assistance for retirement saving that it provides are an important part of a major series of pension reforms that have been introduced in recent years. All are aimed at improving income security for Canadians in retirement.

The improvements in the tax assistance removes serious shortcomings in the present system, which penalize some taxpayers and give undue advantage to others. Canadians will find that the new measures improve their ability to plan their financial future and assure a reasonable level of income security in retirement.

Tax assistance for pension and retirement savings is based on a simple principle: within clear limits, income set aside for retirement should not be taxed when it is saved. It should be taxed only when it is received as a pension. By allowing taxpayers to defer tax on savings and on the growth of those savings in the years before retirement, the tax system provides a valuable incentive for Canadians to arrange for their financial security in later years.

New limits in the tax assistance system will give millions of Canadians a better opportunity to attain income security in their later years. The reform introduces a uniform limit on the proportion of earnings that are eligible for tax deduction when they are saved for retirement. This will give all working Canadians, regardless of their employment situations, equal access to tax assistance.

The system will become more flexible. For example, taxpayers will have up to seven years to make up their allowable contributions for any one year. New provisions will also guard against unintended or excessive use of the system particularly by higher income individuals. This will strengthen control of costs to the public treasury.

These improvements constitute another important step in the government's pension reform program, which has enjoyed support in its broad principles and provisions from most members of this House. It is a program that has moved forward steadily with the co-operation of the provincial governments in a process involving extensive consultations with business, labour groups, the pension industry and individual Canadians.

The importance of pension reform has become increasingly clear in recent years as the baby boom generation advances towards retirement age. In coming years, the proportion of retired people in our population will greatly increase.

Members will recall the main pension reforms already adopted to meet this challenge and deal with shortcomings in the pension system. These reforms include improvement of benefits under the Canada Pension Plan and the Spouses Allowances Program, changes in contribution rates to make the financing of the Canada Pension Plan secure, and important improvements and minimum benefit standards of private pension plans.

The tax assistance system is one of the three building blocks in our retirement income structure. The first block, which assures all senior citizens a minimum income, consists of an old age security pension and the associated guaranteed income supplement and spouses allowance. The second block, which guarantees a basic level of earnings replacement after retirement, is made up of the compulsory Canada and Quebec pensions plans, to which all employers, employees and the self-employed contribute. The third block consists of individual and employers' sponsored provisions for retirement income. Tax assistance for retirement saving helps Canadians increase their retirement income to the level needed to avoid disruption of living standards when they retire.

The basic way in which tax assistance works remains unchanged. Tax is deferred, both on the contribution to a registered plan and on investment income earned within the plan, until income is paid out on retirement.

These tax advantages are no small matter. Today, they cost the federal government $5 to $6 billion a year in foregone tax revenue; they cost the provinces an additional $3 billion. Canadians strongly approve of tax assistance, however, because nothing is more important to individual lives or to the social fabric than income security in retirement years. At the same time, Canadians want the system to do the job fairly and effectively.

The tax advantages provided to retirement saving should be designed to complement public pension programs by assisting Canadians to build the target level of pension income that will permit them to maintain adequate living standards after retirement. Since work-related expenses, income taxes, and saving requirements all usually decline at retirement, earnings need not be fully replaced. A pension of 60 per cent to 70 per cent of