families who are starting out and buying homes and perhaps devoting a lot of their money at the beginning to purchase the home and get established but in later years have some money to invest for retirement income. This carry-forward program is very important. It also applies to farmers who may have lean years and good years and will have that carry-forward program on the RRSPs. We believe that this is a major plus for the pension reform.

The second problem will be addressed by providing special additions to the RRSP limits of those who lose benefits on termination from a pension plan. The extra contribution opportunities will help them make up for such losses. If they had a pension plan that was very good in one company and went to another company where it was not as good, they can now make up the differences with the RRSP. This is a much fairer system.

I have already noted that we have proposed to restrict tax assistance to high-income earners by freezing the maximum pension limit until 1995. The reform of the contribution limits also eliminates a variety of opportunities that have permitted taxpayers to obtain excessive tax deferral advantages. Let me point out a few of these.

First, the codification of the maximum pension limits in the Income Tax Act will bring an end to a growing number of exceptions that have been made to the limits.