

age pensions shall affect the operation of any law present or future of a Provincial Legislature in relation to old age pensions.

So, I think the authority of the Parliament of Canada to deal with legislation of this kind, and which has been exercised a number of times over the years, is clearly set out in that section. It does not derogate from the authority of the provinces to legislate in this field, but it does confer authority on the Parliament of Canada to take action.

I think I should also remind honourable senators that in 1965, by chapter 21 of the Statutes of 1964-65, Parliament passed the Canada Pensions Act. Due to changes in the social structure of our country by industrialization, urbanization, the sophistication of our economy, the early retirement of people from their life work and avocation, there arose the need, as indeed in many other modern industrialized countries, for the provision of pensions for older citizens after their retirement.

Perhaps one of the factors which contributed to this situation is another deplorable fact of modern life, namely, the disintegration of the family unit. This did not happen so often when our cities were smaller, when many people lived in small towns or on farms. Urbanization and industrialization and the general development of the economy have all contributed to these general social changes which have evolved.

The first steps that were taken by Parliament in recognition of these facts, against the background I already placed on the record of this house when I introduced the measure to implement the Canadian Pension Plan, was towards the end of World War II, when there was recognition given in the Income Tax Act to private pension plans.

I do not want to go into details, but honourable senators are aware that as a result of the tax adjustments that were made in the Income Tax Act at that time, it was possible for some two million Canadians, about 30 per cent of the work force of the country, to be assisted for the most part by contributory pension plans and also by noncontributory plans. The contributions became deductible in the years in which they were made, and when the pension was paid out after retirement, then the tax was applied, of course. The income had fallen after retirement, and so the rate was lower.

In addition to the assistance that was given through private pension plans which were ap-

proved and registered with the Department of National Revenue, there was another provision in the Income Tax Act called the Retirement Savings Plan provision. That plan enabled individuals to allocate a certain percentage of their income to an approved fund, and such individuals would not pay the tax on the contributions to that fund in the year in which the contribution was made. That fund could be set aside and held for them on certain conditions to be used after their retirement as a source of revenue, as assistance, as a pension. These were two methods which were to be privately operated.

Finally, in 1965 Parliament passed the Canada Pension Plan. Under that plan some six and one-third million Canadians or more were covered, which would be approximately 92 per cent of the work force of Canada. The Canada Pension Plan was integrated with the Old Age Assistance Act. At that time the Old Age Assistance payment was \$75 a month, payable at 70 years of age without a means test. However, it also provided that within five years progressively, one per cent year by year, the age date at which the old age pension cheque would become available was to be reduced until it reached 65, and that would occur in the year 1970.

Hon. Mr. Thorvaldson: You are referring to the Old Age Security Act, are you not? You mentioned the Old Age Assistance Plan.

Hon. Mr. Connolly (Ottawa West): I beg your pardon. Thank you, Senator Thorvaldson. Yes, I am talking about the Old Age Security Act.

The Old Age Security Fund was established at that time, in 1962. In 1965 that fund, which is of considerable size now, was made up of the proceeds of three per cent of the sales tax collected, three per cent of the corporate income tax collected, and four per cent of the personal income tax collected in a given year.

There was a ceiling then of a special tax for the old age security fund of \$120. As honourable senators know, the mini-budget or supplementary budget, introduced in the House of Commons on Monday evening, doubled this tax from \$120 to \$240, and increased by one per cent the sales tax, except for certain items. That change will make funds available to look after the payments which this bill contemplates.

Honourable senators are familiar with the provisions of the Canada Pension Plan. Under it, contributions are payable by employers and employees, each paying 1.8 per cent of the