

quite satisfied with the Canada Pension Plan as it exists now.

When the plan was first introduced in 1965, the reaction from the Canadian public was generally favourable, as is the case for all legislation submitted under a Liberal administration. As I was saying, the pension plan was very well received, because Canadians were quick to understand that when their age for retirement will arrive, they will proudly claim their pension.

I said that they will proudly claim their pension, because they will not be asking for social security allowances or financial assistance from their government, they will simply be asking for what is theirs, a pension that they shall have paid for under the Canada Pension Plan. After ten years of existence, it could be, as was expressed by the hon. member for Winnipeg North Centre (Mr. Knowles), that some changes might prove necessary, but I am sure that if amendments or changes are made, they will only improve the legislation. Certain changes have been brought to the legislation in recent years, and I must reiterate that this was accomplished once again thanks to the sound administration of a Liberal government.

First of all, the number of Canadians able to contribute to the retirement plan was considerably increased. Second, the amount of monthly benefits was raised and it is estimated that by 1980, upon retirement a citizen will be able to receive as much as \$250 a month in addition to his old age security, and even as much as \$350 a month by the year 1985. Third, citizens aged 65 to 70 will be able to continue to work, if they so wish, while continuing to receive their retirement pension from the pension plan.

● (1740)

[English]

In studying the motion before us one must single out the possible inequities in Bill C-33. For instance, the motion proposes that for the purpose of receiving benefits, self-employed farmers and fishermen be entitled to average their income over a five-year period. In essence it seems that the proposition is predicated on the belief that it would be to the individual's advantage under the CPP if the plan were to incorporate certain of the provisions of the Income Tax Act. The underlying assumptions then must be that the implications of wide fluctuations of income are the same for both acts, and that the effects of the Income Tax Act provisions would remedy any inequities under the CPP. There are, however, strong reasons for suspecting that neither the implications nor the effects of the remedy are similar, and indeed the reverse can be the case.

For example, because of the way income tax rates are developed, an even pattern of earnings is nearly always more beneficial to the individual taxpayer. The same principle does not apply to the CPP contributor. To illustrate let me point out that the best CPP earnings for the years 1973, 1974 and 1975 are, respectively, \$5,600, \$6,600 and \$7,400, that is, maximum earnings in each year. If we were to consider the average earnings for these years, that is \$6,533, the individual's income tax position would be good, but he would not benefit under the CPP at all since his earnings for 1973 would be too high and would fall below the maximum for 1974 and 1975.

Canada Pension Plan

The second way in which identification of the two acts falls down is in the upper limits of each or, rather, the rising annual maximum earnings ceiling under the CPP as compared to the indefinite ceiling for income tax purposes. For the CPP ceiling the absolute amount of earnings in any given year is not as important as the relationship of those earnings to the CPP ceiling for that year. For example, earnings of \$5,000 in 1966 have greater value for purposes of a CPP benefit calculation than earnings of \$7,300 in 1975, because the \$5,000 equals the 1966 earnings ceiling.

Yet another factor in assessing whether adoption of the motion would provide advantages to contributors has to do with the minimum contributory qualifications for some of the plan benefits. That is, just one valid contribution entitles a participant to a retirement pension under the plan. However, in order to provide for the plan's other benefits, an individual must make valid contributions to the plan for a certain minimum period of time. In order for a survivor's pension, orphans' benefits or a lump sum benefit to be paid under the plan, it must be established that the deceased contributor made valid contributions to the plan for a minimum period, which ranges from three to ten years, depending upon when the contributor became subject to the plan.

So far as disability pensions and the disabled contributor's child's benefit are concerned, the minimum period of contributions in order to qualify for these benefits ranges from five to ten years, with a further recency qualification that five of those contribution years must be within the ten years before the onset of the disability.

With these qualifications in mind, consider the situation of a self-employed farmer or fisherman whose annual earnings might be \$1,000 in each of the first two years, and who had no further earnings for the next three years. Under present law he would have contributory earnings for two of the five years. However, if his earnings were to be averaged over the five-year period, he could not be considered as having contributory earnings in any of the five years. This loss of contributory years could be critical in terms of qualifying for either disability or survivor benefits.

This is all by way of demonstrating that, for some of the key provisions of the act, it may be crucial to preserve a given year as one in which contributions are made, regardless of the level of the earnings in that year, so long as the figure is higher than the annual basic exemption.

Both the Income Tax Act and the CPP recognize that the most usual earnings curve is one which starts low and ends high, yet both also provide special arrangements for deviations from this usual pattern. There is, however, a necessary distinction to be made in these special arrangements. Because the CPP operates over each participant's whole career, the special provisions for fluctuations in income are applied generally and are not restricted to a given class or classes. Moreover, because the special CPP arrangements serve to ameliorate many different variations in earnings patterns, there may be little use in superimposing the averaging arrangement provided in the Income Tax Act. The superimposing of the five year averaging option would complicate the plan, which is not now known for its simplicity, and would demand the talents of