

● (1550)

As I said earlier, Mr. Speaker, we have the Pension Benefits Standards Act which has since 1967 required both employer and employee contributions to be invested after ten years of service of an employee provided he is 45 years of age. I suggest that the ten-year period should be eliminated or reduced, say, to two years and the age provision should be completely eliminated.

Another defect of most private pension plans is that they pay an employee a fixed amount upon retirement. In some cases they pay 60 per cent of salary, calculated on the best five years. That may be pretty good for a worker who retires in 1973. But where the cost of living increases by 4 per cent or 5 per cent every year, as it has in recent years, a worker who can manage quite well on his pension this year if he retires at age 65 may find that at age 75 his income has been reduced by between 40 per cent and 50 per cent. I suggest that private pension plans should be changed to have built into them the same principles that are now being built into the Canada Pension Plan, that is, they should be increased by at least the increase in the cost of living.

Another defect in most private pension plans is that, while an employee is required to contribute a certain percentage of his wage or salary, say 5 per cent or 6 per cent, 6½ per cent in the case of railway workers, the same is not required of the company. The amount the company pays varies from year to year and from employee to employee, and simply guarantees that the employee will receive a certain amount. I think employers should be required to match the contribution made by employees. Take the railways as an example. The CNR employees pay 6 per cent of their wages as their contribution, and the CPR employees pay 6½ per cent. But the CNR itself pays only 1.75 per cent, and the CPR pays 2¼ per cent as its contribution. That kind of advantage to the companies should not be condoned or excused.

I suggest that the Canada Pension Plan Act should be amended to require the provinces to enact legislation to incorporate escalator clauses in private pension plans. The federal government should be asked to put such a requirement into the Pension Benefits Standards Act. If that were done, then the package that people retiring would receive in the form of old age pension, benefits from the Canada Pension Plan to which they have contributed, and the pension plan established by their private employer would guarantee that they could live at a decent standard, given all the suggestions I have put forward.

It seems to me rather obvious, Mr. Speaker, that the integration of private pension plans with the Canada Pension Plan which has taken place in many cases has had a perverse effect upon private plans, an effect which nobody could foresee; or if they did, they did not speak about it. The Canada Pension Plan and the kind of improvements we are proposing in this bill are based upon a plan which is not funded. This means that the increased benefits are provided through the transfer of funds from the public sector to those who will benefit. Many groups of people are not covered by this plan; for example, housewives, people on welfare who do not work, and people who are unskilled and earn small wages. The benefits under the provisions of this plan are based upon the contributions

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made, and people such as those I have mentioned either receive no benefits at all or benefits at the lowest end of the scale. The chief beneficiaries are those in the top earnings bracket who pay the maximum amount allowable and, when they retire, will receive the maximum amount permitted under the Canada Pension Plan Act. That is another illustration of giving to those who already have.

Another matter which I think should be looked at, not necessarily today but in the near future, is the integration of the Canada Pension Plan with private pension plans which has taken place. A very good illustration of that is the pension payable to railway workers. This has resulted in the transfer of a large number of benefits to private companies. When we increase the Canada Pension Plan, in many cases we reduce the liability of the private company.

A very large number of private pension plans are set up in such a way that when the employee retires he receives a total pension package. In other words, to the extent that the Canada Pension Plan benefits are increased, the obligation of the private pension plan toward his pension is reduced. In those circumstances, since the worker's contribution is set as a certain percentage of his wage or salary, and since that is deducted every pay day, when the employee retires and you begin to calculate what the company has to put in in order to meet their obligation to his pension, you find the amount they have to contribute is much less than it was before the Canada Pension Plan came into effect. To that extent there is obviously a transfer of the burden from the private company—the railway is one of the best illustrations—to the public.

It seems to me we should be looking at the legislation we have or which we ought to provide in order to regulate and set higher standards for private pension plans so that the benefits they pay will be commensurate with their obligation. I know this kind of thinking will be anathema to the private insurance companies. I do not say this because I think they are inherently bad. Insurance companies are in business to make profits, as other companies are. They want to sell more retirement pension plans to more and more employers and employees. I suggest that just as we found in the field of hospital and medical insurance that the state can do a better job than the private sector of the economy, so we shall find—as we are indeed finding—that the federal and provincial governments can do a better job in the field of pensions than can the private sector of the economy.

● (1600)

While commending the minister for the changes he has brought before the House, I urge him to give serious consideration, along with his provincial counterparts, to the introduction of other legislation which equally with the Canada Pension Plan is necessary if we are to regulate and control private pension plans which play such an important part in the well-being of millions of retired citizens.

**Mr. G. A. Percy Smith (Northumberland-Miramichi):** Mr. Speaker, I welcome this opportunity to take part in the debate and to join other hon. members in expressing support for Bill C-224. I notice that the lead-off speakers for the opposition parties, the hon. member for Hillsborough (Mr. Macquarrie), the hon. member for Winnipeg